

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the 2015A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, interest on the Bonds is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See the caption “TAX EXEMPTION.”

\$67,195,000

**SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE BONDS,
SERIES A**

\$2,035,000

**SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE BONDS,
TAXABLE SERIES B**

Dated: Date of Delivery**Due: February 1, as shown on inside front cover**

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on August 1, 2015 and each February 1 and August 1 thereafter. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse said payments to the Beneficial Owners of the Bonds through their nominees.

The Bonds are subject to optional redemption and mandatory sinking fund redemption, all as more fully described in this Official Statement.

The Bonds are being issued to provide funds: (i) to acquire a wastewater treatment facility for the Wastewater Enterprise; (ii) to fund a termination payment payable to the current operator of the wastewater treatment facility; (iii) to fund a Reserve Account for the Bonds; (iv) to pay costs incurred in connection with the issuance of the Bonds; and (v) as to a portion of the proceeds of the 2015B Bonds, to pay other capital costs of the Wastewater Enterprise.

The Bonds are being delivered pursuant to the Indenture of Trust, dated as of April 1, 2015, by and among the City of Santa Paula, the Santa Paula Utility Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds are a special limited obligation of the Utility Authority payable solely from Net Revenues of the Wastewater Enterprise on a parity with the Wastewater Enterprise Revenue Bonds, 2010A Series and 2010B Series (Taxable), which are currently outstanding in the aggregate principal amount of \$11,240,000, and from certain other funds and accounts held by the Trustee pursuant to the Indenture. The Wastewater Enterprise is operated by the City’s Public Works Department on behalf of the Utility Authority, which leases the Wastewater Enterprise from the City pursuant to a Wastewater Enterprise Lease Agreement. Neither the full faith and credit nor any other revenues or funds of the Utility Authority are pledged to or available for the payment of debt service on the Bonds. The obligation of the Utility Authority to make payments of principal of and interest on the Bonds does not constitute an obligation for which the Utility Authority is obligated to levy or pledge any form of taxation or for which the Utility Authority has levied or pledged any form of taxation. The Utility Authority has no taxing power.

The Bonds are not a debt of the City of Santa Paula, the County of Ventura, the State of California, or any of its political subdivisions, and neither the City, the County, the State, nor any of its political subdivisions, is liable hereon, nor in any event will the Bonds be payable out of any funds or properties of the Utility Authority other than the Revenues.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE

(See inside front cover)

The Bonds are offered when, as and if delivered and received by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City and the Utility Authority by the City Attorney, for the Utility Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Disclosure Counsel, and for the Trustee by its counsel. The Underwriter was represented by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about April 30, 2015.

FirstSouthwest

**MATURITY SCHEDULE
BASE CUSIP[†] 802556**

\$67,195,000

**SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE BONDS, SERIES A**

<i><u>Maturity (February 1)</u></i>	<i><u>Principal Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>	<i><u>CUSIP[†]</u></i>
2017	\$ 270,000	3.000%	0.850%	103.731	BK5
2018	765,000	5.000	1.180	110.314	AQ3
2019	805,000	5.000	1.440	112.957	AR1
2020	840,000	4.000	1.640	110.746	AS9
2021	880,000	4.000	1.860	111.621	AT7
2022	915,000	4.000	2.100	111.901	AU4
2023	950,000	4.000	2.310	111.930	AV2
2024	990,000	4.000	2.500	111.723	AW0
2025	1,030,000	4.000	2.610	111.897	AX8
2026	1,070,000	5.000	2.730	119.317 ^C	AY6
2027	1,125,000	5.000	2.840	118.283 ^C	AZ3
2031	1,310,000	5.000	3.200	114.972 ^C	BB5
2032	1,380,000	5.000	3.250	114.521 ^C	BC3
2033	1,445,000	5.000	3.290	114.162 ^C	BD1
2034	1,515,000	5.000	3.330	113.804 ^C	BE9
2035	1,590,000	3.500	3.700	97.210	BF6

\$3,665,000 3.500% Term 2015A Bonds Due February 1, 2030 – Yield 3.380% Price 100.986^C CUSIP[†] BA7
\$9,105,000 5.000% Term 2015A Bonds Due February 1, 2040 – Yield 3.450% Price 112.738^C CUSIP[†] BG4
\$16,495,000 5.000% Term 2015A Bonds Due February 1, 2045 – Yield 3.500% Price 112.298^C CUSIP[†] BJ8
\$21,050,000 5.000% Term 2015A Bonds Due February 1, 2050 – Yield 3.610% Price 111.336^C CUSIP[†] BH2

\$2,035,000

**SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE BONDS, TAXABLE SERIES B**

<i><u>Maturity (February 1)</u></i>	<i><u>Principal Amount</u></i>	<i><u>Interest Rate</u></i>	<i><u>Yield</u></i>	<i><u>Price</u></i>	<i><u>CUSIP[†]</u></i>
2016	\$1,550,000	0.620%	0.620%	100.000	BL3
2017	485,000	1.100	1.100	100.000	BM1

^C Priced to call on first optional redemption date of February 1, 2025 at par.

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SANTA PAULA UTILITY AUTHORITY

BOARD OF DIRECTORS

John Procter, Chair
Martin F. Hernandez, Vice-Chair
Jim Tovias, Director
Jenny Crosswhite, Director
Ginger Gherardi, Director

CITY OF SANTA PAULA

CITY COUNCIL MEMBERS

John Procter, Mayor
Martin F. Hernandez, Vice Mayor
Jim Tovias, Councilmember
Jenny Crosswhite, Councilmember
Ginger Gherardi, Councilmember

CITY STAFF

Jaime Fontes, City Manager
Sandra K. Easley, Finance Director/City Treasurer
Jennifer Alarcon, Accountant/Deputy City Treasurer
Brian J. Yanez, Public Works Director
John C. Cotti, Esq., City Attorney

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Bond Counsel

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San Francisco, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the Utility Authority or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City or the Utility Authority or other matters described in this Official Statement since the date hereof.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED IN THIS OFFICIAL STATEMENT WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE FRONT COVER PAGE OF THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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SUMMARY STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Purpose. The Bonds are being issued to provide funds: (i) to acquire a wastewater treatment facility for the Wastewater Enterprise, as described under the caption “INTRODUCTION—The 2015 Project;” (ii) to fund a termination payment payable to the current operator of the wastewater treatment facility, as described under the caption “INTRODUCTION—The 2015 Project;” (iii) to fund a Reserve Account for the Bonds, as described under the caption “SECURITY FOR THE BONDS—Reserve Account;” (iv) to pay costs incurred in connection with the issuance of the Bonds; and (v) as to a portion of the proceeds of the 2015B Bonds, to pay other capital costs of the Wastewater Enterprise. See the caption “INTRODUCTION—Estimated Sources and Uses of Funds.”

Security for the Bonds. The Bonds are special limited obligations of the Utility Authority payable solely from Net Revenues of the Wastewater Enterprise on a parity with the Wastewater Enterprise Revenue Bonds, 2010A Series and 2010B Series (Taxable), which are currently outstanding in the aggregate principal amount of \$11,240,000, and from certain other funds and accounts held by the Trustee pursuant to the Indenture. Neither the full faith and credit nor any other revenues or funds of the Utility Authority are pledged to or available for the payment of debt service on the Bonds. The obligation of the Utility Authority to make payments of principal and interest on the Bonds does not constitute an obligation for which the Utility Authority is obligated to levy or pledge any form of taxation or for which the Utility Authority has levied or pledged any form of taxation. The Utility Authority has no taxing power.

The Bonds are not a debt of the City, the County of Ventura, the State of California, or any of its political subdivisions, and neither the City, the County of Ventura, the State of California, nor any of its political subdivisions, is liable hereon, nor in any event will the Bonds be payable out of any funds or properties of the Utility Authority other than the Revenues.

Rate Covenant. The Utility Authority, jointly with the City, will fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues that are sufficient to pay the following amounts in the following order of priority: (i) all anticipated Operation and Maintenance Costs for such Fiscal Year; (ii) Annual Debt Service payments as they become due and payable during such Fiscal Year, except to the extent that: (a) sufficient funds to make such Annual Debt Service payments have been deposited in the Bond Fund prior to the commencement of such Fiscal Year; or (b) the Bonds have been defeased under the Indenture; (iii) the amount, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement; and (iv) all other payments required to pay debt service on Parity Obligations coming due and payable during such Fiscal Year.

In addition, the Utility Authority, jointly with the City, will fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that, after making allowances for contingencies and error in the estimates, and, so long as no 2010 Bonds are outstanding, including any amounts transferred from the Rate Stabilization Fund, at least equal 120% of the total Debt Service payments coming due and payable in such Fiscal Year.

See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Additional Indebtedness. The Indenture does not permit the Utility Authority to issue or incur any additional bonds or other obligations having any senior priority in payment of principal or interest out of the

Net Revenues in whole or in part. The Indenture permits the Utility Authority to incur Parity Obligations payable on a parity with the payments of principal of and interest on the Bonds provided that certain conditions are satisfied as described in the Indenture. See the caption “SECURITY FOR THE BONDS—Additional Indebtedness.”

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption, all as more fully described under the caption “THE BONDS—Redemption.”

The Wastewater Enterprise. The Wastewater Enterprise includes the wastewater treatment plant known as the Water Recycling Facility, which is being acquired with a portion of the proceeds of the Bonds, and a related wastewater collection system.

The collection system includes approximately 60 miles of gravity-fed collection pipelines ranging from 4 to 33 inches in diameter, two lift stations and 0.5 miles of force mains. The collection system is currently operated by American Water Operations and Maintenance, Inc. on behalf of the City pursuant to a Maintenance Agreement. Wastewater is collected and delivered to the Water Recycling Facility, a membrane bio-reactor wastewater treatment plant with a total treatment capacity of 3.4 million gallons per day.

The Water Recycling Facility was previously owned and operated by Santa Paula Water LLC pursuant to a Design, Build, Operate and Finance Agreement, dated June 16, 2008, by and among the City, Santa Paula Water LLC and Pacific Environmental Resources Corp. A portion of the proceeds of the Bonds will be applied to finance the City’s purchase the Water Recycling Facility for a price of \$70,800,000. See the caption “INTRODUCTION—The 2015 Project.”

In Fiscal Year 2014, the average daily flow of the Wastewater Enterprise was approximately 1.9 million gallons per day from 6,023 single family and multifamily residential connections and 538 commercial, industrial and other connections.

The Wastewater Enterprise is managed by the City’s Public Works Department on behalf of the Utility Authority, which leases the Wastewater Enterprise from the City pursuant to the Wastewater Enterprise Lease Agreement. See the caption “SECURITY FOR THE BONDS—Net Revenues Consist of Revenues Less Operation and Maintenance Costs.”

\$67,195,000
SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE
BONDS, SERIES A

\$2,035,000
SANTA PAULA UTILITY AUTHORITY
2015 WASTEWATER ENTERPRISE REVENUE
BONDS, TAXABLE SERIES B

INTRODUCTION

General

This Official Statement, including the cover page and all appendices, provides certain information concerning the sale and delivery of the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Series A (the “2015A Bonds”) and the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B (the “2015B Bonds” and, together with the 2015A Bonds, the “Bonds”). Descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all applicable terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each such document. Capitalized terms used and not otherwise defined in this Official Statement have the meanings ascribed thereto in Appendix B.

The Bonds are being issued pursuant to an Indenture of Trust, dated as of April 1, 2015 (the “Indenture”), by and among the City of Santa Paula (the “City”), the Santa Paula Utility Authority (the “Utility Authority”) and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”). The Bonds are special limited obligations of the Utility Authority payable solely from Net Revenues of the Wastewater Enterprise, consisting of Revenues of the Wastewater Enterprise less Operation and Maintenance Costs of the Wastewater Enterprise, and from certain other funds and accounts held by the Trustee pursuant to the Indenture. The Bonds are payable from Net Revenues on a parity with the Wastewater Enterprise Revenue Bonds, 2010A Series and 2010B Series (Taxable) (collectively, the “2010 Bonds”), which are currently outstanding in the aggregate principal amount of \$11,240,000.

The Wastewater Enterprise is managed by the City of Santa Paula (the “City”) Public Works Department on behalf of the Utility Authority, which leases the Wastewater Enterprise from the City pursuant to the Wastewater Enterprise Lease Agreement described under the caption “SECURITY FOR THE BONDS—Net Revenues Consist of Revenues Less Operation and Maintenance Costs.”

Neither the full faith and credit nor any other revenues or funds of the Utility Authority (other than the Net Revenues) are pledged to or available for the payment of debt service on the Bonds. The obligation of the Utility Authority to make payments of principal and interest on the Bonds does not constitute an obligation for which the Utility Authority is obligated to levy or pledge any form of taxation or for which the Utility Authority has levied or pledged any form of taxation. The Utility Authority has no taxing power.

The Bonds are not a debt of the City, the County of Ventura (the “County”), the State of California (the “State”) or any of its political subdivisions in contravention of any constitutional or statutory limitations, and neither the City, the County, the State nor any of its political subdivisions is liable on the Bonds, nor in any event will the Bonds be payable out of any funds or properties of the Utility Authority other than the Net Revenues.

See the caption “SECURITY FOR THE BONDS.”

The Bonds are being issued to provide funds: (i) to acquire a wastewater treatment facility for the Wastewater Enterprise, as described under the caption “—The 2015 Project;” (ii) to fund a termination payment payable to the current operator of the wastewater treatment facility, as described under the caption “—The 2015 Project;” (iii) to fund a Reserve Account for the Bonds, as described under the caption “SECURITY FOR THE BONDS—Reserve Account;” (iv) to pay costs incurred in connection with the

issuance of the Bonds; and (v) as to a portion of the proceeds of the 2015B Bonds, to pay other capital costs of the Wastewater Enterprise. See the caption “—Estimated Sources and Uses of Funds.”

Changes have been made to this Official Statement since the Preliminary Official Statement dated April 7, 2015 on the front cover page, in the Summary Statement, under the captions “INTRODUCTION—General” and “INTRODUCTION—Estimated Sources and Uses of Funds” and in Appendix B to reflect the application of a portion of the proceeds of the 2015B Bonds to pay other lawfully incurred capital costs of the Wastewater Enterprise.

The 2015 Project

A portion of the proceeds of the Bonds will be applied: (i) to finance the City’s purchase of the Water Recycling Facility (the “WRF”), a membrane bio-reactor wastewater treatment plant that currently treats wastewater from the City’s Wastewater Enterprise (as such term is defined below); and (ii) to fund a portion of the cost of a termination payment payable to PERC Water Corporation (formerly known as Pacific Environmental Resources Corp.) (“PERC”), the current operator of the WRF. PERC will continue to operate the WRF until approximately late 2016, after which time the City intends to undertake a bidding process with respect to a new operating agreement.

The WRF, which commenced operations in 2010, provides tertiary treatment of wastewater and has a total treatment capacity of 3.4 million gallons per day (“MGD”) and a peak operating capacity of 7.0 MGD.

The “Wastewater Enterprise” means the wastewater system of the City leased to the Utility Authority under the Wastewater Enterprise Lease Agreement, including but not limited to all facilities, properties and improvements at any time leased or owned by the City for the collection, treatment and disposal of wastewater from residents served thereby, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto later acquired, constructed or installed by the Utility Authority or the City.

Historically, the Wastewater Enterprise has not included any wastewater treatment facilities. Instead, the City has retained third party contractors to operate and manage wastewater treatment facilities on the City’s behalf. The City’s wastewater is currently treated at the WRF, which was constructed pursuant to arrangements that were originally entered into in 2008 between the City, Santa Paula Water LLC, a private company and PERC. See the caption “THE WASTEWATER ENTERPRISE—Regulatory Matters” for further information with respect to the construction of the WRF.

The WRF is located on land owned by the City that had previously been leased to Santa Paula Water LLC pursuant to a Ground Lease, dated June 30, 2008 (the “Ground Lease”), by and between the City and Santa Paula Water LLC.

Santa Paula Water LLC owned the WRF and contracted with PERC to operate the WRF pursuant to: (i) a Design, Build, Operate and Finance Agreement, dated June 16, 2008 (as amended by the First Amendment to Design, Build, Operate and Finance Agreement, dated June 30, 2008, the “DBOF”), by and among the City, Santa Paula Water LLC and PERC; and (ii) a Design, Build and Operate Agreement, dated June 30, 2008 (the “WRF Operating Agreement”), by and between Santa Paula Water LLC and PERC. PERC is an Arizona corporation that is licensed as a general contractor in California and as a contract operator by the State Water Resources Control Board (the “SWRCB”). PERC operates at least eight water recycling facilities throughout the United States.

In September 2013, the City initiated an arbitration proceeding against Santa Paula Water LLC, as the design/builder of the WRF, asserting that the DBOF obligated Santa Paula Water LLC to ensure that effluent from the WRF meets certain chloride treatment and removal standards imposed by the WRF’s waste discharge permit, as described under the caption “THE WASTEWATER ENTERPRISE—Regulatory Matters.” In

settlement of such proceeding, the City intends to exercise an option in the DBOF to purchase the WRF from Santa Paula Water LLC. A portion of the proceeds of the Bonds is expected to be used to finance the City's purchase of the WRF, as described below.

Pursuant to a Purchase and Sale Agreement (the "Purchase Agreement"), by and between the City and Santa Paula Water LLC, the City will purchase the WRF for a total price of \$70,800,000 (the "Purchase Price") on or about the date of issuance of the Bonds. The Purchase Price was negotiated by the City and reflects a discount from the buyout price set forth in the DBOF of approximately \$75,000,000. The Purchase Agreement and related documents contain certain closing conditions and require the City to release Santa Paula Water LLC and related parties from all liabilities relating to the WRF. See the caption "CERTAIN RISKS TO BONDHOLDERS—Acquisition of WRF."

Upon the City's purchase of the WRF, the DBOF and the Ground Lease will be terminated and Santa Paula Water LLC and PERC will have no further obligations thereunder. However, PERC will continue to operate the WRF pursuant to the terms of the WRF Operating Agreement. Under an Assignment and Assumption Agreement (the "Assignment Agreement"), by and between the City, Santa Paula Water LLC and PERC, the City will assume the rights and obligations of Santa Paula Water LLC under the WRF Operating Agreement.

The WRF Operating Agreement has a remaining term of 25 years and expires in 2040. Under the WRF Operating Agreement, PERC is obligated to operate and maintain the WRF, to pay routine operating and repair costs and to make personnel available to respond to service outages and emergencies. The City intends to terminate the WRF Operating Agreement in 2016, prior to the expiration of the term, and currently intends to undertake a bidding process for a new operating agreement for the WRF (the "New WRF Operating Agreement"). The City is required to make a termination payment to PERC in the amount of \$940,242 in order to terminate the WRF Operating Agreement. A portion of the proceeds of the 2015B Bonds will be applied to fund such payment.

PERC's compensation for operation of the WRF consists of fixed and variable rate components, payable monthly. The fixed rate component is equal to the current amount of approximately \$105,990 per month, subject to annual increases in accordance with the Consumer Price Index. The variable rate component is dependent upon the amount of wastewater treated at the WRF and is equal to: (i) \$0.43 per 1,000 gallons treated; plus (ii) \$0.16 per pound biochemical oxygen demand (a measure of the amount of dissolved oxygen needed by aerobic biological organisms to break down organic material); plus (iii) \$0.24 per pound of suspended solids (i.e. particles that do not pass through filtration systems).

Payments to PERC for the treatment of wastewater at the WRF currently constitute and payments under the New WRF Operating Agreement will continue to constitute a portion of the total Operation and Maintenance Costs of the Wastewater Enterprise. See the caption "SECURITY FOR THE BONDS—Net Revenues Consist of Revenues Less Operation and Maintenance Costs."

As discussed under the caption "CERTAIN RISKS TO BONDHOLDERS—Acquisition of WRF," the Utility Authority's projections of Operation and Maintenance Costs of the WRF assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. However, there can be no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to pay Operation and Maintenance Costs and debt service on the Bonds. See the caption "SECURITY FOR THE BONDS—Rate Covenant."

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

Sources⁽¹⁾:	2015A Bonds	2015B Bonds	Total
Principal Amount of Bonds	\$ 67,195,000	\$ 2,035,000	\$ 69,230,000
City Contribution ⁽²⁾	1,800,750	--	1,800,750
Plus Net Original Issue Premium	<u>7,635,661</u>	<u>--</u>	<u>7,635,661</u>
Total Sources:	\$ 76,631,411	\$ 2,035,000	\$ 78,666,411
Uses⁽¹⁾:			
Project Fund	\$ 70,800,000 ⁽³⁾	\$ 1,800,000 ⁽⁴⁾	\$ 72,600,000
Reserve Fund	4,864,000	203,500	5,067,500
Costs of Issuance Fund ⁽⁵⁾	<u>967,411</u>	<u>31,500</u>	<u>998,911</u>
Total Uses:	\$ 76,631,411	\$ 2,035,000	\$ 78,666,411

(1) Amounts rounded to the nearest dollar.

(2) Includes moneys held in a reserve fund established pursuant to the DBOF.

(3) Reflects payment of Purchase Price of WRF.

(4) To be applied to make payment in the estimated amount of \$940,242 to PERC for termination of WRF Operating Agreement and to pay other capital costs of the Wastewater Enterprise.

(5) Includes fees of Bond Counsel, Disclosure Counsel, the Trustee and S&P, Underwriter's discount, printing costs and certain other miscellaneous costs.

THE BONDS

General Provisions

The 2015A Bonds will be issued in the aggregate principal amount of \$67,195,000 and the 2015B Bonds will be issued in the aggregate principal amount of \$2,035,000. The Bonds will bear interest from and be dated the date of initial issuance, and will be payable upon maturity on the dates set forth on the inside front cover page. Interest on the Bonds will be payable on August 1, 2015 and each February 1 and August 1 thereafter, and will be calculated at the rates set forth on the inside front cover page of this Official Statement on the basis of a year of 360 days comprised of twelve 30 day months.

The Bonds will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in integral multiples of \$5,000. See the caption "—Book-Entry Only System" below and Appendix D.

In the event that the book-entry only system described below is discontinued, the principal of any Bond will be payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the Trust Office in Los Angeles, California. Such principal and interest will be payable in lawful money of the United States of America.

Book-Entry Only System

One fully registered Bond will be issued for each maturity of the Bonds in the principal amount of the Bonds of such maturity, registered in the name of Cede & Co. and deposited with DTC. As long as the ownership of the Bonds is registered in the name of Cede & Co., the term "Owner" as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the Bonds (the "Beneficial Owners").

The Utility Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds will be printed and delivered and will be

governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Utility Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will collect any tax or other governmental charge on the transfer of any Bonds under the Indenture. Whenever any Bond or Bonds is surrendered for transfer, the Utility Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Utility Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will collect any tax or other governmental charge on the exchange of any Bonds under the Indenture. The Utility Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

Limitations. The Trustee may refuse to transfer or exchange, under the provisions of the Indenture, any Bonds selected by the Trustee for redemption under the Indenture, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

Redemption

Optional Redemption.

2015A Bonds. The 2015A Bonds maturing on or before February 1, 2025, are not subject to optional redemption prior to their respective stated maturity dates. The 2015A Bonds maturing on or after February 1, 2026, are subject to redemption in whole, or in part among maturities on such basis as the Utility Authority may designate and by lot within a maturity, at the option of the Utility Authority, on any date on or after February 1, 2025, from any available source of funds, at a redemption price equal to the principal amount of the 2015A Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Utility Authority must give the Trustee written notice of its intention to redeem 2015A Bonds under the optional redemption provisions of the Indenture, and the manner of selecting such 2015A Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with the Indenture.

2015B Bonds. The 2015B Bonds are not subject to optional redemption prior to their respective stated maturity dates.

Mandatory Sinking Fund Redemption. The 2015A Bonds maturing on February 1, 2030 (the “2030 Term 2015A Bonds”), are also subject to redemption, by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal

to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof may be purchased as set forth below):

<i>Sinking Fund Redemption Date (February 1)</i>	<i>Principal Amount to be Redeemed</i>
2028	\$1,180,000
2029	1,220,000
2030*	1,265,000

* Final Maturity.

The 2015A Bonds maturing on February 1, 2040 (the “2040 Term 2015A Bonds”), are also subject to redemption, by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof may be purchased as set forth below):

<i>Sinking Fund Redemption Date (February 1)</i>	<i>Principal Amount to be Redeemed</i>
2036	\$1,645,000
2037	1,730,000
2038	1,820,000
2039	1,905,000
2040*	2,005,000

* Final Maturity.

The 2015A Bonds maturing on February 1, 2045 (the “2045 Term 2015A Bonds”), are also subject to redemption, by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof may be purchased as set forth below):

<i>Sinking Fund Redemption Date (February 1)</i>	<i>Principal Amount to be Redeemed</i>
2041	\$2,985,000
2042	3,135,000
2043	3,290,000
2044	3,455,000
2045*	3,630,000

* Final Maturity.

The 2015A Bonds maturing on February 1, 2050 (the “2050 Term 2015A Bonds” and, together with the 2030 Term 2015A Bonds, the 2040 Term 2015A Bonds and the 2045 Term 2015A Bonds, the “Term 2015A Bonds”), are also subject to redemption, by lot, on February 1 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof may be purchased as set forth below):

<i>Sinking Fund Redemption Date (February 1)</i>	<i>Principal Amount to be Redeemed</i>
2046	\$3,810,000
2047	4,000,000
2048	4,200,000
2049	4,410,000
2050*	4,630,000

* Final Maturity.

However, if some but not all of the Term 2015A Bonds have been optionally redeemed pursuant to the Indenture, the total amount of all future payments pursuant to mandatory sinking fund redemption with respect to such Term 2015A Bonds will be reduced by the aggregate principal amount of such Term 2015A Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 as determined by the Utility Authority (written notice of which determination will be given by the Utility Authority to the Trustee).

In lieu of redemption of the Term 2015A Bonds pursuant to the preceding paragraph, amounts on deposit in the Bond Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the Utility Authority, upon the Written Request of the Utility Authority delivered to the Trustee, at any time for the purchase of such Term 2015A Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Utility Authority may in its discretion determine. The par amount of any of such Term 2015A Bonds so purchased by the Utility Authority in any 12-month period ending on May 15 in any year will be credited towards and will reduce the par amount of such Term 2015A Bonds required to be redeemed pursuant to the Indenture on the next succeeding February 1.

Execution of New Bonds Upon Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Utility Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Utility Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity of the same issue, the Trustee will select the Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

Notice of Redemption

The Trustee will mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books, and the Securities Depositories.

The Trustee will electronically file a copy of each notice of redemption with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system, or such other services providing information with respect to called bonds in accordance with then-current guidelines of the Securities and Exchange Commission, or any other such services that the Utility Authority may designate in writing to the Trustee.

Each notice of redemption will state: (i) the date of the notice; (ii) the redemption date; (iii) the place or places of redemption; (iv) whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed; (v) the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed; and (vi) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Each notice relating to an optional redemption pursuant to the Indenture may be conditional, and will further state that such redemption may be rescinded by the Utility Authority on or prior to the date set for redemption.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Utility Authority, for and on behalf of the Utility Authority.

Effect of Redemption

If notice of redemption has been duly given as provided under the caption “—Notice of Redemption,” and moneys for payment of the redemption price of, interest accrued to the date fixed for redemption on, and any applicable premium on, the Bonds (or portions thereof) so called for redemption are held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, those Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. All Bonds redeemed under the foregoing provisions will be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

Rescission of Redemption

The Utility Authority has the right to rescind any optional redemption pursuant to the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation does not constitute an Event of Default under the Indenture. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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Debt Service Schedule

Set forth below is a schedule of payments of principal of and interest on the Bonds and the 2010 Bonds for each annual period ending on June 30 of the years indicated.

<i>Fiscal Year Ending June 30</i>	<i>Bond Debt Service</i>			<i>2010 Bonds Debt Service</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Service</i>	<i>Total</i>
2015	\$ -	\$ -	\$ -	\$ 882,520.00	\$ 882,520.00
2016	1,550,000.00	2,434,799.50	3,984,799.50	883,270.00	4,868,069.50
2017	755,000.00	3,224,810.00	3,979,810.00	883,570.00	4,863,380.00
2018	765,000.00	3,211,375.00	3,976,375.00	884,045.00	4,860,420.00
2019	805,000.00	3,173,125.00	3,978,125.00	883,770.00	4,861,895.00
2020	840,000.00	3,132,875.00	3,972,875.00	887,450.00	4,860,325.00
2021	880,000.00	3,099,275.00	3,979,275.00	884,275.00	4,863,550.00
2022	915,000.00	3,064,075.00	3,979,075.00	883,250.00	4,862,325.00
2023	950,000.00	3,027,475.00	3,977,475.00	886,300.00	4,863,775.00
2024	990,000.00	2,989,475.00	3,979,475.00	883,175.00	4,862,650.00
2025	1,030,000.00	2,949,875.00	3,979,875.00	884,125.00	4,864,000.00
2026	1,070,000.00	2,908,675.00	3,978,675.00	883,900.00	4,862,575.00
2027	1,125,000.00	2,855,175.00	3,980,175.00	882,500.00	4,862,675.00
2028	1,180,000.00	2,798,925.00	3,978,925.00	884,925.00	4,863,850.00
2029	1,220,000.00	2,757,625.00	3,977,625.00	885,837.50	4,863,462.50
2030	1,265,000.00	2,714,925.00	3,979,925.00	885,237.50	4,865,162.50
2031	1,310,000.00	2,670,650.00	3,980,650.00	883,125.00	4,863,775.00
2032	1,380,000.00	2,605,150.00	3,985,150.00	878,287.50	4,863,437.50
2033	1,445,000.00	2,536,150.00	3,981,150.00	881,875.00	4,863,025.00
2034	1,515,000.00	2,463,900.00	3,978,900.00	883,275.00	4,862,175.00
2035	1,590,000.00	2,388,150.00	3,978,150.00	882,487.50	4,860,637.50
2036	1,645,000.00	2,332,500.00	3,977,500.00	884,512.50	4,862,012.50
2037	1,730,000.00	2,250,250.00	3,980,250.00	884,000.00	4,864,250.00
2038	1,820,000.00	2,163,750.00	3,983,750.00	880,950.00	4,864,700.00
2039	1,905,000.00	2,072,750.00	3,977,750.00	885,362.50	4,863,112.50
2040	2,005,000.00	1,977,500.00	3,982,500.00	881,625.00	4,864,125.00
2041	2,985,000.00	1,877,250.00	4,862,250.00	-	4,862,250.00
2042	3,135,000.00	1,728,000.00	4,863,000.00	-	4,863,000.00
2043	3,290,000.00	1,571,250.00	4,861,250.00	-	4,861,250.00
2044	3,455,000.00	1,406,750.00	4,861,750.00	-	4,861,750.00
2045	3,630,000.00	1,234,000.00	4,864,000.00	-	4,864,000.00
2046	3,810,000.00	1,052,500.00	4,862,500.00	-	4,862,500.00
2047	4,000,000.00	862,000.00	4,862,000.00	-	4,862,000.00
2048	4,200,000.00	662,000.00	4,862,000.00	-	4,862,000.00
2049	4,410,000.00	452,000.00	4,862,000.00	-	4,862,000.00
2050	<u>4,630,000.00</u>	<u>231,500.00</u>	<u>4,861,500.00</u>		<u>4,861,500.00</u>
Total	\$69,230,000.00	\$78,880,484.50	\$148,110,484.50	\$22,973,650.00	\$171,084,134.50

SECURITY FOR THE BONDS

General

Pledge. The Bonds are a special limited obligation of the Utility Authority payable solely from Net Revenues of the Wastewater Enterprise on a parity with the 2010 Bonds and future Parity Obligations, and from certain other funds and accounts held by the Trustee pursuant to the Indenture. Neither the full faith and credit nor any other revenues or funds of the Utility Authority are pledged to or available for the payment of debt service on the Bonds. The obligation of the Utility Authority to make payments of principal and interest on the Bonds does not constitute an obligation for which the Utility Authority is obligated to levy or pledge any form of taxation or for which the Utility Authority has levied or pledged any form of taxation. The Utility Authority has no taxing power.

The Bonds are not a debt of the City of Santa Paula, the County of Ventura, the State of California, or any of its political subdivisions, and neither the City, the County, the State, nor any of its political subdivisions, is liable hereon, nor in any event will the Bonds be payable out of any funds or properties of the Utility Authority other than the Revenues.

All of the Net Revenues (as defined under the caption “—Net Revenues Consist of Revenues Less Operation and Maintenance Costs”) and any other amounts (including the proceeds of the sale of the Bonds) held in any of the funds or accounts under the Indenture, have been irrevocably pledged, charged and assigned to the punctual payment of the principal of and interest on the Bonds, and except as otherwise provided in the Indenture, the Net Revenues and such other funds will not be used for any other purpose so long as any of the Bonds remain Outstanding. Such pledge, charge and assignment constitutes a first lien on the Net Revenues and such other moneys for the payment of the principal of and interest on the Bonds in accordance with the terms of the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

All Net Revenues collected or received by the Utility Authority, or the City on behalf of the Utility Authority, will be deemed to be held, and to have been collected or received, by the Utility Authority or the City as the agent of the Trustee and will be paid by the Utility Authority or the City to the Trustee pursuant to the Indenture.

There has been created in connection with the 2010 Bonds a fund entitled the “Revenue Fund,” which is held and administered by the City on behalf of the Utility Authority. Such fund has been continued by the Indenture. The Utility Authority will cause the City, and the City has agreed and covenanted, to deposit all of the Revenues immediately upon receipt in the Revenue Fund.

The Utility Authority’s obligation to pay the Annual Debt Service payments and any other amounts coming due and payable under the Indenture are a special obligation of the Utility Authority limited solely to the Net Revenues available thereunder. Under no circumstances will the Utility Authority be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified in the Indenture for the payment of Annual Debt Service, nor will any other funds or property of the Utility Authority be liable for the payment of Annual Debt Service or any other amounts coming due and payable thereunder.

The obligations of the Utility Authority to make Annual Debt Service payments from the Net Revenues and to perform and observe the other agreements contained in the Indenture are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the Utility Authority, the City or the Trustee of any obligation with respect to the Wastewater Enterprise, whether under the Indenture or otherwise, or out of indebtedness or liability at any time owing to the Utility Authority or the City by the Trustee. Until all of the Annual Debt Service payments and all other amounts coming due and payable under the Indenture are fully paid or prepaid and defeased, the Utility Authority: (a) will not suspend or discontinue payment of any Debt Service payments or such other amounts; and (b) will perform and observe all other agreements contained in the Indenture, including, without limitation the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Utility Authority or the Trustee to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Indenture.

Application of Revenue Fund. After the deposit of moneys in the Revenue Fund, the City will transfer moneys in the Revenue Fund to the Trustee, in the amounts, at the times and in the order set forth below. The Trustee will promptly deposit such moneys in the Interest Account, Principal Account and

Reserve Account (including a Series A Subaccount and Series B Subaccount therein) of the Bond Fund (all of which have been created as a fund and accounts therein to be held and administered by the Trustee), at the times and in the order set forth below.

(a) Deposits to Interest Account. On or before each January 15 and July 15, the City will, from the moneys in the Revenue Fund, and without preference or priority: (i) transfer to the Trustee for deposit into the Interest Account of the Bond Fund the amount equal to the aggregate amount of interest coming due and payable on the Bonds on the next succeeding Interest Payment Date; and (ii) transfer to each fiduciary for the Parity Obligations for deposit in the interest account relating to such Parity Obligations a sum sufficient to provide for the portion of the next succeeding debt service payment designated as interest and coming due on the next succeeding Interest Payment Date, less any amounts withdrawn by such fiduciary from any capitalized interest account established for such Parity Obligations for deposit in such interest account. If on any such January 15 or July 15 Net Revenues are insufficient to make all of such transfers, the City will transfer ratably each interest payment relating to the Bonds and the Parity Obligations.

(b) Deposits to Principal Account. On or before each January 15, the City will, from the moneys in the Revenue Fund, and without preference or priority: (i) transfer to the Trustee for deposit into the Principal Account of the Bond Fund the amount equal to the aggregate amount of the principal coming due and payable on the next succeeding Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption; and (ii) transfer to each fiduciary for the Parity Obligations for deposit in the analogous principal account relating to such Parity Obligations a sum sufficient to provide for the portion of the next succeeding debt service payment designated as principal and coming due on the next succeeding Principal Payment Date, whether by reason of scheduled maturity or mandatory sinking fund redemption. If on any such January 15 Net Revenues are insufficient to make all of such transfers, the City will transfer ratably each principal payment relating to the Bonds and the Parity Obligations.

(c) Credit for Amounts on Hand. Any moneys already on deposit in the Interest Account or the Principal Account of the Bond Fund or in any analogous interest account or principal account as a result of interest earnings may be taken into account by the City in making such transfers to the Trustee and such other fiduciaries.

(d) Deposits to Reserve Account. On or before each January 15 and July 15, the City will, from the moneys in the Revenue Fund, and without preference or priority: (i) if the amount on deposit in the Reserve Account is below the Reserve Requirement, transfer to the Trustee for deposit into the Reserve Account of the Bond Fund the amount equal to such insufficiency; and (ii) if there is an insufficiency in the applicable reserve fund or account for Parity Obligations, transfer to each fiduciary for the Parity Obligations for deposit in the analogous debt service reserve account relating to such Parity Obligations the amount equal to such insufficiency. See the caption “—Reserve Account.”

(e) Surplus. Moneys on deposit in the Revenue Fund not necessary to make any of the payments required above may be expended by the City and the Utility Authority at any time for any lawful purpose.

Application of Interest Account. The Trustee will use and withdraw all amounts in the Interest Account solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Application of Principal Account. The Trustee will use and withdraw all amounts in the Principal Account solely to pay the principal amount of the Bonds on their respective maturity dates, including the aggregate principal amount of the Term Bonds (if any) subject to mandatory sinking fund redemption under the Indenture.

Net Revenues Consist of Revenues Less Operation and Maintenance Costs

The obligation of the Utility Authority to pay the principal of and interest on the Bonds is payable from Net Revenues of the Wastewater Enterprise on a parity with the 2010 Bonds.

“Net Revenues” means, for any Fiscal Year of the City ending June 30 (each, a “Fiscal Year”), an amount equal to all of the Revenues received with respect to such Fiscal Year, minus Operation and Maintenance Costs becoming payable with respect to such Fiscal Year.

“Revenues” means all revenues, income, rents, fees, charges, rates and other moneys and receipts derived by the Utility Authority from or attributable to the lease and operation of the Wastewater Enterprise including, without limitation, the following: (i) all revenues attributable to the Wastewater Enterprise or to the payment of the costs thereof received by the Utility Authority, including without limitation revenues derived from user rates and charges, any contract for service from the Wastewater Enterprise or any part thereof, and any contractual arrangement with respect to the use of the Wastewater Enterprise or any portion thereof or the services or capacity thereof; (ii) the proceeds of any standby or connection fees collected by the Utility Authority; (iii) the proceeds of any insurance covering business interruption loss relating to the Wastewater Enterprise; (iv) investment income earned on any moneys or securities deposited in any accounts to secure or provide for the payment of Debt Service, and interest received on any invested moneys of the Wastewater Enterprise; and (v) any amounts transferred to the Revenue Fund from the Rate Stabilization Fund.

However, Revenues exclude in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Utility Authority, any proceeds of property taxes or assessments required by law to be used by the Utility Authority to pay bonds or other obligations secured by those property taxes or assessments, and any amounts reimbursed to the Utility Authority by the United States of America pursuant to Section 54AA of the Code, or any future similar program.

“Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Wastewater Enterprise calculated in accordance with generally accepted accounting principles, including but not limited to: (a) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order; (b) administrative costs of the City that are charged directly or apportioned to the Wastewater Enterprise, including but not limited to salaries and wages of employees, payments to any pension system, overhead, insurance premiums, taxes (if any), fees of auditors, accountants, attorneys or engineers; and (c) all other reasonable and necessary costs or charges of the City and the Utility Authority (other than debt service payments) required to comply with the terms of the Bonds or of any resolution or indenture authorizing the issuance of Parity Obligations, or of such Parity Obligation. Operation and Maintenance Costs include payments to PERC for operation of the WRF under the WRF Operating Agreement and will continue to include payments for operation of the WRF under the New WRF Operating Agreement. See the caption “INTRODUCTION—The 2015 Project.”

“Operation and Maintenance Costs” exclude: (1) debt service payable on obligations incurred by the Utility Authority or the City with respect to the Wastewater Enterprise, including but not limited to the payment of Debt Service on the Bonds, the 2010 Bonds and any Parity Obligations; (2) depreciation, replacement and obsolescence charges or reserves therefor; (3) capital expenditures (other than as set forth in clause (a) above); and (4) amortization of intangibles or other bookkeeping entries of a similar nature.”

In order to secure the payment of the principal of and interest on the Bonds, all of the Net Revenues will be pledged as described under the caption “—General.”

The Utility Authority’s lease payments under the Wastewater Enterprise Lease Agreement are not payable from Net Revenues, but are payable on a subordinate basis to the payments of principal of and interest on the Bonds from surplus revenues of the Wastewater Enterprise remaining after paying Operation and

Maintenance Costs, the Bonds, the 2010 Bonds and future Parity Obligations and capital improvement costs. See the caption “—General.”

Rate Covenant

The Utility Authority, jointly with the City, will fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Revenues that are sufficient to pay the following amounts in the following order of priority: (i) all anticipated Operation and Maintenance Costs for such Fiscal Year; (ii) Annual Debt Service payments as they become due and payable during such Fiscal Year, except to the extent that: (a) sufficient funds to make such Annual Debt Service payments have been deposited in the Bond Fund prior to the commencement of such Fiscal Year; or (b) the Bonds have been defeased under the Indenture; (iii) the amount, if any, required to restore the balance in the Reserve Account to the full amount of the Reserve Requirement; and (iv) all other payments required to pay debt service on Parity Obligations coming due and payable during such Fiscal Year.

In addition, the Utility Authority, jointly with the City, will fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that, after making allowances for contingencies and error in the estimates, and, so long as no 2010 Bonds are outstanding, including any amounts transferred from the Rate Stabilization Fund, at least equal 120% of the total Debt Service payments coming due and payable in such Fiscal Year.

Reserve Account

The Reserve Account is required to be funded in the amount of the Reserve Requirement for each series of the Bonds. The initial Reserve Requirement for the 2015A Bonds is \$4,864,000.00 and the initial Reserve Requirement for the 2015B Bonds is \$203,500.00, for a total deposit to the Reserve Account upon issuance of the Bonds of \$5,067,500.

The Indenture defines the “Reserve Requirement,” as of the date of calculation, as the least of the following amounts, calculated separately for the 2015A Bonds and the 2015B Bonds:

- (a) Maximum Annual Debt Service on the 2015A Bonds or the 2015B Bonds, as applicable;
- (b) 10% of the total of the proceeds of the 2015A Bonds or the 2015B Bonds, as applicable; and
- (c) 125% of average Annual Debt Service on the 2015A Bonds or the 2015B Bonds, as applicable.

Disbursements. The Trustee will use and withdraw all amounts in the Reserve Account solely for the following purposes: (i) paying interest on or principal of the Bonds when due and payable to the extent that moneys deposited in the Interest Account or Principal Account are not sufficient for such purposes; (ii) paying the redemption price of Term Bonds to be redeemed pursuant to the Indenture if amounts on deposit in the Principal Account are not sufficient for such purpose; and (iii) making the final payments of principal of and interest on the Bonds.

However, amounts on deposit in the Series A Subaccount will be applied solely to the payment of principal of and interest on the 2015A Bonds. Amounts on deposit in the Series B Subaccount are available for the payment of principal of and interest on the 2015A Bonds and the 2015B Bonds.

On the date on which all 2015A Bonds mature and are retired, or are defeased under the Indenture, the Trustee will withdraw all moneys then on deposit in the Series A Subaccount of the Reserve Account and pay them to the Utility Authority for use by the Utility Authority for any lawful purpose.

On the date on which all 2015B Bonds mature and are retired, or are defeased under the Indenture, the Trustee will withdraw all moneys then on deposit in the Series B Subaccount of the Reserve Account and pay them to the Utility Authority for use by the Utility Authority for any lawful purpose.

Semiannually, on or before each Interest Payment Date, the Trustee will value the Reserve Account at Fair Market Value, and transfer any amounts on deposit in the Reserve Account in excess of the Reserve Requirement to the Interest Account of the Bond Fund.

Replenishment. If as of the first day of the month preceding any Interest Payment Date there is any deficiency in the Reserve Account (whether due to a payment therefrom, the fluctuation in market value of securities credited thereto, or otherwise), the Trustee will promptly notify the Utility Authority in writing of the amount of such deficiency and the Utility Authority will cause the City to pay to the Trustee the amount of such deficiency as provided in the Indenture.

Substitution of Surety. The Utility Authority has the right at any time to release any cash (including Permitted Investments) on deposit from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument; and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, the Trustee will transfer such funds from the Reserve Account to or upon the direction of the Utility Authority.

If the Reserve Account is funded with a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee will deplete all cash balances before drawing on the Qualified Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the Utility Authority or the City will be used first to reinstate the Qualified Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. If the Qualified Reserve Account Credit Instrument is drawn upon, the Utility Authority will make payment of interest on amounts advanced under the Qualified Reserve Account Credit Instrument after making any payments pursuant to the Indenture.

Prior to the expiration of any Qualified Reserve Account Credit Instrument, the Utility Authority will be obligated either: (a) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument; or (b) to deposit or cause to be deposited with the Trustee an amount of funds such that the funds on deposit in the Reserve Account, together with all Qualified Reserve Account Credit Instruments held by the Trustee, is at least equal to the Reserve Requirement.

Rate Stabilization Fund

The Utility Authority has the right (but not the obligation) at any time to establish a fund to be held by it and administered in accordance with the Indenture for the purpose of stabilizing the rates and charges imposed by the Utility Authority with respect to the Wastewater Enterprise. From time to time the Utility Authority may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Obligations, as the Utility Authority may determine.

The Utility Authority may, but is not be required to, withdraw any amounts on deposit in the Rate Stabilization Fund and deposit such amounts in the Revenue Fund in any Fiscal Year for the purpose of paying the principal (including sinking fund payments) of and interest on the Bonds or any Parity Obligations coming due and payable in such Fiscal Year. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund will constitute Revenues for such Fiscal Year (except as otherwise provided herein), and will be applied

for the purposes of the Revenue Fund. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Bonds or any Parity Obligations. All interest or other earnings on deposits in the Rate Stabilization Fund will be retained therein or, at the option of the Utility Authority, be applied for any other lawful purposes. The Utility Authority may at any time withdraw any or all amounts on deposit in the Rate Stabilization Fund and apply such amounts for any other lawful purposes of the Utility Authority.

Additional Indebtedness

No Senior Obligations. The Utility Authority may not issue or incur any additional bonds or other obligations having any senior priority in payment of principal or interest out of the Net Revenues in whole or in part.

Parity Obligations. Except for obligations incurred to prepay or defease the Bonds or any Parity Obligations, the Utility Authority may issue or incur Parity Obligations while the Bonds are Outstanding only if all of the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing under this Indenture;
- (b) Net Revenues, calculated in accordance with generally accepted accounting procedures, as shown by the books of the Utility Authority for the most recent completed Fiscal Year for which audited financial statements are available, or for any more recent consecutive 12-month period selected by the Utility Authority, in either case verified by a certificate or opinion of an Independent Accountant, excluding amounts derived from the Rate Stabilization Fund, if any, plus (at the option of the Utility Authority) the Additional Revenues (as such term is defined below), are at least equal to 120% of Maximum Annual Debt Service, plus maximum annual debt service on all Parity Obligations then Outstanding (including the Parity Obligations then proposed to be issued); and
- (c) the Utility Authority delivers to the City and the Trustee a Written Certificate of the Utility Authority certifying that the conditions precedent to the issuance of such Parity Obligations set forth in clauses (a) and (b) above have been satisfied.

“Additional Revenues” means, with respect to the issuance of any future Parity Obligations, any or all of the following amounts: (1) an allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be financed from the proceeds of such Parity Obligations or from any other source, all in an amount equal to 90% of the estimated additional Net Revenues to be derived from such additions, improvements and extensions for the first 12-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Utility Authority; and (2) an allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater Enterprise that have become effective prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the Utility Authority, all as shown by the certificate or opinion of an Independent Accountant employed by the Utility Authority.

Subordinate Obligations. Nothing in the Indenture is intended or will be construed to limit or affect the ability of the Utility Authority to issue or incur obligations that are unsecured or secured by an interest in the Net Revenues junior and subordinate to the pledge of and lien upon the Net Revenues established under the Indenture.

THE UTILITY AUTHORITY

The Utility Authority is a joint powers authority of the State organized and existing under and by virtue of Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the California Government Code, as amended (the “JPA Law”). The Utility Authority was established pursuant to a Joint Exercise of Powers Agreement, dated November 19, 2009, by and among the City, the Successor Agency to the Santa Paula Redevelopment Agency and the Santa Paula Housing Authority. The Utility Authority is governed by a five-member Board comprised of the same individuals who comprise the City Council of the City. The Utility Authority was created for the purpose, among other things, of leasing, owning, operating, managing, financing and maintaining the Wastewater Enterprise and the City’s water system and providing financing for public capital improvements for the City. Under the JPA Law, the Utility Authority is authorized to issue bonds to pay the costs of any public capital improvements.

THE CITY

The City is located approximately 65 miles northwest of Los Angeles in central portion of the County. The City encompasses an area of approximately 5.4 square miles and has a population of approximately 30,500 people. The City’s Fiscal Year 2014 audited financial statements are set forth in Appendix A. Further information with respect to the City and the County is set forth in Appendix F.

THE WASTEWATER ENTERPRISE

General

Lease to Utility Authority. In 2009, the City and the former Santa Paula Redevelopment Agency formed the Utility Authority, which leased the Wastewater Enterprise from the City pursuant to a Wastewater Enterprise Lease Agreement, dated as of February 1, 2010 (the “Original Wastewater Enterprise Lease Agreement”). See the caption “THE UTILITY AUTHORITY.” The City, through the Public Works Department, continues to manage the Wastewater Enterprise pursuant to a Management Agreement, dated as of February 1, 2010 (the “Management Agreement”), by and between the City and the Utility Authority.

In connection with the acquisition of the WRF, the City and the Utility Authority are entering into a First Amendment to Wastewater Enterprise Lease Agreement, dated as of April 1, 2015 (together with the Original Wastewater Enterprise Lease Agreement, the “Wastewater Enterprise Lease Agreement”), pursuant to which:

- (a) the WRF will be added to the Wastewater Enterprise upon the City’s acquisition thereof.
- (b) the total rent payable under the Wastewater Enterprise Lease Agreement will be increased to reflect the addition of the WRF to the Wastewater Enterprise (the “Additional Rental Amount”). However, the Utility Authority has elected to prepay the Additional Rental Amount from proceeds of the Bonds, which the City will apply to pay the Purchase Price of the WRF; and
- (c) the DBOF and the Ground Lease with Santa Paula Water LLC will be terminated as discussed under the caption “INTRODUCTION—The 2015 Project” and the Wastewater Enterprise, including the WRF, will continue to be managed by the City’s Public Works Department pursuant to the Management Agreement.

Pursuant to the Purchase Agreement and the WRF Operating Agreement, PERC will continue to operate the WRF on behalf of the City until approximately late 2016. Prior to such time, the City will pay a termination fee to PERC, thereby terminating the WRF Operating Agreement. See the caption “INTRODUCTION—The 2015 Project.” The City currently intends to undertake a bidding process for a new operating agreement with respect to the WRF, although it is possible that the City or the Utility Authority could decide to operate the WRF directly at such time.

The Wastewater Enterprise Lease Agreement requires the Utility Authority to make annual lease payments to the City in an amount based upon surplus revenues of the Wastewater Enterprise remaining after paying Operation and Maintenance Costs, the Bonds, the 2010 Bonds and future Parity Obligations and capital improvement costs. See the caption “SECURITY FOR THE BONDS—Net Revenues Consist of Revenues Less Operation and Maintenance Costs.”

Wastewater Enterprise Operations. As described below, the Public Works Department has not historically operated and maintained the Wastewater Enterprise directly. Rather, the Public Works Department has contracted with third parties to operate and maintain the Wastewater Enterprise on behalf of the City for several decades.

The Wastewater Enterprise includes approximately 60 miles of gravity-fed collection pipelines ranging from 4 to 33 inches in diameter, two lift stations and 0.5 miles of force mains.

The City is currently contracting with American Water Operations and Maintenance, Inc. (“American Water”) to operate, maintain and inspect the City’s wastewater collection system pursuant to a Maintenance Agreement, dated January 20, 2014 (the “Collection System Maintenance Agreement”). The Collection System Maintenance Agreement requires American Water to maintain commercial general liability insurance, professional liability insurance and automobile liability insurance in amounts of at least \$1,000,000 for each type of coverage, and workers compensation up to statutory requirements. See the caption “—Insurance” for information with respect to the City’s insurance coverages. Under the Collection System Maintenance Agreement, the City pays American Water approximately \$278,450 per year; such amount increases by approximately 3% per annum and is subject to certain additional adjustments.

The Collection System Maintenance Agreement expires in 2018 and is subject to extension upon agreement of the parties. In addition, either party may terminate the Collection System Maintenance Agreement early upon 30 days’ notice. The City presently expects to undertake a bidding process with respect to the operation and maintenance of the wastewater collection system after 2018. There can be no assurance that the Collection System Maintenance Agreement will be extended after 2018, nor can there be any assurance that any extension of the Collection System Maintenance Agreement or any new agreement with a different contractor will be on similar terms.

WRF. Historically, the Wastewater Enterprise has not included any wastewater treatment facilities. The City has retained third party contractors to operate and manage wastewater treatment facilities on the City’s behalf. The City’s wastewater is currently treated at the WRF, a membrane bio-reactor wastewater treatment plant that commenced operations in 2010. See the caption “—Regulatory Matters” for further information with respect to the construction of the WRF. The WRF is operated by PERC pursuant to the WRF Operating Agreement. See the caption “INTRODUCTION—The 2015 Project.”

The WRF provides tertiary treatment of wastewater and has a total treatment capacity of 3.4 MGD and a peak operating capacity of 7.0 MGD. On average, the WRF treats approximately 1.9 MGD. Treated wastewater from the WRF is currently discharged into evaporation/percolation ponds located on lands in the vicinity of the WRF that are owned by the City for ultimate dispersal into groundwater. The City is subject to a Stipulated Consent Judgment and Final Order with respect to the discharge of effluent from the WRF. See the caption “—Regulatory Matters.”

As described under the caption “INTRODUCTION—The 2015 Project,” a portion of the proceeds of the Bonds is expected to be used to finance the City’s purchase of the WRF for a Purchase Price of \$70,800,000. The Purchase Price was negotiated by the City and reflects a discount from the buyout price set forth in the DBOF of approximately \$75,000,000.

Upon the City’s purchase of the WRF, PERC will continue to operate the WRF pursuant to the terms of the WRF Operating Agreement until approximately late 2016 and the City will assume Santa Paula Water

LLC's rights and obligations under the WRF Operating Agreement pursuant to the Assignment Agreement. PERC is an Arizona corporation that is licensed as a general contractor in California and as a contract operator by the SWRCB. PERC operates at least eight water recycling facilities throughout the United States.

The WRF Operating Agreement requires PERC to maintain commercial general liability insurance in the amount of at least \$5,000,000 per occurrence, professional liability insurance in the amount of at least \$3,000,000 per occurrence, automobile liability insurance in the amount of at least \$1,000,000 and workers compensation up to statutory requirements. See the caption “—Insurance” for information with respect to the City's insurance coverages.

PERC's compensation for operation of the WRF consists of fixed and variable rate components, payable monthly. The fixed rate component is equal to the current amount of approximately \$105,990 per month, subject to annual increases in accordance with the Consumer Price Index. The variable rate component is dependent upon the amount of wastewater treated at the WRF and is equal to: (i) \$0.43 per 1,000 gallons treated; plus (ii) \$0.16 per pound biochemical oxygen demand (a measure of the amount of dissolved oxygen needed by aerobic biological organisms to break down organic material); plus (iii) \$0.24 per pound of suspended solids (i.e. particles that do not pass through filtration systems).

The WRF Operating Agreement has a remaining term of 25 years and expires in 2040. Under the WRF Operating Agreement, PERC is obligated to operate and maintain the WRF, to pay routine operating and repair costs and to make personnel available to respond to service outages and emergencies.

The City intends to terminate the WRF Operating Agreement in 2016, prior to the expiration of the term. The City intends to undertake a bidding process for the New WRF Operating Agreement prior to the date of such termination, although it is possible that the City or the Utility Authority could decide to operate the WRF directly at such time. The City is required to make a termination payment to PERC in the amount of \$940,242 in order to terminate the WRF Operating Agreement. A portion of the proceeds of the Bonds will be applied to fund such payment.

Payments to PERC for the treatment of wastewater at the WRF currently constitute and payments under the New WRF Operating Agreement will continue to constitute a portion of the total Operation and Maintenance Costs of the Wastewater Enterprise. See the caption “SECURITY FOR THE BONDS—Net Revenues Consist of Revenues Less Operation and Maintenance Costs.”

As discussed under the caption “CERTAIN RISKS TO BONDHOLDERS—Acquisition of WRF,” the Utility Authority's projections of Operation and Maintenance Costs of the WRF assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. However, there can be no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to pay Operation and Maintenance Costs and debt service on the Bonds. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Service Area

The service area of the Wastewater Enterprise encompasses approximately 5.4 square miles, including all of the City. The total population of the service area is estimated to be approximately 30,500. The service area has elevations varying from 267 feet to 553 feet.

Land Use

The Wastewater Enterprise service area is mostly built out and includes single family residences, multifamily residential units, industrial and commercial properties. Approximately 14% of the land within the

Wastewater Enterprise service area is undeveloped. The City currently expects the Wastewater Enterprise service area to be fully built out in 2020 with an estimated population of 38,323. Approximately 91.8% of Wastewater Enterprise connections are to single family or multifamily residences.

Regulatory Matters

On September 27, 2007, the Superior Court of California, County of Ventura (the “Superior Court”), entered a Stipulated Consent Judgment and Final Order (the “Stipulated Judgment”) to resolve litigation that had been brought against the City by the State of California Regional Water Quality Control Board, Los Angeles Region (the “Regional Board”). The Stipulated Judgment relates to the City’s discharges of effluent from the Wastewater Enterprise. At the time that the Stipulated Judgment was entered, the City’s wastewater was treated at a facility known as the Santa Paula Wastewater Reclamation Facility (the “SPWRF”).

The SPWRF provided advanced secondary treatment of wastewater, which was discharged into an unlined channel that ran into the Santa Clara River and, ultimately, to the Pacific Ocean. Because of physical limitations and capacity constraints, the treatment of wastewater at the SPWRF did not consistently comply with effluent limits imposed by State and federal law. As a result, the Regional Board issued a series of orders compelling the City to revise its wastewater treatment plan, culminating in the City’s decision to develop the WRF. See the caption “—General.”

Under the Stipulated Judgment, the City was obligated to commence operation of the WRF in 2010, which the City did. As discussed under the caption “—General,” the WRF is a tertiary treatment facility that discharges effluent into evaporation/percolation ponds located on lands in the vicinity of the WRF. The Stipulated Judgment requires wastewater discharges from the WRF to meet certain effluent limits for biochemical oxygen demand, total suspended solids, turbidity, coliform, chloride, residual chlorine and E. coli, among others. The Stipulated Judgment permits the imposition of monetary penalties of up to \$10,000 per day for certain violations of such effluent limits and empowers the Regional Board to seek further remedies from the Superior Court.

The discharge requirements for the WRF are established by the Regional Board, which administers and enforces all federal and State discharge requirements pursuant to regulations promulgated under the National Pollutant Discharge Elimination System (“NPDES”) by the United States Environmental Protection Agency and Division 7 of the California Water Code and regulations adopted thereunder. The WRF is currently operated pursuant to the terms of Regional Board Waste Discharge and Producer/User Reclamation Requirements Order No. R4-2007-0028, NPDES No. CA0054224 (the “WRF Permit”). The WRF Permit, which is held by the City, expires on May 3, 2017.

The construction of the WRF has enabled the City to comply with substantially all of the effluent limits imposed under the Stipulated Judgment and the WRF Permit. To date, however, the effluent from the WRF has not consistently met an effluent limitation of 110 milligrams per liter (“mg/L”) with respect to chloride. Chloride levels in effluent from the WRF currently average approximately 140 mg/L. As a result, the City is currently out of compliance with the Stipulated Judgment and the WRF Permit.

In September 2013, the City initiated an arbitration proceeding against Santa Paula Water LLC, the design/builder of the WRF, asserting that the DBOF obligated Santa Paula Water LLC to ensure that effluent from the WRF meets the chloride treatment and removal standards imposed by the WRF Permit. In settlement of such proceeding, the City intends to purchase the WRF from Santa Paula Water LLC as described under the caption “INTRODUCTION—The 2015 Project.” The Purchase Price of the WRF was negotiated by the City and reflects a discount from the buyout price set forth in the DBOF of approximately \$75,000,000.

The City is working with the Regional Board to develop a plan to reduce chloride discharges from the WRF after the City’s purchase thereof. The City is considering several options, including prohibitions on new

water softeners by Wastewater Enterprise customers and buybacks of existing water softeners, composting, and blending and filtration procedures. The timing of the implementation of such measures is currently uncertain and dependent upon a number of factors, including the Regional Board's review of the City's proposals. In addition, the ability and willingness of PERC, the current operator of the WRF, and the operator of the WRF under the New WRF Operating Agreement, to carry out changes to the wastewater treatment procedures at the WRF may also affect the development of the City's chloride reduction plan. The City currently estimates that reducing chloride levels to 110 mg/L could cost as much as \$17,600,000, although there can be no assurance that the ultimate cost will not be significantly higher. See the caption "CERTAIN RISKS TO BONDHOLDERS—Statutory and Regulatory Compliance."

The City is exploring the availability of State and federal grants to finance such chloride mitigation measures. In addition, the City expects to deposit a portion of the excess revenues remaining after debt service on the Bonds into a designated chloride removal fund to be established to finance chloride removal projects. See the caption "WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage" for the City's projections of excess revenues for the current and next five Fiscal Years.

The City is cooperating with the Regional Board in its efforts to reduce chloride levels in WRF effluent and expects to implement a plan with respect thereto within the time required by the Regional Board. However, there can be no assurance that the Regional Board will not impose penalties upon the City in the future for violations of the chloride limits in the WRF Permit, or other violations, or seek to enforce remedies available to the Regional Board under the Stipulated Judgment. See the caption "CERTAIN RISKS TO BONDHOLDERS—Statutory and Regulatory Compliance."

The City expects to renew the WRF Permit prior to its expiration date. However, there can be no assurance that the WRF Permit will be renewed on similar terms. In the event that the WRF Permit is not renewed prior to its expiration date, the City would expect to operate the WRF in accordance with the terms of the existing permit while a renewal application is considered.

On May 2, 2006, the SWRCB issued General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (the "General Order") requiring public agencies that own sanitary sewer systems comprised of more than one mile of pipes or sewer lines to develop sanitary sewer management plans and report all sanitary sewer overflows. The City is currently enrolled under the General Order and has a certified sanitary sewer management plan.

Management

The key personnel responsible for management of the Wastewater Enterprise include the City Manager, the Finance Director/City Treasurer and the Public Works Director. The City Attorney provides legal services to the Wastewater Enterprise.

Jaime Fontes was appointed City Manager in 2010. In this capacity, the City Manager serves at the pleasure of the City Council, with responsibility for enforcing the laws and carrying out the policies and programs established by the City Council. The City Manager appoints department heads and exercises administrative control over all departments of the City, including personnel/employee relations, risk management, information systems and the Mobile Home Space Rent Stabilization Program and provides oversight to the Santa Paula Housing Authority. Mr. Fontes previously served as City Manager for the City of Nogales, Arizona from September 2004 to February 2007 and from March 2008 to January 2010 and as an Associate/Development Consultant for Lawrence Close, LLC from March 2007 to March 2008. Mr. Fontes has a Bachelor of Arts degree in Political Science from Arizona State University and received his Juris Doctorate from Western State University College of Law. Mr. Fontes is currently a member of the Ventura County City Managers Association, a member of the Santa Paula Rotary and continues to serve as a member of the Associate Scoutmaster Troop 555 in Arizona.

Sandra K. Easley is the Finance Director/City Treasurer of the City. Ms. Easley was appointed Finance Director in March 2011 and was first elected as City Treasurer in 2000. Ms. Easley has worked for the City since 1983. The Finance Director is responsible for providing the accounting and financial services necessary for effective management of City operations as well as accurate, reliable and timely financial information to the City Council, City Manager, City departments and outside parties using recognized professional standards. The City Treasurer is the City's chief investment officer and is responsible for proper management of the City's financial assets. Ms. Easley has a degree in Accounting from California Lutheran University and is a member of the California Society of Municipal Finance Officers and the Government Finance Officers Association.

Brian J. Yanez is the Public Works Director of the City. Mr. Yanez was appointed Public Works Director in 2011 and has worked for the City since 1995. The Public Works Director manages the Wastewater Enterprise as well as the engineering, recycling, waste management, storm water and potable water delivery services of the City. Mr. Yanez previously served as the City's Community Services Director from 2000 to 2011, as Recreation Supervisor from 1997 to 2000 and as Building Coordinator from 1995 to 1997. Mr. Yanez has a Bachelor's degree in Recreation from California State University at Long Beach.

Employees and Employee Benefits

As of January 1, 2015, the City's Public Works Department had 25 full-time equivalent employees ("FTEs"), of whom approximately 7 devote at least part of their time to work for the Wastewater Enterprise. Approximately 19 Public Works Department employees are represented by the Service Employees International Union, Local 721 (the "Union"). Certain management, supervisory and professional employees are unrepresented. The current memorandum of understanding between the City and the Union expired on December 31, 2014. The City and the Union are currently operating under the terms of the expired memorandum of understanding and expect to begin negotiating a new memorandum of understanding shortly. The City has never experienced a work stoppage or other employee action.

See the caption "PENSION OBLIGATIONS" for information with respect to the City's pension plans.

Budget Process

Prior to July 1 of each year, the Finance Director of the City submits a proposed Public Works Department budget for the Fiscal Year commencing July 1 to the City Council. The City Council holds a public hearing to obtain comments from residents and ratepayers. Subsequent to the public hearing, the City Council generally approves the budget prior to July 1. The City Council approved the Public Works Department's operating budget for Fiscal Year 2015 on June 16, 2014.

Insurance

Insurance for the Wastewater Enterprise is maintained through the City's membership in the California Joint Powers Insurance Authority (the "JPIA"), a joint powers agency comprised of over 120 California public entities. The JPIA arranges and administers programs for the pooling of self-insured losses, purchases excess insurance or reinsurance and arranges for group-purchased insurance for property and other coverage. The Wastewater Enterprise maintains the following coverages through the JPIA:

Property Damage. Coverage is maintained for losses (including losses resulting from earthquakes) of up to \$52,912,691, with a \$5,000 deductible. The City does not maintain coverage for damage to underground pipelines located more than one mile from Wastewater Enterprise facilities.

General Liability. The Wastewater Enterprise is self-insured up to \$750,000 and maintains coverage for losses between \$750,000 to \$50,000,000.

Workers Compensation. The City is self-insured up to \$100,000 and has purchased excess insurance up to statutory limits.

The City has not settled any claims that exceeded its insurance coverage in the past three years.

The above property damage insurance coverage amount is expected to be increased upon the City’s purchase of the WRF.

See the caption “—General” for a discussion of insurance coverage maintained by American Water and PERC, which will operate and maintain the wastewater collection system and the WRF, respectively.

Outstanding Obligations

In February 2010, the Utility Authority issued the 2010 Bonds to finance the cost of certain Wastewater Enterprise capital improvements and to make a lump sum payment under the Wastewater Enterprise Lease Agreement. The 2010 Bonds are currently outstanding in the aggregate principal amount of \$11,240,000 and bear interest at rates ranging from 3.50% to 7.00% per annum. The 2010 Bonds are payable in semiannual installments, with a final maturity in 2040. The 2010 Bonds are payable from Net Revenues on a parity with the Bonds. Reserve accounts were established for the 2010 Bonds in the initial aggregate amount of \$887,450.

The City may incur additional Parity Debt or subordinate obligations secured by Net Revenues, provided that certain conditions are met. See the caption “SECURITY FOR THE BONDS—Additional Indebtedness.”

Historic and Projected Wastewater Enterprise Connections

The following table shows the number of active Wastewater Enterprise connections for the five most recent Fiscal Years.

**SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE
Historic Wastewater Enterprise Connections**

<i>Fiscal Year</i>	<i>Single Family Residential Connections</i>	<i>Multifamily Residential Connections</i>	<i>Commercial Connections</i>	<i>Industrial Connections</i>	<i>Total Connections</i>	<i>Percentage Change</i>
2010	5,720	276	541	9	6,546	N/A%
2011	5,735	271	540	9	6,555	0.14
2012	5,708	270	536	9	6,523	(0.49)
2013	5,719	268	529	9	6,525	0.03
2014	5,759	264	530	8	6,561	0.55

Source: Santa Paula Utility Authority.

For each of Fiscal Years 2015 through 2019, the Utility Authority projects that connections to the Wastewater Enterprise will remain at Fiscal Year 2014 levels (5,759 single family residential connections, 264 multifamily residential connections, 530 commercial connections and 8 industrial connections).

Such projections of Wastewater Enterprise connections do not reflect the expected development of an area of the City known as East Area 1. Such development is currently expected to commence in late 2016, with buildout expected within five to ten years. If developed according to current plans, East Area 1 will include approximately 1,500 residential units, an elementary and a secondary school, a fire station, a public

park with restroom facilities and a small commercial and retail complex, for an estimated total of approximately 1,520 new connections. The Wastewater Enterprise will service all additional connections resulting from the development.

As discussed under the caption “—General,” the WRF has a total treatment capacity of 3.4 MGD but currently treats an average of only 1.9 MGD, leaving sufficient unused capacity to treat the expected additional wastewater flow from East Area 1. There can be no assurance that East Area 1 will be developed within the timeframe or scope that is currently contemplated, or at all. However, the full development of East Area 1 could result in over 1,500 additional connections to the Wastewater Enterprise by 2026.

Historic and Projected Wastewater Enterprise Daily Average Flow

The following table shows the Wastewater Enterprise daily average wastewater flow in MGD per day for the five most recent Fiscal Years.

**SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE
Historic Wastewater Enterprise Daily Average Flow**

<i>Fiscal Year</i>	<i>Daily Average Flow (MGD)</i>	<i>Percentage Change</i>
2010	1.7	N/A%
2011	2.0	17.65
2012	1.9	(5.00)
2013	1.9	0.00
2014	1.9	0.00

Source: Santa Paula Utility Authority.

For each of Fiscal Years 2015 through 2019, the Utility Authority projects that Wastewater Enterprise daily average flow will remain at Fiscal Year 2014 levels (1.9 MGD).

The above projections of Wastewater Enterprise daily average flow do not reflect potential additional wastewater flow from the expected development of East Area 1. See the caption “—Historic and Projected Wastewater Enterprise Connections.” The City has not projected the amount of additional wastewater flow that may arise from the development of East Area 1, but the majority of such additional wastewater flow is expected to occur after Fiscal Year 2019 if East Area 1 is developed as currently contemplated.

The above projections of Wastewater Enterprise daily average flow also do not reflect possible reductions in flow as a result of conservation measures and the drought described under the caption “CERTAIN RISKS TO BONDHOLDERS—Drought Declaration.”

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Historic and Projected Wastewater Enterprise Service Charge Revenues

The following table shows the Wastewater Enterprise service charge revenues for the five most recent Fiscal Years. During such period, the WRF was operated by Santa Paula Water LLC. See the captions “—General” and “INTRODUCTION—The 2015 Project.”

SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE Historic Wastewater Enterprise Service Charge Revenues

<i>Fiscal Year</i>	<i>Single Family Residential</i>	<i>Multifamily Residential</i>	<i>Commercial</i>	<i>Industrial</i>	<i>Total</i> ⁽²⁾	<i>Percentage Change</i>
2010	\$4,527,205	\$ 986,024	\$1,110,316	\$107,303	\$6,730,848	N/A%
2011 ⁽¹⁾	5,881,562	1,273,913	1,330,165	121,138	8,606,778	27.87
2012 ⁽¹⁾	6,698,521	1,504,477	1,639,369	137,979	9,980,346	15.96
2013	6,938,800	1,594,915	1,783,266	185,218	10,502,199	5.23
2014	7,309,682	1,656,119	1,877,273	153,892	10,996,966	4.71

⁽¹⁾ Increases in Fiscal Year 2011 and 2012 reflect adopted rate increases.

⁽²⁾ Amounts in this table differ from the Sewer Service Charge Revenues set forth in the table entitled “Santa Paula Utility Authority Wastewater Enterprise Historic Operating Results (Fiscal Year Ended June 30)” under the caption “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Historic Wastewater Enterprise Operating Results and Debt Service Coverage” because amounts in this table reflect total of monthly billing reports without regard to writeoffs, penalties and other adjustments.

Source: Santa Paula Utility Authority.

For each of Fiscal Years 2015 through 2019, the Utility Authority projects that Wastewater Enterprise service charge revenues will be \$11,000,000, reflecting the total of projected revenues from single family residential customers of \$7,311,699, projected revenues from multifamily residential customers of \$1,656,576, projected revenues from commercial customers of \$1,877,791 and projected revenues from industrial customers of \$153,934. Such projected revenues reflect projected Wastewater Enterprise connections described under the caption “—Historic and Projected Wastewater Enterprise Connections” and current rates, as described under the caption “—Wastewater Enterprise Rates and Charges.”

The above projections of Wastewater Enterprise service charge revenues do not reflect potential additional revenues from the expected development of East Area 1. See the caption “—Historic and Projected Wastewater Enterprise Connections.” The City has not projected the amount of additional service charge revenues that may arise from the development of East Area 1, but the majority of such revenues are expected to be earned after Fiscal Year 2019 if East Area 1 is developed as currently contemplated. Based on the City’s current analysis, Revenues from the treatment of wastewater from East Area 1 would exceed Operation and Maintenance Costs borne by the City in connection therewith, resulting in an increase in Net Revenues.

The above projections of Wastewater Enterprise service charge revenues also do not reflect possible reductions in revenues as a result of conservation measures and the drought described under the caption “CERTAIN RISKS TO BONDHOLDERS—Drought Declaration.”

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Largest Wastewater Enterprise Customers

The following table sets forth the ten largest Wastewater Enterprise customers for Fiscal Year 2014, as determined by annual payments.

SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE Ten Largest Wastewater Enterprise Customers

	<i>Customer</i>	<i>Type of Business</i>	<i>Fiscal Year 2014 Payment</i>	<i>Percentage of Total Wastewater Enterprise Service Charge Revenues</i>
1.	Santa Paula West Ltd.	Mobilehome Park	\$ 203,380	1.8%
2.	Santa Paula Senior Apartment Associates	Senior Apartments	145,496	1.3
3.	Peter C. Wang	Mobilehome Park	140,831	1.3
4.	400 Mobile Estates Inc.	Mobilehome Park	127,253	1.2
5.	Lucy M. Brooks	Mobilehome Park	90,122	0.8
6.	Ventura County Medical	Hospital	84,930	0.8
7.	Saticoy Lemon Association	Agriculture	83,306	0.8
8.	Peter C. Wang	Mobilehome Park	78,885	0.7
9.	Housing Authority – Santa Pla.	Apartments	50,180	0.5
10.	Cabrillo Economic Development	Apartments	47,176	0.4
	TOTAL		<u>\$1,051,560</u>	9.6%

Source: Santa Paula Utility Authority.

These ten largest customers accounted for approximately 9.6% of total Wastewater Enterprise service charge revenues for Fiscal Year 2014.

Wastewater Enterprise Rates and Charges

General. Rates and charges for wastewater service within the Wastewater Enterprise service area are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City is, however, required to comply with the notice, hearing and majority protest provisions of Article XIID of the State Constitution, which is popularly known as Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

Public Works Department staff annually determines the adequacy of the charge structure for wastewater service in the Wastewater Enterprise service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Wastewater Enterprise. The City Council currently sets wastewater charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Wastewater Enterprise, to pay debt service payments and comply with related covenants and to maintain appropriate reserves for the Wastewater Enterprise. The current charges consist of a monthly fixed service charge based on customer type and a commodity charge based on water consumption. See the caption “—Wastewater Enterprise Collection Procedures” for further information with respect to the collection of Wastewater Enterprise rates and charges.

The City has retained a consultant to undertake a rate study for the Wastewater Enterprise, including recommendations with respect to the establishment of a tiered rate structure and the implementation of wastewater service rates that are based on winter water usage levels. The timing of the completion of such study and the City Council’s consideration thereof are uncertain at this time and there can be no assurance that Wastewater Enterprise rates will be revised in accordance with the study or otherwise.

The projected revenues set forth under the caption “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage” do not assume additional rate increases above Fiscal Year 2015 levels. The Utility Authority believes that it will be able to comply with the rate covenants described under the caption “SECURITY FOR THE BONDS—Rate Covenant” without raising rates prior to 2020. However, there can be no assurance that the City Council will not repeal or modify adopted rate increases in the future or that the City’s ratepayers will not approve an initiative to repeal or modify any increase in wastewater service charges approved by the City Council. All rate increases are subject to the notice, hearing and protest provisions of Proposition 218 described under the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

The Utility Authority is subject to certain covenants with respect to the Bonds which require that the Utility Authority, jointly with the City, fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that, after making allowances for contingencies and error in the estimates, at least equal 120% of the total Debt Service payments coming due and payable in such Fiscal Year. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Selected Rates. The Utility Authority charges a fixed monthly service charge for all Wastewater Enterprise customers based on customer type and a commodity charge based on water consumption. See the caption “—General.” Current charges are set forth below.

**SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE
Selected Wastewater Enterprise Rates**

<i>Residential</i>		<i>Commercial</i>	
<i>Monthly Service Charge:</i>	<i>Commodity Charge:</i>	<i>Monthly Service Charge:</i>	<i>Commodity Charge:</i>
\$77.21	\$1.12 ⁽¹⁾	\$77.21	\$8.40 ⁽¹⁾⁽²⁾

⁽¹⁾ Per hundred cubic feet (“HCF”).

⁽²⁾ For certain high strength commercial customers, the commodity charge is \$10.79 per HCF.

Source: Santa Paula Utility Authority.

Rate Comparison. The table below sets forth a comparison of the Wastewater Enterprise’s typical monthly water bill for a single family residential user with usage of 10 HCF to those of certain nearby water purveyors as of July 2014.

<i>Community</i>	<i>Monthly Charge⁽¹⁾</i>
City of Fillmore	\$89.60
City of Santa Paula	88.41
City of Ojai	55.86
City of San Buenaventura	42.30
City of Oxnard	34.92
City of Port Hueneme	34.00
City of Simi Valley	26.08
City of Thousand Oaks	25.45

⁽¹⁾ Reflects single family residential usage of 10 HCF.

Source: NBS Consultants.

Connection Fees. From July 1, 2014 through January 31, 2015, the Wastewater Enterprise received approximately \$33,064 in connection fees, during which period approximately 8 new connections to the Wastewater Enterprise came online. Connection fees are paid when building permits are issued, which may

not necessarily occur in the same Fiscal Year that the Wastewater Enterprise begins service to new connections. See the caption “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Historic Wastewater Enterprise Operating Results and Debt Service Coverage” for historic connection fee revenues.

As discussed under the captions “—Historic and Projected Wastewater Enterprise Connections” and “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage,” the Utility Authority is not projecting additional connections to the Wastewater Enterprise above Fiscal Year 2014 levels for the current and next four Fiscal Years for the purpose of projecting debt service coverage on the Bonds. Notwithstanding the foregoing, the City currently expects that the development of an area of the City known as East Area 1 could add up to approximately 1,520 new connections at full buildout in five to ten years. See the caption “—Historic and Projected Wastewater Enterprise Connections.”

Wastewater Enterprise Collection Procedures

The Public Works Department issues consolidated bills for water and wastewater service on a monthly basis. Bills are prepared and mailed monthly and are due and payable by the 19th day of the month or the next regular business day. Bills are delinquent on the day after due date with a 10% penalty applied. If payment is not received within two months after the original billing date, a three day notice of service discontinuance is mailed to the service address. The notice contains the impending discontinuance date, which will occur no sooner than 3 days after the notice is mailed. If payment or other arrangements are not received before the scheduled discontinuance date, service will be terminated. Service is restarted only after the late bill, current bill, penalties, plus any discontinuance fees have been paid in full. As of January 31, 2015, delinquencies (including amounts due for water service) totaled \$188,720. The number of accounts actually shut off averaged approximately 1.4% of total accounts for Fiscal Year 2014.

Future Wastewater Enterprise Improvements

In addition to the acquisition of the WRF, the Utility Authority projects total capital improvements to the Wastewater Enterprise of approximately \$6,000,000 in the current and next four Fiscal Years, including pipeline and manhole rehabilitations and design costs associated with a new lift station. Certain projected capital improvements have not yet been approved by the City Council and all of such projections are subject to change at any time. Chloride removal projects described under the caption “—Regulatory Matters” are not included in the foregoing capital projects, as the timing and scope of and financing sources for such projects are currently uncertain.

The Utility Authority currently anticipates funding such improvements from Wastewater Enterprise Revenues, grants and proceeds of the previously issued 2010 Bonds. Other than the Bonds, the Utility Authority does not currently expect to enter into any additional installment purchase agreements or loan agreements or to issue any additional bonds in the next five years to finance such capital improvements. See the caption “SECURITY FOR THE BONDS—Additional Indebtedness—Parity Obligations.”

WASTEWATER ENTERPRISE FINANCIAL INFORMATION

Financial Statements

A copy of the most recent financial statements (the “Financial Statements”) of the City and the Utility Authority audited by Van Lant and Fankhanel, LLP, Certified Public Accountants, Loma Linda, California (the “Auditor”) are set forth in Appendix A and should be read in their entirety. The Financial Statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit analysis of the financial condition of the City or the Utility Authority, nor has the Auditor reviewed or audited this Official Statement.

The summary operating results contained under the caption “—Historic Wastewater Enterprise Operating Results and Debt Service Coverage” are derived from the Financial Statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the attached notes. The Auditor has not reviewed or audited the summary operating results or any other portion of this Official Statement.

The Utility Authority accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the Utility Authority (“GAAP”). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See Appendix A. Except as otherwise noted, financial information derived from the City’s Financial Statements and audited financial statements for prior Fiscal Years reflects the application of GAAP.

Wastewater Enterprise Reserves

A formal reserve policy is not maintained for the Wastewater Enterprise. However, the City maintains a cash and investment pool that is available for all funds, including the Wastewater Enterprise. Each fund type balance in the pool is reflected on the combined balance sheet set forth in Appendix A as cash and investments. The City apportions interest earnings to all funds based on their monthly cash balances.

For the past five years, the Wastewater Enterprise has maintained an average of approximately \$3,700,000 in cash on hand, capital replacement reserves, operating reserves and other available moneys, including reserves held by the Trustee in connection with the 2010 Bonds. As of January 31, 2015, the Wastewater Enterprise maintained approximately \$4,800,000 in such reserves and other moneys available to pay operating expenses, which is equivalent to approximately 384 days’ operating expenses of the Wastewater Enterprise. See Note III to the Financial Statements set forth in Appendix A for further information with respect to the City’s reserves and investment policies.

Historic Wastewater Enterprise Operating Results and Debt Service Coverage

The following table is a summary of operating results of the Wastewater Enterprise for the last five Fiscal Years. These results have been derived from the audited financial statements of the City but exclude certain receipts which are not included as Revenues under the Indenture and certain non-cash items and include certain other adjustments.

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SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE
Historic Operating Results (Fiscal Year Ended June 30)⁽¹⁾

	2010 ⁽⁶⁾	2011	2012	2013	2014
Revenues					
Sewer Service Charges ⁽¹⁾	\$ 6,785,498	\$ 8,695,207	\$ 10,074,686	\$ 10,626,793	\$ 11,132,247
Sewer Connection Fees	32,738	476,203	15,628	182,073	86,793
Investment Earnings	22,964	10,662	10,930	12,019	13,295
Other Revenues ⁽²⁾	<u>58,374</u>	<u>60,500</u>	<u>97,947</u>	<u>36,222</u>	<u>16,469</u>
Total Revenues	\$ 6,899,574	\$ 9,242,572	\$ 10,199,191	\$ 10,857,107	\$ 11,248,804
Operation and Maintenance Costs					
Sewer Treatment ⁽³⁾	\$ 2,374,451	\$ 2,038,139	\$ 2,131,221	\$ 1,710,609	\$ 1,841,355
Utility – Electric	_ ⁽⁸⁾	401,436	358,967	433,920	394,175
Other Cost of Sales ⁽⁴⁾	406,853	162,577	358,976	289,213	298,767
DBOF ⁽³⁾⁽⁵⁾	_ ⁽⁹⁾	1,518,480	1,569,374	1,621,397	1,675,118
Interest Expense ⁽⁶⁾	_ ⁽⁹⁾	3,000,000 ⁽¹⁰⁾	3,454,230	3,568,735	3,686,977
Administration ⁽⁷⁾	<u>770,718</u>	<u>735,139</u>	<u>837,103</u>	<u>871,401</u>	<u>1,096,736</u>
Total Direct Costs and Allocated Costs	\$ 3,552,022	\$ 7,855,771	\$ 8,709,871	\$ 8,495,275	\$ 8,993,128
Net Revenues	\$ 3,347,552	\$ 1,386,801	\$ 1,489,320	\$ 2,361,832	\$ 2,255,676
Debt Service					
2010 Bonds	\$ -	\$ 654,260	\$ 881,845	\$ 884,295	\$ 881,320
Total Debt Service	\$ -	\$ 654,260	\$ 881,845	\$ 884,295	\$ 881,320
Debt Service Coverage	N/A	2.12	1.69	2.67	2.56
Cash Available for Capital Projects or Other Purposes	\$ 3,347,552	\$ 732,541	\$ 607,475	\$ 1,477,537	\$ 1,374,356

⁽¹⁾ These amounts differ from wastewater service charge revenues set forth under the caption “THE WASTEWATER ENTERPRISE—Historic and Projected Wastewater Enterprise Service Charge Revenues” because these amounts reflect penalties, writeoffs and other adjustments, as well as auditing of Wastewater Enterprise financial results.

⁽²⁾ Includes drainage permit fees, facility fees, rents and concessions, property tax liens, reimbursements, and other miscellaneous income.

⁽³⁾ Reflects compensation payable to PERC under the WRF Operating Agreement.

⁽⁴⁾ Includes employee salaries, pension contributions, contract services and other miscellaneous expenses.

⁽⁵⁾ Reflects payments under the DBOF. Upon the acquisition of the WRF from proceeds of the Bonds, such amounts will no longer be payable. See the captions “INTRODUCTION—The 2015 Project” and “THE WASTEWATER ENTERPRISE—General.”

⁽⁶⁾ Reflects interest payments under the DBOF. The City’s Auditor has treated such payments as capital lease expenses. Upon the acquisition of the WRF from proceeds of the Bonds, such amounts will no longer be payable. See the captions “INTRODUCTION—The 2015 Project” and “THE WASTEWATER ENTERPRISE—General.”

⁽⁷⁾ Includes insurance, overhead contributions to the City General Fund, contract services and other miscellaneous administrative expenses.

⁽⁸⁾ Utility costs are reflected in the Administration line item for Fiscal Year 2010.

⁽⁹⁾ Fiscal Year 2010 amounts reflect Wastewater Enterprise operations prior to the construction of the WRF.

⁽¹⁰⁾ These costs were included in the Sewer Treatment line item in the City’s Fiscal Year 2011 audited financial statements.

Source: Santa Paula Utility Authority.

Projected Wastewater Enterprise Operating Results and Debt Service Coverage

The projected operating results for the Wastewater Enterprise for the current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances, including the assumptions set forth in the footnotes to the table set forth below and the acquisition of the WRF as described under the caption “INTRODUCTION—The 2015 Project.” All of such assumptions are material in the development of the Wastewater Enterprise’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

The Utility Authority’s projections of Operation and Maintenance Costs assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. However, there can be

no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. See the captions “INTRODUCTION—The 2015 Project,” “THE WASTEWATER ENTERPRISE—General” and “CERTAIN RISKS TO BONDHOLDERS—Acquisition of WRF.” The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to pay Operation and Maintenance Costs and debt service on the Bonds. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Recent Statewide drought conditions and the impact thereof are not reflected in the below projected operating results. The Utility Authority continues to formulate its response to the drought and cannot predict the effect of the drought on the Wastewater Enterprise’s operations at this time. There can be no assurance that actual Wastewater Enterprise revenues will not be lower than the revenues projected herein as a result of the drought. As described under the caption “SECURITY FOR THE BONDS—Rate Covenant,” the Utility Authority has covenanted to set rates and charges for the Wastewater Enterprise in amounts that are sufficient to pay debt service on the Bonds. See the caption “CERTAIN RISKS TO BONDHOLDERS—Drought Declaration.”

SANTA PAULA UTILITY AUTHORITY WASTEWATER ENTERPRISE
Projected Operating Results (Fiscal Year Ending June 30)

	2015 ⁽¹⁾	2016	2017	2018	2019
Revenues					
Sewer Service Charges ⁽²⁾	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000
Sewer Connection Fees ⁽³⁾	-	-	-	-	-
Investment Earnings ⁽⁴⁾	14,500	14,500	14,500	14,500	14,500
Other Revenues ⁽⁵⁾	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>
Total Revenues	\$ 11,023,300	\$ 11,023,300	\$ 11,023,300	\$ 11,023,300	\$ 11,023,300
Operation and Maintenance Costs					
Sewer Treatment ⁽⁶⁾⁽⁷⁾	\$ 1,896,596	\$ 1,819,528	\$ 1,855,918	\$ 1,893,037	\$ 1,930,897
Utility – Electric ⁽⁸⁾	400,000	408,000	416,160	424,483	432,973
Other Cost of Sales ⁽⁸⁾⁽⁹⁾	516,532	526,863	537,400	548,148	559,111
DBOF ⁽¹⁰⁾	4,903,404	-	-	-	-
Administration ⁽⁸⁾	<u>969,520</u>	<u>988,910</u>	<u>1,008,689</u>	<u>1,028,862</u>	<u>1,049,440</u>
Total Direct Costs and Allocated Costs	\$ 8,686,052	\$ 3,743,301	\$ 3,818,167	\$ 3,894,530	\$ 3,972,421
Net Revenues	\$ 2,337,248	\$ 7,279,999	\$ 7,205,133	\$ 7,128,770	\$ 7,050,879
Debt Service					
2010 Bonds ⁽¹¹⁾	\$ 882,520	\$ 883,270	\$ 883,570	\$ 884,045	\$ 883,770
Bonds	<u>-</u>	<u>3,984,800</u>	<u>3,979,810</u>	<u>3,976,375</u>	<u>3,978,125</u>
Total Debt Service	\$ 882,520	\$ 4,868,070	\$ 4,863,380	\$ 4,860,420	\$ 4,861,895
Debt Service Coverage	2.65	1.50	1.48	1.47	1.45
Cash Available for Capital Projects or Other Purposes	\$ 1,454,728	\$ 2,411,929	\$ 2,341,753	\$ 2,268,350	\$ 2,188,984

⁽¹⁾ Reflects estimated Fiscal Year 2015 amounts.

⁽²⁾ Reflects projected wastewater service charge revenues set forth under the caption “THE WASTEWATER ENTERPRISE—Historic and Projected Wastewater Enterprise Sales Revenues” as well as rates and charges set forth under the caption “THE WASTEWATER ENTERPRISE—Wastewater Enterprise Rates and Charges.” Assumes acquisition of WRF as described under the caption “INTRODUCTION—The 2015 Project.” Does not reflect additional revenues from the development of East Area 1, as described under the caption “THE WASTEWATER ENTERPRISE—Historic and Projected Wastewater Enterprise Connections” or possible reductions in revenues as a result of the Statewide drought discussed under the caption “CERTAIN RISKS TO BONDHOLDERS—Drought Declaration.”

⁽³⁾ Connections are projected to remain at Fiscal Year 2014 levels. Does not reflect additional connection fees from the development of East Area 1, as described under the caption “THE WASTEWATER ENTERPRISE—Historic and Projected Wastewater Enterprise Connections.”

⁽⁴⁾ Projected to remain at Fiscal Year 2015 budgeted amount.

(Footnotes Continued on Following Page)

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- (5) Includes drainage permit fees, facility fees, rents and concessions, property tax liens, reimbursements, and other miscellaneous income. Projected to remain at Fiscal Year 2015 budgeted amount.
- (6) The Utility Authority's projections of Sewer Treatment costs assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. However, there can be no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. See the captions "INTRODUCTION—The 2015 Project," "THE WASTEWATER ENTERPRISE—General" and "CERTAIN RISKS TO BONDHOLDERS—Acquisition of WRF." The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to pay Operation and Maintenance Costs and debt service on the Bonds. See the caption "SECURITY FOR THE BONDS—Rate Covenant."
- (7) Decrease in Fiscal Year 2016 reflects projected savings to the City resulting from City ownership of the WRF, including reduced property taxes and costs associated with an electricity hedge agreement. Projected to increase approximately 2% per annum from Fiscal Year 2016 amount.
- (8) Projected to increase approximately 2% per annum from Fiscal Year 2015 budgeted amount.
- (9) Includes employee salaries, pension contributions, contract services and other miscellaneous expenses.
- (10) Reflects payments under the DBOF. Upon the acquisition of the WRF from proceeds of the Bonds, such amounts will no longer be payable. See the captions "INTRODUCTION—The 2015 Project" and "THE WASTEWATER ENTERPRISE—General."
- (11) Reflects scheduled debt service. See the caption "THE WASTEWATER ENTERPRISE—Outstanding Obligations."

Source: Santa Paula Utility Authority.

PENSION OBLIGATIONS

Pension Plan

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

CalPERS Plan Summary. The City contributes to CalPERS, a cost-sharing multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain of its temporary employees. CalPERS provides retirement, disability, annual cost of living adjustments and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California, including the City.

All full-time and certain part-time City employees are eligible to participate in CalPERS. Public Works Department employees who retire at age 50 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to the maximum amount of their specific plan during their highest consecutive twelve month period, for each year of credited service. For employees hired prior to March 20, 2006 (referred to below as the "first tier"), such amount is based upon CalPERS's 2.5% at 55 formula and for employees hired between March 20, 2006 and December 31, 2012 (referred to below as the "second tier"), such amount is based upon CalPERS' 2.0% at 55 formula. Employees hired on or after January 1, 2013 who were not already a member of a pension system are subject to the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the California Governor on September 12, 2012. AB 340 established a third pension tier of 2.0% at 62 with a maximum benefit formula of 2.5% at age 67. Benefits for the third tier are calculated on the highest average annual compensation over a consecutive 36-month period. See the caption "—AB 340" below.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The City currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City's unfunded actuarial liability (collectively, the "Employer Contributions"). For Fiscal Years 2012, 2013 and 2014, the City's Employer Contributions, as determined by actuarial valuations of the City's Miscellaneous plan as of June 30, 2010, 2011 and 2012, respectively, were \$871,011, \$804,696 and \$726,074, respectively. For Fiscal Year 2015, the Employer Contribution for the Miscellaneous plan, as determined by an actuarial valuation of such plan as of June 30, 2013, is \$759,759; the City has paid the full annual pension cost each year since Fiscal Year 2012 and expects to do so in Fiscal Year 2015. Annual pension contributions to be made by the City are expected to increase in future years, offset in large part by the additional Employee Contributions described forth below.

The Employer Contribution rate for Fiscal Years 2012, 2013 and 2014 was 20.342% and 24.490% and 28.093%, respectively, of covered payroll, for the first tier of the City's Miscellaneous plan. The Employer Contribution rate for Fiscal Years 2012, 2013 and 2014 was 10.059%, 10.238% and 10.781%, respectively, of covered payroll, for the second tier of the City's Miscellaneous plan. The Employer Contribution rate for Fiscal Year 2015 is 30.22% of covered payroll for the first tier of the City's Miscellaneous plan, 11.522% for the second tier of the City's Miscellaneous plan and 6.25% of covered payroll for the third tier of the City's Miscellaneous plan. The contribution requirements of plan members are established by California statute and the Employer Contribution rate is established and may be amended by CalPERS.

Plan participants are required to contribute an actuarially determined percentage of their annual covered salary under the CalPERS plan (the "Employee Contributions") in the amounts of 8%, 7% and 6.25%, for employees in the first, second and third pension tiers, respectively. The City makes a portion of the Employee Contributions on behalf of employees (the "EPMC") for employees in the first and second tiers. The City pays 1% of the 8% or 7% Employee Contribution (or between 12.5% and 14.3% of the total Employee Contribution) for employees in the first and second tiers who are Union members. See the caption "THE CITY—Employees and Employee Benefits." The City also pays 3%, 4% and 8% of the 8% Employee Contribution (or 37.5%, 50% and 100%, respectively, of the total Employee Contribution) for Mid-Management, Senior Management and Executive Management employees, respectively, in the first and second tiers. Under AB 340, the City cannot and does not make EPMC contributions for employees in the third tier.

Under Government Accounting Standards Board ("GASB") Statement No. 27, an employer reports an annual pension cost equal to the annual required contribution (the "ARC") plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation or net pension asset.

The following table sets forth the schedule of funding for the City's Miscellaneous plan as of June 30, 2013. The below information is not available for years prior to June 30, 2011 for the City's Miscellaneous plan alone:

<i>Valuation Date</i>	<i>AAL</i> ⁽¹⁾	<i>UAAL</i> ⁽¹⁾	<i>Market Value of Assets</i>	<i>Funded Ratio</i> ⁽²⁾	<i>Annual Covered Payroll</i>
06/30/11	\$31,915,874	\$ 9,051,321	\$22,864,553	71.6%	\$3,078,129
06/30/12	32,690,721	10,551,198	22,139,523	67.7	3,063,251
06/30/13	33,885,152	9,424,398	24,460,754	72.2	3,250,881

⁽¹⁾ Defined below under the caption "—CalPERS Plan Actuarial Methods."

⁽²⁾ On a market value of assets basis.

Source: CalPERS Actuarial Report dated October 2014.

For additional information relating to the City's CalPERS Plan, see Notes III and IV(c) in Appendix A.

CalPERS reported significant investment losses in 2009. CalPERS earnings reports for Fiscal Years 2010, 2011, 2012, 2013 and 2014 reported an investment gain of 13.0%, 21.7%, 1%, 12.5% and 18.4%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The CalPERS pension trust pays all retiree benefit payments associated with the City's plan.

Assembly Bill 1974, which added Section 20840 *et seq.* to the State Government Code, allowed CalPERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other public entities with less than 100 employees.

At the time of joining the risk pool (June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. The unfunded liability of the side fund for the City's Miscellaneous plan as of the June 30, 2013 valuation was \$9,424,565.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.5%. The liability represented by the side fund will cause the City's required employer contribution rate to be increased by the amortization of the side fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2013 was 30 years.

CalPERS Plan Actuarial Methods. The staff actuaries at CalPERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuation delivered to the City in October 2014 covered CalPERS' fiscal year ended June 30, 2013). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2012, which was delivered in October 2013, affects the City's Fiscal Year 2015 required contribution rate). CalPERS rules require the City to implement the actuary's recommended rates. CalPERS provides a lump sum payment option that the City may opt to pay in July of each year, rather than having payment transmitted as a percentage of each reported biweekly payroll.

The annual actuarially recommended contribution rates consist of two components: the normal cost and the unfunded actuarial accrued liability ("UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability (the "AAL") represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the fiscal year (which assumes, among other things, that

the rate of return during that fiscal year equaled the assumed rate of return of 7.5%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies and actuarial assumptions have changed significantly in recent years and are expected to change or be modified further by CalPERS in the future. Certain significant recent changes in assumptions include the following:

1. On April 17, 2013, the CalPERS Board approved a plan: (i) to replace the 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the City about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' fiscal year 2009 market losses described above) of the City's plans in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for Fiscal Year 2016 and thereafter.

2. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.5%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%. Although the full impact of such changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%.

Changes in Pension Accounting Standards. Reporting obligations under GASB Statement No. 68 ("GASB 68") will commence with financial statements for Fiscal Year 2015. Under GASB 68, there are new standards for measuring and recognizing pension liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute such present value to periods of employee service.

AB 340. On September 12, 2012, the California Governor signed AB 340, which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. If AB 340 is implemented fully, CalPERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Provisions in AB 340 will not likely have a material effect on City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's unfunded actuarial accrued liability and potentially reduce City contribution levels in the long term.

Change in Pensionable Compensation. On August 21, 2014, the CalPERS Board approved changes to clarify the types of compensation upon which pension benefits are based, primarily for employees hired after January 1, 2013. Under the changes, the CalPERS Board identified several dozen specific types of compensation which will count toward pension benefit calculations, including temporary and special assignment payments and certain categories of tasks, and identified types of compensation that will not be included in pension benefit calculations. Although the changes could result in an increase in the City's future CalPERS contributions, it is not currently possible to quantify the magnitude of such increases. The City believes that any such changes would be immaterial to its CalPERS contributions.

Other Post-Employment Benefits

Although the City provides other post-employment benefits, including post-employment health care benefits, to certain retired employees of the Public Works Department, none of the costs of such benefits are attributable to the Wastewater Enterprise and such costs do not constitute Operation and Maintenance Costs.

CERTAIN RISKS TO BONDHOLDERS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations may be relevant to making an investment decisions with respect to the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The obligation of the Utility Authority to pay the Bonds is a limited obligation of the Utility Authority and is not secured by a legal or equitable pledge or charge or lien upon any property of the Utility Authority or any of its income or receipts, except the Net Revenues of the Wastewater Enterprise. The obligation of the Utility Authority to pay the Bonds does not constitute an obligation of the Utility Authority to levy or pledge any form of taxation or for which the Utility Authority has levied or pledged any form of taxation.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Bonds, the Utility Authority has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Wastewater Enterprise, and the WRF in particular, and the interest rate at which funds will be invested. The Utility Authority believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein. See the caption "WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage." The Utility Authority may choose, however, to maintain compliance with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources, or from amounts transferred from the Rate Stabilization Fund to the Revenue Fund. See the caption "SECURITY FOR THE BONDS—Rate Stabilization Fund." In such event, Net Revenues may generate amounts which are less than 1.20 times debt service on the Bonds in any given Fiscal Year. See the caption "SECURITY FOR THE BONDS—Rate Covenant."

See the caption "—Acquisition of WRF—City Ownership of WRF" for a discussion of the effect of the City's ownership of the WRF on the projected operating results set forth herein.

Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to

comply with the rate covenant described under the caption “SECURITY FOR THE BONDS—Rate Covenant.” Demand for wastewater services could be reduced as a result of reduced levels of development in the Wastewater Enterprise service area or other factors.

Wastewater Enterprise Expenses

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. The City has not previously owned a wastewater treatment facility and its current estimates of the costs of operating the WRF are subject to uncertainty. See the caption “—Acquisition of WRF.” In particular, the Utility Authority’s projections of Operation and Maintenance Costs assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. However, there can be no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. See the captions “INTRODUCTION—The 2015 Project” and “THE WASTEWATER ENTERPRISE—General.” The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to pay Operation and Maintenance Costs and debt service on the Bonds. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Wastewater Enterprise Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant.

Limited Recourse on Default

If the Utility Authority defaults on its obligation to pay the principal of and interest on the Bonds, the Trustee has the right to declare the total unpaid principal of the Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration, it is unlikely that the Utility Authority will have sufficient funds to pay the accelerated amounts due on the Bonds from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the City’s ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the Utility Authority might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the Bonds. The City believes that the current wastewater rates approved by the City Council were effected under the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES.”

Statutory and Regulatory Compliance

Laws and regulations governing treatment and disposal of wastewater are enacted and promulgated by federal, state and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Wastewater Enterprise for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Wastewater Enterprise comprising Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency wastewater systems such as that owned by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the City. No assurance can be given that the cost of

compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues sufficient to pay the Bonds.

The City is currently out of compliance with certain terms of its wastewater discharge permit related to chloride discharges. The Regional Board has notified the City of such noncompliance with the WRF Permit. Although the Regional Board has not yet sought to enforce remedies available to the Regional Board under the Stipulated Judgment, there can be no assurance that the Regional Board will not seek to enforce such remedies in the future. Remedies available to the Regional Board under the Stipulated Judgment include the imposition of monetary fines that are currently stayed and the reopening of the matter to amend the requirements of the Stipulated Judgment. The enforcement of such remedies could have a material effect on operations at the WRF.

See the caption “THE WASTEWATER ENTERPRISE—Regulatory Matters” for a detailed discussion of the City’s noncompliance with its NPDES permit for the WRF and the City’s plans to remedy such noncompliance.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, landslide, drought or flood, could have an adverse material impact on the economy within the City, the Revenue Fund and the revenues available for the payment of the Bonds. Portions of the Wastewater Enterprise may be subject to unpredictable seismic activity. Four known active or potentially active faults (the Ventura, Oak Ridge, Red Mountain and Country Club faults) are located near the City. To date, only the Ventura fault has been designated active by the State Department of Mining and Geology. While the City maintains earthquake insurance for the Wastewater Enterprise, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

The occurrence of natural disasters in the area of the Wastewater Enterprise could result in substantial damage to the Wastewater Enterprise which, in turn, could substantially reduce revenue generated by the Wastewater Enterprise and affect the ability of the Utility Authority to pay the Bonds. The City maintains liability insurance for the Wastewater Enterprise and property casualty insurance for certain portions of the Wastewater Enterprise. See the caption “THE WASTEWATER ENTERPRISE—Insurance.” However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Furthermore, as described under the caption “THE WASTEWATER ENTERPRISE—Insurance,” certain portions of the Wastewater Enterprise, including underground pipelines located more than one mile from Wastewater Enterprise facilities, are not covered by property casualty insurance. Damage to such portions of the Wastewater Enterprise as a result of natural disasters would result in uninsured losses to the City. See the caption “THE WASTEWATER ENTERPRISE—General” for a description of insurance coverage maintained by American Water, the third party contractor that operates and maintains the Wastewater Enterprise’s wastewater collection system.

Drought Declaration

State Measures. On January 17, 2014, the State Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration includes the following orders, among others: (a) local urban water suppliers, including the City, are encouraged to implement their local water shortage contingency plans (the City’s plan is discussed below); (b) local urban water suppliers, including the City, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) the California Department of Water Resources (“DWR”) and the SWRCB are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for

reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the “Bay-Delta”), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species.

In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions, which are to remain in effect for 270 days. On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested.

On April 1, 2015, the State Governor issued an executive order extending the measures set forth in the Declaration and adopting the following additional orders, among others: (i) the SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; portions of a water supplier’s service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR is directed to fund a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to plan salinity barriers in the Bay-Delta.

City Response to Drought. The City’s Urban Water Management Plan includes a Water Demand Reduction Program (the “Conservation Plan”), which is comprised of three stages that are designed to reduce water demand incrementally in response to supply shortage or drought conditions. Stage 1 is intended to reduce water use by up to 15% on a voluntary basis when a 5%-15% reduction in supply is anticipated. Stage 1 includes public awareness and educational efforts with respect to water conservation and a request to limit irrigation of landscaped areas and other non-essential outdoor water use. Stage 2 is intended to reduce water use by up to 30% when a 15%-30% reduction in supply is anticipated. Stage 2 includes prohibitions on non-essential outdoor water use, the establishment of water allocations based on yearly average water use, with 25% penalties for use in excess of designated allocations, prohibitions on daytime landscape irrigation and prohibitions on serving water in restaurants except on request. Stage 3 is intended to reduce water use by up to 50% when a 30%-50% reduction in supply is anticipated. Stage 3 includes further mandatory prohibitions on outdoor water use and the imposition of penalties and flow restrictors for violations.

On February 18, 2014, in response to the Declaration, the City Council implemented Stage 1 of the Conservation Plan. On October 6, 2014, in response to the SWRCB’s July 15, 2014 action, the City Council adopted measures that are designed to reduce water use by 20%, including limiting irrigation of landscaped areas, ceasing operation of ornamental water features, prohibiting runoff from outdoor landscaping and requiring hoses to have shutoff nozzles. Although the Public Works Department does not have sufficient staff to enforce such restrictions, the October 6, 2014 City Council action authorized the Police Department to issue citations for violations. The City is presently studying the Governor’s April 1, 2015 executive order in order to determine the impact on the City and the implementation of additional measures in response thereto.

Implementation of the measures adopted to date and additional measures set forth in the City’s Conservation Plan could adversely affect Net Revenues to the extent that they result in reduced wastewater flow. As discussed under the caption “THE WASTEWATER ENTERPRISE—Wastewater Enterprise Rates and Charges,” one of the components of residential wastewater bills is a commodity charge based on water consumption. Lower wastewater flow by Wastewater Enterprise customers in response to the drought measures adopted by the City could result in lower Wastewater Enterprise Revenues. The effect on Operation

and Maintenance Costs of the Wastewater Enterprise as a result of reduced flows is unclear at this time, although it is possible that reduced flows could result in lower water purchase and wastewater treatment and collection costs.

The projected operating results set forth under the caption “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage” do not reflect reductions in wastewater flow or Wastewater Enterprise revenues as a result of the drought or State or City and Utility Authority responses thereto. There can be no assurance that actual Wastewater Enterprise revenues will not be lower than the revenues projected herein as a result of the drought. As described under the caption “SECURITY FOR THE BONDS—Rate Covenant,” the Utility Authority has covenanted to set rates and charges for the Wastewater Enterprise in amounts that are sufficient to pay debt service on the Bonds.

Acquisition of WRF

Release of Liability. As discussed under the caption “INTRODUCTION—The 2015 Project,” the Utility Authority will deliver a portion of the proceeds of the Bonds to the City to finance the City’s acquisition of the WRF. Such acquisition will resolve an arbitration proceeding between the City and Santa Paula Water LLC, the current owner of the WRF. The City is acquiring the WRF “as-is” and Santa Paula Water LLC is making no representations or warranties with respect to the WRF’s physical condition, operations, income potential or any other matters. The Purchase Agreement and the settlement agreement with respect to the arbitration proceeding require the City to release and discharge Santa Paula Water LLC, PERC and certain related parties from any liabilities with respect to the WRF, whether presently known or unknown.

Although the City has worked closely with Santa Paula Water LLC and PERC since the commencement of operations at the WRF in 2010, there can be no assurance that the City’s acquisition of the WRF will not cause the City to assume liabilities that are currently unknown resulting from Santa Paula Water LLC’s ownership or PERC’s operation of the WRF since 2010. Such liabilities could arise from Santa Paula Water LLC or PERC obligations to contractors or subcontractors, fines or orders imposed by the SWRCB or the Regional Board, the presence of hazardous substances (as further described below under the caption “—Hazardous Substances”) at the WRF or other sources. It is unlikely that the City’s insurance policies would provide coverage for such liabilities. The City is currently unaware of pending claims against Santa Paula Water LLC or PERC that would be assumed by the City upon the City’s acquisition of the WRF.

City Ownership of WRF. The Utility Authority’s projections of Wastewater Enterprise operating results set forth under the caption “WASTEWATER ENTERPRISE FINANCIAL INFORMATION—Projected Wastewater Enterprise Operating Results and Debt Service Coverage” reflect Revenues and Operation and Maintenance Costs after the City’s acquisition of the WRF. The City has not previously owned the WRF, nor has the Utility Authority previously been responsible for the WRF’s operations, which were within the purview of Santa Paula Water LLC under the DBOF. See the caption “INTRODUCTION—The 2015 Project.”

There can be no assurance that the Utility Authority’s projections of Revenues and Operation and Maintenance Costs after the City’s acquisition of the WRF will be met in future years. In particular, the Utility Authority’s projections of Operation and Maintenance Costs assume that compensation to the operator of the WRF under the New WRF Operating Agreement will be approximately equal to the compensation that is currently payable to PERC under the WRF Operating Agreement. See the caption “THE WASTEWATER ENTERPRISE—General” for a description of the fixed and variable rate components of the compensation to WRF that is payable under the WRF Operating Agreement. However, there can be no assurance that the City will not be required to pay a higher amount of compensation under the New WRF Operating Agreement. See the captions “INTRODUCTION—The 2015 Project” and “THE WASTEWATER ENTERPRISE—General.” The Utility Authority has covenanted to set Wastewater Enterprise rates and charges in an amount sufficient to

pay Operation and Maintenance Costs and debt service on the Bonds. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

It is also possible that the City or the Utility Authority could decide to operate the WRF directly. As discussed above, the City has not previously owned the WRF, nor has the Utility Authority previously operated the WRF directly, and there can be no assurance that direct operation of the WRF would not cause Operation and Maintenance Costs of the WRF to differ materially from the projections set forth herein.

In addition, although the WRF Operating Agreement requires PERC to pay routine operating and repair costs, there can be no assurance that the City, as the owner of WRF, will not be required to bear the costs of large scale capital improvements to the WRF, if required in the future. Such costs could arise as a result of changes in law or force majeure events, including but not limited to those described under the caption “—Natural Disasters.” Similarly, there can be no assurance that the New WRF Operating Agreement will require the new operator of the WRF to pay routine operating and repair costs (which are currently obligations of PERC) after the termination of the WRF Operating Agreement in 2016. The City’s obligation to pay for repairs or capital improvements associated with the WRF could have a material adverse effect on Net Revenues available to pay debt service on the Bonds.

Hazardous Substances

The presence of hazardous substances at the WRF may result in the imposition of fines or prohibitions or restrictions on the WRF’s operations. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State and local laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should the WRF be affected by a hazardous substance, is to increase operating costs of the WRF by the costs of remedying the condition, because the City, as purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. Liability insurance policies often exclude coverage related to hazardous substances liability. All of these possibilities could significantly affect the City’s ability to operate the WRF as currently contemplated.

Further, it is possible that liabilities may arise in the future with respect to the WRF resulting from the existence, currently, on the property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified.

As discussed under the caption “—Acquisition of WRF—Release of Liability,” the City is purchasing the WRF “as-is” and neither Santa Paula Water LLC nor any other party is making any representations or warranties with respect to the WRF. The City is currently unaware of the presence of any hazardous substances at the WRF that are not already governed by the terms of the WRF Permit (as discussed under the caption “THE WASTEWATER ENTERPRISE—Regulatory Matters”). However, there can be no assurance that the presence of hazardous substances, or the discovery thereof after the City’s acquisition, will not materially increase the City’s operating costs, require the City to remedy such condition of the WRF or otherwise have a significant effect of WRF operations.

Limitations on Remedies

The ability of the City and the Utility Authority to comply with their covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City or the Utility Authority and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited since the Wastewater Enterprise serves an essential public purpose.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix C. In the event that the City or the Utility Authority fails to comply with their covenants under the Indenture or in the event that the Utility Authority fails to pay principal of and interest on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the City and the Utility Authority have covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the City or the Utility Authority in violation of this or other covenants in the Indenture applicable to the Bonds. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption “TAX EXEMPTION.”

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Indenture permits the Utility Authority to enter into additional Parity Obligations payable from Net Revenues of the Wastewater Enterprise on a parity with the Bonds, subject to the terms and conditions set forth therein. The entry into of additional Parity Obligations could result in reduced Net Revenues available to pay the Bonds. The City has covenanted to maintain debt service coverage of 120%, as further described under the caption “SECURITY FOR THE BONDS—Additional Indebtedness.”

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any district, county, school district, corporation or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-1979 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost of providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for wastewater service do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The Utility Authority has covenanted in the Indenture that it will, jointly with the City, fix, prescribe, revise and collect rates, fees and charges for the Wastewater Enterprise as a whole for the services and improvements furnished by the Wastewater Enterprise during each Fiscal Year that, after making allowances for contingencies and error in the estimates, at least equal 120% of the total Debt Service payments coming due and payable in such Fiscal Year. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an

incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “*Bighorn Case*”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in determining whether to change Wastewater Enterprise rates and charges since its first post-*Bighorn Case* rate increase in 2009.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service provided by the Wastewater Enterprise in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies available to Beneficial Owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Bonds and the Indenture, are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as a measure that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds is subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Bond Counsel. The form of such legal opinion is attached as Appendix C to this Official Statement and such legal opinion will be attached to each Bond. Certain legal matters will be passed upon for the City and the Utility Authority by the City Attorney, for the Utility Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Disclosure Counsel, and for the Trustee by its counsel. The Underwriter was represented by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona.

LITIGATION

The City

At the time of delivery of and payment for the Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement to this Official Statement, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis for such action, suit, proceeding, inquiry or investigation.

See the caption "THE WASTEWATER ENTERPRISE—Regulatory Matters" for a discussion of certain litigation that was brought against the City by the Regional Board.

The Utility Authority

At the time of delivery of and payment for the Bonds, the Utility Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Utility Authority, threatened against the Utility Authority affecting the existence of the Utility Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or any action of the Utility Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any

amendment or supplement to this Official Statement, or contesting the powers of the Utility Authority or its authority with respect to the Bonds or any action of the Utility Authority contemplated by any of said documents, nor to the knowledge of the Utility Authority, is there any basis for such action, suit, proceeding, inquiry or investigation.

TAX EXEMPTION

Federal Tax Status of 2015A Bonds

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), subject, however to certain qualifications set forth below, under existing law, the interest on the 2015A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Utility Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2015A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Utility Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2015A Bonds.

Federal Tax Status of 2015B Bonds

The interest on the 2015B Bonds is not intended by the Utility Authority to be excluded from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the 2015B Bonds is exempt from California personal income taxes..

California Tax Status

In the further opinion of Bond Counsel, interest on the 2015A Bonds and the 2015B Bonds is exempt from California personal income taxes.

Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium are disregarded.

Owners of Bonds with original issue discount or original issue premium, Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above.

Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2015A Bonds. Prospective purchasers of the 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Form of Opinion

A copy of the proposed opinion of Bond Counsel relating to the Bonds is attached as Appendix C.

CONTINUING DISCLOSURE

The Utility Authority has covenanted in a Continuing Disclosure Agreement for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by 270 days following the end of the Utility Authority's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the Utility Authority with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. The Utility Authority believes that it has not failed to comply with its previous continuing disclosure undertakings in all material respects during the last five years; however, the Utility Authority's filings for Fiscal Years 2010 and 2011 were three and four days late, respectively.

RATING

The Utility Authority expects that Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") will assign the Bonds the rating of "A+". There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

UNDERWRITING

The Bonds will be purchased by First Southwest Company, LLC (the "Underwriter") pursuant to a Bond Purchase Agreement, dated April 14, 2015 (the "Purchase Contract"), by and between the Utility Authority and the Underwriter, pursuant to which the Underwriter has agreed to purchase all, but not less than all, of the Bonds at a purchase price of \$76,173,360.85 (being the aggregate principal amount thereof plus net original issue premium of \$7,635,660.85 and less an Underwriter's discount of \$692,300.00). The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain

dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

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The execution and delivery of this Official Statement have been duly authorized by the Utility Authority and the City.

SANTA PAULA UTILITY AUTHORITY

By: /s/John Procter
Chair

CITY OF SANTA PAULA

By: /s/Jaime Fontes
City Manager

APPENDIX A
AUDITED FINANCIAL STATEMENTS

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City of Santa Paula

Annual Financial Report and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2014



CITY OF SANTA PAULA
FINANCIAL STATEMENTS
Year Ended June 30, 2014

**City of Santa Paula
Financial Statements
Year Ended June 30, 2014**

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Independent Auditor's Report

The Honorable City Council
City of Santa Paula, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Paula (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Paula, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The schedules listed in the Supplementary Information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the Supplementary Information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the Supplementary Information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Van Lant & Fankhaenel, LLP

December 29, 2014

CITY OF SANTA PAULA

Management's Discussion and Analysis For the Year Ended June 30, 2014

As management of the City of Santa Paula, we offer readers of the City of Santa Paula's financial statements this narrative overview and analysis of the financial activities of the City of Santa Paula for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City of Santa Paula exceeded its liabilities at the close of FY 2013-14 by \$56,508,941 (*net position*). Of this amount, \$15,167,587 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$4,171,060.
- As of the close of the current fiscal year, the City of Santa Paula's governmental funds reported combined ending fund balances of \$13,215,766 an increase of \$1,924,915 from the ending balance of 2013 which was \$11,290,851. Pursuant to GASB Statement 54, of the fund balance \$756,538 is unspendable funds (loans receivable and endowments/trusts), \$10,535,933 (restricted fund balance-grant funds and bond proceeds), \$1,206,864 is committed (budgeted for projects and deposit balances) and \$716,431 is (*unassigned fund balance*) available for spending with some government discretion. However, of the \$716,431, there is a fund set aside as a General Fund Operating Reserve to be held "in the event of an emergency, disaster, or other extraordinary circumstance".
- At the end of the current fiscal year, unreserved fund balance from the general fund was \$1,009,441 or 8% of total general fund expenditures and transfers out equaling \$12,121,350. This is an increase of \$408,479 over the prior year.
- The City of Santa Paula's governmental funds total current liabilities, excluding advances from other funds and deferred inflows, at year-end was \$2,056,129, a decrease of \$209,784 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Santa Paula's basic financial statements. The City of Santa Paula's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Santa Paula's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Santa Paula's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Santa Paula is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only

result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Santa Paula that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Santa Paula include general government, public safety, streets, economic development, and culture and recreation. The business-type activities of the City of Santa Paula include Water and Sewer enterprises.

The government-wide financial statements include not only the City of Santa Paula itself (known as *the primary government*), but also a legally separate Financing Authority for which the City of Santa Paula is financially accountable. Financial information for *these component units* is included in the financial information presented for the primary government itself. The Water and Sewer enterprises, function for all practical purposes as departments of the City of Santa Paula, and therefore have been included as an integral part of the *primary government*. Also, as of February 1, 2012 the Santa Paula Redevelopment Agency became the Designated Local Authority for the former Santa Paula Redevelopment Agency, a Successor Agency Private-purpose trust fund with the City reporting as fiduciary funds.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Santa Paula, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Santa Paula can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Santa Paula maintains fifty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the fund balances for the general fund (which is made up of seven separate internal funds), which is considered to be a major fund. Data from the other fifty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Santa Paula adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary funds. The City of Santa Paula maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Santa Paula uses enterprise funds to account for its Water and Sewer operations. These funds are reported separately as Proprietary Funds. *Internal Service funds* are accounting devices used to accumulate and allocate costs internally among the City of Santa Paula's various functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, which are considered to be major funds of the City of Santa Paula. Conversely, the internal service fund is combined into the General Fund classification, aggregated presentation in the governmental fund financial statements.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Santa Paula's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic Fiduciary fund financial statements can be found on pages 11-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Santa Paula's General Fund Actual to Budget comparison. Required supplementary information can be found on page 44-50 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 51-70 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Santa Paula, assets exceeded liabilities by \$60,680,001 at the close of 2013 and \$56,508,941 at June 30, 2014.

A large portion (almost all) of the City of Santa Paula's net position include \$28,896,929 (51.1 percent) as its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Santa Paula uses these capital assets to provide services to citizens; consequently, these assets are

not available for future spending. Although the City of Santa Paula's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-Wide Financial Statements						
Table 1: Summary of Net Position						
	June 30, 2013			June 30, 2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other Assets	13,320,276	41,005,634	54,325,910	14,962,821	42,739,035	57,701,856
Capital Assets (net of depreciation)	20,653,351	127,315,574	147,968,925	19,179,586	117,173,114	136,352,700
Total Assets	33,973,627	168,321,208	202,294,835	34,142,407	159,912,149	194,054,556
Deferred Outflows of Resources						
Deferred Charges on Refundings	-	1,518,827	-	-	1,441,270	1,441,270
Total Deferred Charges on Refundings	-	1,518,827	-	-	1,441,270	1,441,270
Liabilities						
Long-term liabilities outstanding	5,866,005	128,920,431	134,786,436	5,148,317	125,537,487	130,685,804
Other liabilities	1,947,949	6,399,276	8,347,225	2,456,337	5,844,744	8,301,081
Total Liabilities	7,813,954	135,319,707	143,133,661	7,604,654	131,382,231	138,986,885
Net Investment in Capital Assets	20,446,551	22,715,468	43,162,019	19,007,336	9,889,593	28,896,929
Restricted For:						
Transportation and Other Purposes	1,182,107	-	1,182,107	5,388,000	-	5,388,000
Community Development	-	-	-	-	-	-
Nonexpendable	739,473	-	739,473	743,364	-	743,364
Public Safety	140,323	-	140,323	190,134	-	190,134
Public Works	6,055,950	-	6,055,950	1,324,474	-	1,324,474
Low and Moderate Housing	-	-	-	-	-	-
Debt Services	-	4,798,486	4,798,486	-	4,798,453	4,798,453
Unrestricted	(2,404,731)	7,006,374	4,601,643	(115,555)	15,283,142	15,167,587
Total Net Position	26,159,673	34,520,328	60,680,001	26,537,753	29,971,188	56,508,941

An additional portion of the City of Santa Paula's net position (22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$15,167,587 may be used to meet the government's ongoing obligations to citizens and creditors. The increase has been largely related to the sale of the former wastewater treatment plant and the subsequent disposal of capital assets. The balance of the bond proceeds is \$22,963,553 restricted for water and sewer projects.

At the end of the current fiscal year, the City of Santa Paula is able to report a positive balance in net position for Investments in Capital Assets, restricted purposes and unrestricted net position. Separately, the City's governmental *unrestricted net position* shows a negative balance of \$(115,555) which is an increase in fund balance of \$2,289,176 from the previous year's figure of \$(2,404,731). This is the result of the sale of the former wastewater treatment plant land and other reclassifications of fund balance.

The business-type activities *unrestricted net position* show a positive balance of \$15,283,142, an increase of \$8,276,768 over the prior year's balance of \$7,006,374. These unrestricted funds can only be used for Water and Sewer activities. The Water fund has remaining Capital Bond project funds of \$19,155,260 while the Sewer fund a remaining Capital Bond project balance of

\$3,808,294. The governmental activities showed a decrease of \$1,439,215 for *Invested in Capital Assets* while the business-type activities reported a decrease from the prior year of \$12,825,875. The Governmental activities decreases were largely a result of the removal of the former Redevelopment properties City provided improvements portion. The business-type activities were a result of the sale of the former Wastewater Treatment plant land and the subsequent removal of the decommissioned plant and improvements from the Capital Assets.

Government-Wide Financial Statements						
Table 2: Summary Changes of Net Position						
	June 30, 2013			June 30, 2014		
	Governmental Activities	Business - Type Activities	Total	Governmental Activities	Business -Type Activities	Total
Revenues						
Charges for services	2,161,904	19,493,976	21,655,880	2,377,976	20,138,964	22,516,940
Operating grants	1,744,110	-	1,744,110	1,972,523	-	1,972,523
Capital grants	885,622	-	885,622	1,107,395	-	1,107,395
General revenues:	-	-	-	-	-	-
Property taxes	6,233,236	-	6,233,236	5,981,182	-	5,981,182
Sales taxes	1,628,819	-	1,628,819	1,707,894	-	1,707,894
Other taxes	865,082	-	865,082	841,015	-	841,015
Investments	73,628	36,099	109,727	46,418	38,457	84,875
Other revenues	178,905	-	178,905	25,859	-	25,859
Total Revenues	13,771,306	19,530,075	33,301,381	14,060,262	20,177,421	34,237,683
Expenses						
General administration	2,102,437	-	2,102,437	1,218,438	-	1,218,438
Building and safety	437,177	-	437,177	522,030	-	522,030
Community services	2,967,518	-	2,967,518	1,933,292	-	1,933,292
Financial Services	428,409	-	428,409	460,909	-	460,909
Fire	2,478,436	-	2,478,436	2,930,723	-	2,930,723
Planning	586,158	-	586,158	475,976	-	475,976
Police	4,453,434	-	4,453,434	5,530,116	-	5,530,116
Public Works	370,217	-	370,217	2,249,048	-	2,249,048
Interest	19,722	-	19,722	17,448	-	17,448
Water	-	6,249,461	6,249,461	-	7,296,082	7,296,082
Sewer	-	8,229,161	8,229,161	-	8,887,824	8,887,824
Total expenses	13,843,508	14,478,622	28,322,130	15,337,980	16,183,906	31,521,886
Increase in Net Position before Transfers	(72,202)	5,051,453	4,979,251	(1,277,718)	3,993,515	2,715,797
Transfers	951,978	(951,978)	-	1,548,582	(1,548,582)	-
Increase in Net Position	879,776	4,099,475	4,979,251	270,864	2,444,933	2,715,797
Extraordinary Loss	-	-	-	-	-	-
Beginning Net Position	27,815,352	33,391,911	61,207,263	26,159,673	34,520,328	60,680,001
Prior period adjustment	(2,535,455)	(2,971,058)	(5,506,513)	107,216	(6,994,073)	(6,886,857)
Ending Net Position	\$26,159,673	\$34,520,328	\$60,680,001	\$26,537,753	\$29,971,188	\$56,508,941

There was a decrease of \$4,549,140 in total net position reported in connection with the City of Santa Paula's business-type activities. This also relates to the sale of the former Treatment Plant. The previous plant was decommissioned and therefore, all assets and depreciation in relation to the plant were removed from Capital Assets.

Governmental activities. Governmental activities increased the City of Santa Paula's net position by \$378,080 for the current year.

Expenses for governmental activities increased from \$13,843,508 in 2013 to \$15,337,980 in 2014, an increase of \$1,494,472. Previously funded positions were filled as well as some budgeted one-time expenditures were completed.

Business-type activities. Business-type activities decreased the City of Santa Paula's net position by \$4,549,140.

Financial Analysis of the Government's Funds

As noted earlier, the City of Santa Paula uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Santa Paula's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spending* resources. Such information is useful in assessing the City of Santa Paula's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Santa Paula's governmental funds reported combined total ending fund balances of \$13,215,766.

The general fund is the chief operating fund of the City of Santa Paula. At June 30, 2014, the unreserved fund balance for the general fund was \$1,009,441, while total fund balance reached \$5,429,906. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.6 percent of the total general fund expenditures, while total fund balance represents 46.3 percent of that same amount.

The City of Santa Paula's unassigned general fund fund balance, increased by \$2,289,176 during the current fiscal year. This reflects an increase in Charges for Services, Grants and Sales Tax as well as the transfer for the sale of the Wastewater Treatment Plant land.

The Police expenditure budget makes up more than 46 percent of the general fund expenditures.

Proprietary funds. The City of Santa Paula's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the Water and Sewer enterprises at the end of the year amounted to \$29,971,188 a decrease of \$4,549,140 from the prior period. The net position for the proprietary funds – water increased and sewer decreased \$1,671,420 and \$(6,220,560) respectively. Other factors concerning the finances of these funds are addressed in the discussion of the City of Santa Paula's business-type activities.

Statement of Revenues, Expenses and Changes in Net Positions			
Table 3: Proprietary Funds			
	Business-Type Activities		
	Water	Sewer	Total
Operating Revenues	8,657,825	11,227,742	19,885,567
Operating Expenses	4,720,448	4,516,794	9,237,242
Operating Income (loss)	3,937,377	6,710,948	10,648,325
Total Non-Operating Revenues (Expenses)	(2,441,196)	(4,213,614)	(6,654,810)
Transfers In	175,239	2,606	177,845
Transfers Out	-	(1,726,427)	(1,726,427)
Change in Net Positions	1,671,420	773,513	2,444,933
Total Net Positions, Beginning	16,435,579	18,084,749	34,520,328
Prior Period Adjustments	-	(6,994,073)	(6,994,073)
Total Net Positions, Ending	18,106,999	11,864,189	29,971,188

General Fund Budgetary Highlights

The actual general fund revenue ended \$394,542 over the original budgeted amount. There were \$367,550 in fiscal year adjustments to the final revenue budget. Revenues overall were .3% over budget totals.

Differences between the final budget and the actual expenditures were favorable for all departments except for Community Services and Police. Community Services (\$34,378) and Police (293,503) came in over budget. The majority of the overages are due to unexpected repairs, overtime, consultant services, and equipment. Overall the General Fund expenditures came in under budget by \$1,229,688 or 9.5%.

Capital Asset and Debt Administration

Capital assets. The City of Santa Paula's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$136,352,700 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements other than buildings, machinery and equipment, as well as construction in progress.

Capital Assets			
Table 4			
	(Net of Depreciation)		
	Governmental Activities	Business-Type Activities	Total
Land	489,183	7,104,082	7,593,265
Water Rights	-	13,834,827	13,834,827
Construction in progress	1,257,911	1,138,761	2,396,672
Buildings and System	1,092,063	78,401,229	79,493,292
Machinery and Equipment	742,956	1,250,263	1,993,219
Improvements other than buildings	15,597,473	15,443,952	31,041,425
Total Capital Assets	19,179,586	117,173,114	136,352,700

The value of the City's assets has decreased by \$11,616,225 during this reporting period. As stated above, the majority of the decrease is related to the sale of the former Wastewater Treatment Plant. Additional information on the City of Santa Paula's capital assets can be found in note III.C on pages 24 and 25 in this report.

Long-term debt. At the end of the current fiscal year, the City of Santa Paula had total debt outstanding of \$134,267,932 excluding compensated absences. This is a decrease of \$3,547,753 from the prior period's level of \$137,841,533. Governmental activities decreased by \$269,073. Bonds secured solely by specified revenue sources (i.e., revenue bonds) equal \$63,856,222. The remaining debt is backed by the full faith and credit of the government.

The City of Santa Paula's total outstanding debt includes \$62,440,000 principal amount comprised of three series' of revenue bonds issued during the current fiscal year. Additional information on the City of Santa Paula's long-term debt can be found in note III.E on pages 27 to 35 of this report.

Outstanding Debt			
Table 5			
	Governmental Activities	Business-Type Activities	Total
Lease Revenue Bonds:			
Water 2010	-	50,990,000	50,990,000
Add Deferred Issuance Premiums	-	1,582,608	1,582,608
Wastewater 2010A	-	5,575,000	5,575,000
Wastewater 2010B	-	5,875,000	5,875,000
Less Deferred Issuance Discounts	-	(166,386)	(166,386)
Loans Payable	172,250	-	172,250
Claims Liability	2,326,230	-	2,326,230
Notes Payable	-	496,500	496,500
Wastewater Facilities Lease	-	64,337,771	64,337,771
Pension Related Debt	2,496,287	157,587	2,653,874
OPEB Obligations	425,085	-	425,085
Compensated Absences	450,465	40,160	490,625
Total	<u>5,870,317</u>	<u>128,888,240</u>	<u>134,758,557</u>
June 30, 2013	6,139,390	132,166,920	138,306,310
Change in Debt Service	(269,073)	(3,278,680)	(3,547,753)

Next Year's Budgets and Rates

The Water rates were last increased November 1, 2012 and the Sewer rates increased November 1, 2013. There are no scheduled increases until a new rate study and a Prop 218 process is complete. These rate increases were necessary to cover higher operating expenses and to fund significant capital investments in infrastructure and the new Water Recycling Facility (WRF).

Requests for Information

This financial report is designed to provide a general overview of the City of Santa Paula's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Santa Paula, Finance Director, P. O. Box 569, Santa Paula, CA 93061.

BASIC FINANCIAL STATEMENTS

City of Santa Paula
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 10,897,444	\$ 15,456,192	\$ 26,353,636
Receivables (Net of Allowance)	940,935	2,418,688	3,359,623
Loans Receivable, Net	-	-	-
Internal Balances	(100,000)	100,000	-
Cash - Restricted	3,224,442	24,764,155	27,988,597
Capital Assets Not Being Depreciated			
Land	489,183	7,104,082	7,593,265
Water Rights	-	13,834,827	13,834,827
Construction in Progress	1,257,911	1,138,761	2,396,672
Capital Assets Net of Accumulated Depreciation			
Buildings and System	1,092,063	78,401,229	79,493,292
Machinery and Equipment	742,956	1,250,263	1,993,219
Improvements Other Than Buildings	15,597,473	15,443,952	31,041,425
Total Assets	<u>34,142,407</u>	<u>159,912,149</u>	<u>194,054,556</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	-	1,441,270	1,441,270
Total Deferred Outflows of Resources	<u>-</u>	<u>1,441,270</u>	<u>1,441,270</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	759,582	1,156,790	1,916,372
Accrued Interest Payable	-	1,337,201	1,337,201
Deposits	974,755	-	974,755
Noncurrent Liabilities			
Due Within One Year	722,000	3,350,753	4,072,753
Due in More Than One Year	5,148,317	125,537,487	130,685,804
Total Liabilities	<u>7,604,654</u>	<u>131,382,231</u>	<u>138,986,885</u>
NET POSITION			
Net Investment in Capital Assets	19,007,336	9,889,593	28,896,929
Restricted for:			
Transportation and Other Purposes	5,388,000	-	5,388,000
Community Services:			
Nonexpendable	743,364	-	743,364
Public Safety	190,134	-	190,134
Public Works	1,324,474	-	1,324,474
Debt Service	-	4,798,453	4,798,453
Unrestricted	(115,555)	15,283,142	15,167,587
Total Net Position	<u>\$ 26,537,753</u>	<u>\$ 29,971,188</u>	<u>\$ 56,508,941</u>

The accompanying notes are an integral part of this statement.

**City of Santa Paula
Statement of Activities
For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,218,438	\$ 324,518	\$ -	\$ -
Building and Safety	522,030	378,050	141,303	-
Community Services	1,933,292	489,047	20,062	111,270
Financial Services	460,909	22,321	-	-
Fire	2,930,723	253,508	477,016	5,168
Planning	475,976	247,306	-	-
Police	5,530,116	505,615	150,773	6,207
Public Works	2,249,048	157,611	1,183,369	984,750
Interest on Long-term Debt	17,448	-	-	-
Total Governmental Activities	15,337,980	2,377,976	1,972,523	1,107,395
Business-type Activities:				
Water	7,296,082	8,766,825	-	-
Sewer	8,887,824	11,372,139	-	-
Total Business-type Activities	16,183,906	20,138,964	-	-
Total Government	\$ 31,521,886	\$ 22,516,940	\$ 1,972,523	\$ 1,107,395

General Revenues:
Property Taxes
Sales Taxes
Transient Occupancy Taxes
Franchise Taxes
Business License Taxes
Unrestricted Investment Earnings
Miscellaneous Revenues
Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (893,920)	\$ -	\$ (893,920)
(2,677)	-	(2,677)
(1,312,913)	-	(1,312,913)
(438,588)	-	(438,588)
(2,195,031)	-	(2,195,031)
(228,670)	-	(228,670)
(4,867,521)	-	(4,867,521)
76,682	-	76,682
(17,448)	-	(17,448)
<u>(9,880,086)</u>	<u>-</u>	<u>(9,880,086)</u>
-	1,470,743	1,470,743
-	2,484,315	2,484,315
<u>-</u>	<u>3,955,058</u>	<u>3,955,058</u>
<u>(9,880,086)</u>	<u>3,955,058</u>	<u>(5,925,028)</u>
5,981,182	-	5,981,182
1,707,894	-	1,707,894
102,933	-	102,933
614,433	-	614,433
123,649	-	123,649
46,418	38,457	84,875
25,859	-	25,859
1,548,582	(1,548,582)	-
<u>10,150,950</u>	<u>(1,510,125)</u>	<u>8,640,825</u>
270,864	2,444,933	2,715,797
26,159,673	34,520,328	60,680,001
<u>107,216</u>	<u>(6,994,073)</u>	<u>(6,886,857)</u>
<u>\$ 26,537,753</u>	<u>\$ 29,971,188</u>	<u>\$ 56,508,941</u>

The accompanying notes are an integral part of this statement.

**City of Santa Paula
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 2,914,873	\$ 7,982,571	\$ 10,897,444
Receivables	592,219	348,716	940,935
Due from Other Funds	321,792	-	321,792
Loans Receivable	13,174	480,084	493,258
Advances to Other Funds	-	126,041	126,041
Cash - Restricted	3,200,427	24,015	3,224,442
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,042,485</u>	<u>\$ 8,961,427</u>	<u>\$ 16,003,912</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 624,650	\$ 134,932	\$ 759,582
Due to Other Funds	-	321,792	321,792
Deposits	974,755	-	974,755
Advances From Other Funds	-	226,041	226,041
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,599,405</u>	<u>682,765</u>	<u>2,282,170</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Grants	-	12,718	12,718
Unavailable Revenues - Loans Receivable	13,174	480,084	493,258
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>13,174</u>	<u>492,802</u>	<u>505,976</u>
FUND BALANCE (DEFICITS)			
Nonspendable	13,174	743,364	756,538
Restricted	3,200,427	7,335,506	10,535,933
Committed	1,206,864	-	1,206,864
Unassigned	1,009,441	(293,010)	716,431
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>5,429,906</u>	<u>7,785,860</u>	<u>13,215,766</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,042,485</u>	<u>\$ 8,961,427</u>	<u>\$ 16,003,912</u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Fund balances of governmental funds	\$ 13,215,766
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	19,179,586
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	12,718
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(450,465)
OPEB Obligation	(425,085)
Loans Payable	(172,250)
Claims Liabilities	(2,326,230)
Pension Related Debt	<u>(2,496,287)</u>
Net position of governmental activities	<u>\$ 26,537,753</u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 8,438,655	\$ 271,863	\$ 8,710,518
Licenses and Permits	332,928	-	332,928
Intergovernmental	395,077	2,940,451	3,335,528
Charges for Services	1,058,884	287,868	1,346,752
Fines and Forfeitures	184,711	1,947	186,658
Investment Earnings	5,530	37,167	42,697
Other Revenues	199,091	248,232	447,323
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	10,614,876	3,787,528	14,402,404
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Current:			
General Government	1,140,559	95,393	1,235,952
Building and Safety	432,414	81,479	513,893
Community Services	1,045,047	474,608	1,519,655
Financial Services	455,893	2,723	458,616
Fire	2,398,095	473,721	2,871,816
Planning	463,683	10,000	473,683
Police	5,352,200	135,170	5,487,370
Public Works	436,123	1,084,181	1,520,304
Debt Service:			
Principal	-	34,550	34,550
Interest	-	17,448	17,448
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	11,724,014	2,409,273	14,133,287
	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues over Expenditures	(1,109,138)	1,378,255	269,117
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,551,188	829,536	2,380,724
Transfers Out	(397,336)	(434,806)	(832,142)
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	1,153,852	394,730	1,548,582
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	44,714	1,772,985	1,817,699
Fund Balances, Beginning	5,277,976	6,012,875	11,290,851
Prior Period Adjustment	107,216	-	107,216
	<u> </u>	<u> </u>	<u> </u>
Fund Balances, Ending	<u>\$ 5,429,906</u>	<u>\$ 7,785,860</u>	<u>\$ 13,215,766</u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balances-total governmental funds	\$	1,817,699
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$1,055,977 exceeded capital outlay of \$195,169 in the current period.		(860,808)
The net effect of disposals of capital assets is to decrease net position.		(612,957)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(342,143)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal Payments on Capital Leases and Loans Payable		34,550
Decrease in Pension-related Debt		110,397
Increase in OPEB Obligation		(76,438)
Claims and judgments expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		232,623
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following represents the net change in compensated absences in the current period.		(32,059)
Change in net position of governmental activities	\$	270,864

The accompanying notes are an integral part of this statement.

**City of Santa Paula
Statement of Net Position
Proprietary Funds
June 30, 2014**

	Business-type Activities - Enterprise Funds		
	Utility Authority		Totals
	Water	Sewer	
ASSETS			
Current Assets:			
Cash and Investments	\$ 10,760,598	\$ 4,695,594	\$ 15,456,192
Receivables	1,303,369	1,115,319	2,418,688
Total Current Assets	<u>12,063,967</u>	<u>5,810,913</u>	<u>17,874,880</u>
Noncurrent Assets:			
Restricted Cash:			
Cash with Fiscal Agents	19,155,260	5,608,895	24,764,155
Advances to Other Funds	100,000	-	100,000
Capital Assets:			
Land	2,356,451	4,747,631	7,104,082
Water Rights	13,834,827	-	13,834,827
Buildings	12,251,164	74,097,756	86,348,920
Improvements	15,826,322	1,251,652	17,077,974
Machinery and Equipment	2,229,935	520,887	2,750,822
Construction in Progress	591,936	546,825	1,138,761
Less: Accumulated Depreciation	<u>(7,036,661)</u>	<u>(4,045,611)</u>	<u>(11,082,272)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>40,053,974</u>	<u>77,119,140</u>	<u>117,173,114</u>
Total Noncurrent Assets	<u>59,309,234</u>	<u>82,728,035</u>	<u>142,037,269</u>
Total Assets	<u>71,373,201</u>	<u>88,538,948</u>	<u>159,912,149</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings	1,441,270	-	1,441,270
Total Deferred Outflows of Resources	<u>1,441,270</u>	<u>-</u>	<u>1,441,270</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	383,633	773,157	1,156,790
Interest Payable	1,056,985	280,216	1,337,201
Compensated Absences	40,160	-	40,160
Bonds Payable - Current	1,370,000	210,000	1,580,000
Capital Lease Payable - Current	-	1,730,593	1,730,593
Total Current Liabilities	<u>2,850,778</u>	<u>2,993,966</u>	<u>5,844,744</u>
Noncurrent Liabilities:			
Advances from Other Funds	-	-	-
Bonds Payable	51,202,607	11,073,615	62,276,222
Notes Payable	496,500	-	496,500
Capital Lease Payable	-	62,607,178	62,607,178
Pension Related Debt	157,587	-	157,587
Total Noncurrent Liabilities	<u>51,856,694</u>	<u>73,680,793</u>	<u>125,537,487</u>
Total Liabilities	<u>54,707,472</u>	<u>76,674,759</u>	<u>131,382,231</u>
NET POSITION			
Net Investment in Capital Assets	3,670,485	6,219,108	9,889,593
Restricted for:			
Debt Service	3,910,912	887,541	4,798,453
Unrestricted	<u>10,525,602</u>	<u>4,757,540</u>	<u>15,283,142</u>
Total Net Position	<u>\$ 18,106,999</u>	<u>\$ 11,864,189</u>	<u>\$ 29,971,188</u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility Authority</u>		<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	
OPERATING REVENUES			
Water Sales	\$ 8,582,527	\$ -	\$ 8,582,527
Sewer Sales	-	11,227,742	11,227,742
Other Revenues	75,298	-	75,298
	<u>8,657,825</u>	<u>11,227,742</u>	<u>19,885,567</u>
Total Operating Revenues			
OPERATING EXPENSES			
Cost of Sales	2,168,762	2,539,258	4,708,020
Administration	1,406,691	951,116	2,357,807
Depreciation	1,144,995	1,026,420	2,171,415
	<u>4,720,448</u>	<u>4,516,794</u>	<u>9,237,242</u>
Total Operating Expenses			
Operating Income (Loss)	<u>3,937,377</u>	<u>6,710,948</u>	<u>10,648,325</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	25,438	13,019	38,457
Interest Expense	(2,575,634)	(4,371,030)	(6,946,664)
Gain/(Loss) on Disposal of Capital Assets	109,000	144,397	253,397
	<u>(2,441,196)</u>	<u>(4,213,614)</u>	<u>(6,654,810)</u>
Total Nonoperating Revenues (Expenses)			
Income Before Contributions and Transfers	1,496,181	2,497,334	3,993,515
Transfers In	175,239	2,606	177,845
Transfers Out	-	(1,726,427)	(1,726,427)
	<u>1,671,420</u>	<u>773,513</u>	<u>2,444,933</u>
Change in Net Position			
Total Net Position, Beginning	16,435,579	18,084,749	34,520,328
Prior Period Adjustment	-	(6,994,073)	(6,994,073)
Total Net Position, Ending	<u>\$ 18,106,999</u>	<u>\$ 11,864,189</u>	<u>\$ 29,971,188</u>

The accompanying notes are an integral part of this statement.

**City of Santa Paula
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Utility Authority		Total
	Water	Sewer	
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 8,816,644	\$ 11,192,359	\$ 20,009,003
Payments to Suppliers	(3,042,051)	(3,317,437)	(6,359,488)
Payments to Employees	(1,259,381)	(108,625)	(1,368,006)
Net Cash Provided (Used) by Operating Activities	<u>4,515,212</u>	<u>7,766,297</u>	<u>12,281,509</u>
Cash Flows from Noncapital Financing Activities			
Intrefund Advances Received	2,000,000	-	2,000,000
Interfund Advances Paid	-	(2,000,000)	(2,000,000)
Transfers In	175,239	2,606	177,845
Transfers Out	-	(1,726,427)	(1,726,427)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,175,239</u>	<u>(3,723,821)</u>	<u>(1,548,582)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(279,279)	(150,540)	(429,819)
Sale of Property	109,000	-	109,000
Interest Paid on Capital Debt	(2,576,501)	(4,368,297)	(6,944,798)
Principal Paid on Capital Debt	(1,325,000)	(1,875,118)	(3,200,118)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,071,780)</u>	<u>(6,393,955)</u>	<u>(10,465,735)</u>
Cash Flows from Investing Activities			
Investment Earnings	25,438	13,019	38,457
Net Cash Provided (Used) by Investing Activities	<u>25,438</u>	<u>13,019</u>	<u>38,457</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,644,109	(2,338,460)	305,649
Cash and Cash Equivalents, Beginning	<u>27,271,749</u>	<u>11,091,761</u>	<u>38,363,510</u>
Cash and Cash Equivalents, Ending	<u>\$ 29,915,858</u>	<u>\$ 8,753,301</u>	<u>\$ 38,669,159</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income	\$ 3,937,377	\$ 6,710,948	\$ 10,648,325
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense	1,144,995	1,026,420	2,171,415
(Increase) Decrease in Receivables	158,819	(35,383)	123,436
Increase (Decrease) in Accounts Payable	(702,877)	64,311	(638,566)
Increase (Decrease) in Compensated Absences	(6,211)	-	(6,211)
Increase (Decrease) in Pension Related Debt	(16,891)	-	(16,891)
Net Cash Provided By Operating Activities	<u>\$ 4,515,212</u>	<u>\$ 7,766,296</u>	<u>\$ 12,281,508</u>
Noncash Investing, Capital, and Financing Activities			
Amortization of Deferred Charges on Refunding	\$ 77,557	\$ -	\$ 77,557
Amortization of (Premium)/Discount on Bonds	(61,860)	6,400	(55,460)

The accompanying notes are an integral part of this statement.

**City of Santa Paula
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014**

	<u>Successor Agency Private-purpose Trust Fund</u>
ASSETS	
Cash and Investments	\$ 1,811,337
Restricted Cash and Investments	294,500
Interest Receivable	878
Loans Receivable, Net	14,709
Property Held for Resale	<u>818,178</u>
Total Assets	<u>2,939,602</u>
 LIABILITIES	
Interest Payable	13,383
Bonds Payable	<u>2,489,321</u>
Total Liabilities	<u>2,515,733</u>
 NET POSITION	
Net Position Held in Trust for Successor Agency	<u><u>\$ 423,869</u></u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 497,358
Interest Income	3,941
Property Contribution from City of Santa Paula	<u>612,957</u>
Total Additions	<u>1,114,256</u>
DEDUCTIONS	
Administrative Costs	67,166
Interest on Bonds	<u>166,731</u>
Total Deductions	<u>233,897</u>
Change in Net Position	880,359
Net Position - Beginning of Year	<u>(456,490)</u>
Net Position - End of Year	<u><u>\$ 423,869</u></u>

The accompanying notes are an integral part of this statement.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The City of Santa Paula (the "City") is a municipal corporation operating as a general law city governed by a city council of five members. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

The Santa Paula Public Financing Authority (the Authority) is governed by the City Council of the City of Santa Paula. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities.

The Santa Paula Utility Authority (the Utility Authority) was established through a Joint Powers Agreement between the City and the Redevelopment Agency. The members of the Board of Directors of the Utility Authority are the members of the City Council of the City. The Utility Authority was established to provide financing, for purposes which are authorized by law and which could lease, own, operate, and maintain the water and wastewater enterprise, and any other utility system or service leased to the Utility Authority by the City or acquired by the Utility Authority. The Utility Authority is reported as enterprise funds.

Separate financial statements are not prepared for the Santa Paula Public Financing Authority or the Santa Paula Utility Authority.

B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the nonfiduciary activities of the City of Santa Paula and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter, if any, are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary funds' and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue within the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water and sewer funds account for the operation of the City's water distribution system and the City's sewage treatment plant, and sewage pumping stations.

The City reports the following fiduciary funds:

The Successor Agency Private-purpose Trust Fund accounts for the wind down activities of the Santa Paula Redevelopment Agency.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. In the fund financial statements, quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursement fund and as revenues in the fund that is reimbursed. All other interfund transaction except quasi-external transactions and reimbursements are reported as transfers.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

E) Assets, Liabilities, and Net Assets or Equity

1) Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments (including restricted assets) with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, cash equivalents represents demand deposits of proprietary funds held in financial institutions or in cash management pools where funds can be added or withdrawn at anytime without prior notice or penalty and with a maturity of three months or less from the date of acquisition.

Investments are included within the financial statement caption "Cash and Investments." Investments for the government, as well as for its component units, are stated at their fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Local Agency Investment Fund operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2) Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property taxes receivable are shown net of an allowance for uncollectibles. Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls.

Property taxes are levied as of January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at the time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax levies are limited to 1% of full market value which results in a tax of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

The Assessor of the County of Ventura establishes property valuations for the secured and unsecured property tax rolls; the State Board of Equalization values the utility property tax roll. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, appropriations to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

The State of California FY 90-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administration fees withheld during the fiscal year.

3) Restricted Assets

Certain proceeds of the City's tax allocation refunding bonds and the enterprise fund lease revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

4) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000, or \$25,000 for capital projects. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the current year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Building Improvements	10 - 30
Infrastructure	25 - 60
Vehicles	3 - 10
Equipment	7 - 10
Computer Equipment	5

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Cash compensations for accrued vacations are generally not payable until the employee terminates employment with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

6) Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

7) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the statement of net position – proprietary funds. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8) Net Position

In the Government-wide, proprietary funds, and fiduciary fund financial statements, net position is classified in the following categories.

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the City that is not externally restricted for any project or other purpose.

9) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position.

10) Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance or resolution to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

II) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The following non-major funds had deficit fund balances at June 30, 2014:

Mobile Home Rent Review	\$ 172,938
Housing and Community Development II	4,382
CA Oil Museum	3,771
Hillsborough Open Space Assessment	1,194
State Homeland Security Grant	442
Transportation Enhancement Grant	8,143
BJA Vest Grant	12,718
Corp Yard Facilities	1,993
Harding Park Trust	87,429

These deficits are expected to be reduced by future revenue or transfers from other funds.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The City's cash and investments consist of the following at June 30, 2014:

Petty Cash	\$	5,600
Deposits		2,631,942
Investments		<u>53,810,528</u>
 Total Cash and Investments	 \$	 <u>56,448,070</u>
 Statement of Net Position:		
Cash and Investments	\$	26,353,636
Restricted Cash and Investments		27,988,597
 Statement of Fiduciary Net Position:		
Cash and Investments		1,811,337
Restricted Cash and Investments		<u>294,500</u>
 Total Cash and Investments	 \$	 <u>56,448,070</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The investments are managed by the City Treasurer and Fiscal agents (Bond trustees acting in accordance with bond covenants). Investments managed by the City Treasurer are invested in accordance with the City's investment policy. Investments managed by bond trustees are invested in accordance with provisions of the respective bond agreements, which generally are in accordance with provisions of the California Government Code 53601.

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents of the City's governmental funds, enterprise funds, and agency funds which are invested in accordance with the City's investment policy. The investment policy generally complies with California Government Code Section 53601.

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer	Minimum Ratings
U.S. Treasury	Yes	3 years	None	None	None
U.S. Agencies	Yes	3 years	20%	None	AAA
Bankers Acceptances	Yes	0.5 years	10%	2%	None
Certificate of Deposits (CDs)	Yes	N/A	40%	15%	AAA
Mutual Funds	Yes	N/A	15%	15%	AAA
Local Agency Investment Funds	Yes	N/A	None	None	None

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool - LAIF	\$25,243,487	\$ 25,243,487	\$ -	\$ -	\$ -
Certificates of Deposit	307,960	307,960	-	-	-
Held by Bond Trustees:					
Money Market Mutual Funds	28,259,081	28,259,081	-	-	-
Total	\$53,810,528	\$ 53,810,528	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
State Investment Pool - LAIF	\$ 25,243,487	N/A	\$ -	\$ -	\$25,243,487
Certificates of Deposit	307,960	N/A	-	-	307,960
Held by Bond Trustees					
Money Market Mutual Funds	28,259,081	N/A	-	28,259,081	-
Total	\$ 53,810,528		\$ -	\$28,259,081	\$25,551,447

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2014, none of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Receivables

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, are as follows:

	General	Water Utility	Sewer Utility	Nonmajor and Other Funds	Total
Receivables:					
Interest	\$ 1,553	\$ 4,190	\$ 3,301	\$ 3,737	\$ 12,781
Taxes	442,755	-	-	42,111	484,866
Accounts	82,242	1,299,179	1,112,018	22,179	2,515,618
Intergovernmental	65,669	-	-	280,689	346,358
Total Receivables	<u>\$ 592,219</u>	<u>\$ 1,303,369</u>	<u>\$ 1,115,319</u>	<u>\$ 348,716</u>	<u>\$ 3,359,623</u>

C) Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 509,112	\$ -	\$ (19,929)	\$ 489,183
Construction in Progress	2,047,529	91,937	(881,555)	1,257,911
Total Capital Assets, Not Being Depreciated	<u>2,556,641</u>	<u>91,937</u>	<u>(901,484)</u>	<u>1,747,094</u>
Capital Assets Being Depreciated:				
Buildings and System	2,950,504	29,200	(851,805)	2,127,899
Machinery and Equipment	3,786,053	74,032	-	3,860,085
Improvements Other Than Buildings	20,306,293	881,555	-	21,187,848
Total Capital Assets Being Depreciated	<u>27,042,850</u>	<u>984,787</u>	<u>(851,805)</u>	<u>27,175,832</u>
Less Accumulated Depreciation:				
Buildings and System	(1,216,280)	(71,956)	252,400	(1,035,836)
Machinery and Equipment	(2,921,631)	(195,498)	-	(3,117,129)
Improvements Other Than Buildings	(4,808,229)	(788,523)	6,377	(5,590,375)
Total Accumulated Depreciation	<u>(8,946,140)</u>	<u>(1,055,977)</u>	<u>258,777</u>	<u>(9,743,340)</u>
Total Capital Assets Being Depreciated, Net	<u>18,096,710</u>	<u>(71,190)</u>	<u>(593,028)</u>	<u>17,432,492</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,653,351</u>	<u>\$ 20,747</u>	<u>\$ (1,494,512)</u>	<u>\$ 19,179,586</u>

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 7,134,082	\$ -	\$ (30,000)	\$ 7,104,082
Water Rights	13,834,827	-	-	13,834,827
Construction in Progress	<u>7,909,323</u>	<u>223,511</u>	<u>(6,994,073) *</u>	<u>1,138,761</u>
Total Capital Assets, Not Being Depreciated	<u>28,878,232</u>	<u>223,511</u>	<u>(7,024,073)</u>	<u>22,077,670</u>
Capital Assets Being Depreciated:				
Buildings and System	93,389,183	85,882	(7,126,145)	86,348,920
Machinery and Equipment	2,630,396	120,426	-	2,750,822
Improvements Other Than Buildings	<u>17,077,974</u>	<u>-</u>	<u>-</u>	<u>17,077,974</u>
Total Capital Assets Being Depreciated	<u>113,097,553</u>	<u>206,308</u>	<u>(7,126,145)</u>	<u>106,177,716</u>
Less Accumulated Depreciation:				
Buildings and System	(12,489,196)	(1,207,849)	5,749,354	(7,947,691)
Machinery and Equipment	(1,366,743)	(133,816)	-	(1,500,559)
Improvements Other Than Buildings	<u>(804,272)</u>	<u>(829,750)</u>	<u>-</u>	<u>(1,634,022)</u>
Total Accumulated Depreciation	<u>(14,660,211)</u>	<u>(2,171,415)</u>	<u>5,749,354</u>	<u>(11,082,272)</u>
Total Capital Assets Being Depreciated, Net	<u>98,437,342</u>	<u>(1,965,107)</u>	<u>(1,376,791)</u>	<u>95,095,444</u>
Business-type Activities Capital Assets, Net	<u>\$ 127,315,574</u>	<u>\$ (1,741,596)</u>	<u>\$ (8,400,864)</u>	<u>\$ 117,173,114</u>

Depreciation was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 202,297
Community Services	405,229
Fire	76,534
Building and Safety	5,079
Police	64,290
Public Works	<u>302,548</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,055,977</u>
Business-type Activities:	
Water	\$ 1,144,995
Sewer	<u>1,026,420</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 2,171,415</u>

*In prior years the City capitalized costs related to a new sewer project that was never completed. The \$6,994,073 should have been expensed in prior years. See Restatement of Net Position Note IV G for more information.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

D) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2014 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 321,792
	Total	<u>\$ 321,792</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Water	Nonmajor Governmental Funds	\$ 100,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	126,041
	Total	<u>\$ 226,041</u>

Amounts payable to the Water fund relate to working capital loans made to the Corporate Yard Facilities fund. Amounts payable between the Nonmajor Governmental Funds are for park projects. None of these balances are scheduled to be collected in the subsequent year.

Sewer Fund Advance

On February 1, 2010 the City of Santa Paula entered into a Water Enterprise Lease Agreement and a Wastewater Enterprise Lease Agreement with the Santa Paula Utility Authority to lease to the Utility Authority the water and wastewater enterprise owned by the City. Under the terms of the agreements, lease payments are to be made from the Water and Sewer funds' (which comprise the Utility Authority) surplus revenues to the City for an amount equal to "Total Rent." Total Rent is defined in the agreements as having an aggregate present value at the date of the agreement of \$77,850,759 and \$18,083,341 for the water and wastewater enterprises respectively. The lease term shall end on February 22, 2065.

As mentioned above, the lease payments by the Utility Authority to the City are contingent upon the surplus revenues generated by the Water and Sewer funds. The amount of the lease rental payments could not be estimated due to the uncertainty of the amount of surplus revenues that may be generated by the Water and Sewer funds. The lease agreements are determined to be operating leases, and therefore no liability or asset has been recorded.

As provided in the trust agreement of the 2010 Wastewater Revenue Bonds, the Sewer fund of the Utility Authority transferred to the General fund an upfront lease rental payment of \$5,000,000. The payment is to be used by the City to finance certain public capital improvements. The unspent balance as of June 30, 2014 is \$3,200,427 and is included in restricted fund balance.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Interfund transfers:

<u>Transfers Out</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Sewer Fund	\$ 1,551,188	\$ 175,239	\$ -	\$ -	\$ 1,726,427
General Fund	-	-	-	397,336	397,336
Other Governmental Funds	-	-	2,606	432,200	434,806
	<u>\$ 1,551,188</u>	<u>\$ 175,239</u>	<u>\$ 2,606</u>	<u>\$ 829,536</u>	<u>\$ 2,558,569</u>

Transfers were made from the Sewer funds to the Water fund to reimburse various costs. Transfers were made from the General Fund to the Other Governmental Funds and between the Other Governmental Funds to provide resources for various projects.

The Sewer Fund transferred \$1,551,188 to the General Fund for lease payments as a result of the sale of land under the decommissioned waste water treatment plant. The lease payment was paid in accordance with the Wastewater Enterprise Lease Agreement between the City of Santa Paula and the Santa Paula Utility Authority.

E) Long-term Debt

Changes in Long-term Debt

Long-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 418,406	\$ 87,625	\$ (55,566)	\$ 450,465	\$ 80,000
Loan Payable	206,800	-	(34,550)	172,250	34,550
Claims Liability	2,558,853	-	(232,623)	2,326,230	-
OPEB Obligation	348,647	112,528	(36,090)	425,085	-
Pension Related Debt	2,606,684	396,960	(507,357)	2,496,287	607,450
Governmental Activities Long-term Liabilities	<u>\$ 6,139,390</u>	<u>\$ 597,113</u>	<u>\$ (866,186)</u>	<u>\$ 5,870,317</u>	<u>\$ 722,000</u>

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Revenue Bonds:					
2010 Water Revenue Bonds	\$ 52,315,000	\$ -	\$ (1,325,000)	\$ 50,990,000	\$ 1,370,000
Add Deferred Amounts:					
Issuance Premiums	1,644,468	-	(61,860)	1,582,608	-
Wastewater Revenue Bonds - 2010A	5,685,000	-	(110,000)	5,575,000	115,000
Wastewater Revenue Bonds -2010B	5,965,000	-	(90,000)	5,875,000	95,000
Add Deferred Amounts:					
Issuance Discounts	(172,786)	-	6,400	(166,386)	-
Notes Payable	496,500	-	-	496,500	-
Wastewater Facilities Lease	66,012,889	-	(1,675,118)	64,337,771	1,730,593
Compensated Absences	46,371	21,823	(28,034)	40,160	40,160
Pension Related Debt	174,478	-	(16,891)	157,587	-
Business-type Activities Long-term Liabilities	\$ 132,166,920	\$ 21,823	\$ (3,300,503)	\$ 128,888,240	\$ 3,350,753

Capital Leases

The City, at various occasions, enters into lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets acquired through loans payable are as follows:

	Governmental Activities
Asset:	
Improvements Other than Buildings	\$ 345,000
Less: Accumulated Depreciation	(57,500)
Total	\$ 287,500

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Loan Payable

In June of 2008, the City entered into a loan agreement with a developer for purposes of financing GEO Hazard abatement improvements. The principal amount of the loan is \$345,000 and is payable in 10 annual installments with an interest rate of 8%.

Debt service requirements to maturity on the remaining loan payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 34,550	\$ 13,780
2016	34,550	11,016
2017	34,550	8,252
2018	34,550	5,488
2019	34,050	2,724
	\$ 172,250	\$ 41,260

Wastewater Facilities Lease

The City has entered into a Design, Build, Operate and Finance agreement (DBOF) with Santa Paula Water, LLC, "the Company." Under the terms of the agreement the Company agreed to design, build, operate and finance a water treatment facility on the City's behalf. The Company will operate and maintain the facility during the term following the commencement date as described in the agreement. Beginning upon the commencement date of operations, which occurred in May 2010, the City shall pay the Company service fees as set forth in the agreement for 30 years. The service fees payable to the Company are for the operation and maintenance of the facilities in addition to capital recovery, return on capital, and repair and replacement. Upon expiration of the service agreement, title to the facility will transfer to the City. The agreement allows for an earlier termination of the service agreement at a buyout price determined in the agreement.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

The City shall credit all fees received from sewer customers to the Sewer fund. As collateral security for the performance of its obligations to pay service fees the City grants to the Company a first priority security interest in user fees received by the City for each month to the extent of the unpaid service fees payable to the Company. The City shall deposit into a separate account a reserve amount equal to four months of user fees received. The reserve amount shall be based on the most recent months' user fees.

As mentioned above, in addition to the service fees payable for operations and maintenance the City pays a fixed monthly amount for the design and build component of the DBOF agreement. This monthly fee is to pay for the design and construction costs of the facilities which were financed by the Company. As defined in the DBOF agreement, upon expiration of the Service Agreement term, title to the facility shall transfer to the City. The monthly fixed design and build costs portion of the service fees is considered lease payments for accounting purposes. Therefore, the capital lease has been recorded as the present value of future minimum lease payments as of the inception date.

The Wastewater Facility acquired through this capital lease is as follows:

	Business-type Activities
Asset:	
Wastewater Facility	\$ 70,911,157
Less: Accumulated Depreciation	(3,545,558)
Total	\$ 67,365,599

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Business-type Activities
2015	\$ 5,539,671
2016	5,723,033
2017	5,912,379
2018	6,107,883
2019	6,309,750
2020-2024	34,174,335
2025-2029	38,765,115
2030-2034	44,567,127
2035-2039	50,018,718
2040	9,268,118
Total Minimum Lease Payments	206,386,129
Less: Interest Amounts	(142,048,358)
Present Value of Minimum Lease Payments	\$ 64,337,771

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Revenue Bonds

2010 Water Revenue Bonds

In February 2010, the Santa Paula Utility Authority, the "Utility Authority" (a component unit of the City of Santa Paula) issued \$55,715,000 aggregate principal amount of Water Enterprise Revenue Bonds, 2010 Series, with proceeds used to effect the advance refunding of \$25,700,000 of outstanding Santa Paula Public Financing Authority Water Revenue Bonds, Series 2003, finance certain improvements to the Authority's water system, fund a reserve account, fund capitalized interest on the non-refunding portion of the Water Bonds and pay costs of issuance for the Bonds. Of the \$57,570,826 net proceeds from the 2010 Bonds, \$27,483,814 plus an additional \$1,160,572 of 2003 Bonds reserve fund monies were used to purchase U.S. Treasury Securities - State and Local Government Series. Those U.S. Treasury Securities - State and Local Government Series were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered defeased and the liability for those bonds has been removed from the financial statements.

The Water Bonds are payable from net revenues of the Water Enterprise held under the Water Bonds Indenture and investment earnings thereon. Interest is payable semi-annually on August 1st and February 1st of each year with principal maturing on February 1st of each year through 2040. The interest rate on the bonds ranges from 3.00% to 5.25%.

Debt service requirements to maturity for the Water Enterprise Revenue Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 1,370,000	\$ 2,536,750
2016	1,420,000	2,481,950
2017	1,485,000	2,425,150
2018	1,545,000	2,365,750
2019	1,620,000	2,288,500
2020-2024	9,390,000	10,144,500
2025-2029	11,965,000	7,552,000
2030-2034	13,180,000	4,229,825
2035-2039	7,315,000	1,627,750
2040	1,700,000	88,738
	<u>\$ 50,990,000</u>	<u>\$ 35,740,913</u>

2010 Wastewater Revenue Bonds

In February 2010, the Utility Authority issued \$5,900,000 aggregate principal amount of Wastewater Enterprise Revenue Bonds, 2010A Series, Non-Taxable, and \$6,130,000 aggregate principal amount of Wastewater Enterprise Revenue Bonds, 2010B Series, Taxable. Proceeds of the bonds will be used to finance an up-front lease payment to the City, finance certain improvements to the Utility Authority's wastewater system, fund a reserve account, and pay issuance costs.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

The wastewater bonds are payable from Net Revenues of the Wastewater Enterprise. Interest is payable semi-annually on August 1st and February 1st of each year with principal maturing on February 1st of each year through 2040. The interest rate on the bonds ranges from 3.00% to 7.00%.

Debt service requirements to maturity for the Wastewater Enterprise Revenue Bonds, 2010A Series, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 115,000	\$ 275,470
2016	120,000	271,445
2017	125,000	267,245
2018	130,000	263,495
2019	135,000	259,270
2020-2024	760,000	1,201,425
2025-2029	975,000	992,375
2030-2034	1,240,000	719,738
2035-2039	1,605,000	358,313
2040	370,000	19,425
	<u>\$ 5,575,000</u>	<u>\$ 4,628,201</u>

Debt service requirements to maturity for the Wastewater Enterprise Revenue Bonds, 2010B Series, are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 95,000	\$ 397,050
2016	100,000	391,825
2017	105,000	386,325
2018	110,000	380,550
2019	115,000	374,500
2020-2024	705,000	1,758,025
2025-2029	965,000	1,488,912
2030-2034	1,340,000	1,112,063
2035-2039	1,880,000	574,000
2040	460,000	32,200
	<u>\$ 5,875,000</u>	<u>\$ 6,895,450</u>

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Pursuant to each indenture, the Utility Authority covenants to fix, prescribe, revise, and collect rates, fees, and charges for the respective Enterprise as a whole for the services and improvements furnished by the Enterprise during each fiscal year which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield revenues of that Enterprise sufficient to pay the following amounts in the following priority: a) all anticipated service fees due under the DBOF for such fiscal year in the case of the Wastewater Enterprise only; b) all anticipated operation and maintenance costs of the enterprise for such fiscal year; c) all debt service payments as they become due and payable during such fiscal year, without preference or priority, except to the extent such debt service payments are payable from the proceeds of the bonds or from any other source of legally available funds of the Utility Authority which have been deposited for such purpose prior to the commencement of such fiscal year; d) the amount, if any, required to restore the amount in the reserve account to the full amount of the reserve requirement; and e) all other payments required to meet any other obligations of the Utility Authority which are charges, liens, encumbrances upon or payable from the revenues during such fiscal year.

The Utility Authority also covenants under the Indenture to fix, prescribe, revise and collect, or cause to be fixed, prescribed, revised and collected, rates, fees and charges for the services and improvements furnished by the Enterprise during each fiscal year that are sufficient to yield net revenues that are at least equal to one hundred twenty percent (120%) of the total debt service payments coming due and payable in such fiscal year.

Notes Payable

On January 2, 1996, the City of Santa Paula purchased surface water rights and groundwater rights from the Santa Paula Waterworks, Ltd. by issuing notes for \$496,500 at an interest rate of 9.87% per annum. Interest only payments are due annually with principal to be paid in full on January 2, 2026. Debt Service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ -	\$ 73,000
2016	-	73,000
2017	-	73,000
2018	-	73,000
2019	-	73,000
2020-2024	-	365,000
2025-2026	496,500	146,136
	\$ 496,500	\$ 876,136

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the City's multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City's Miscellaneous and Safety Plans converted from an "agent" multiple-employer plan to a "cost-sharing" multiple-employer plan. Although a portion of the City's annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a "Side Fund" which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions of the governmental funds and the principal is reported as a reduction of the liability in the proprietary funds.

The future debt service requirements on the Miscellaneous Plan Side Fund are as follows:

Year Ending June 30,	Pension-related Debt		Total
	Principal	Interest	
2015	\$ 171,323	\$ 119,153	\$ 290,476
2016	193,208	105,983	299,191
2017	217,004	91,162	308,166
2018	242,865	74,546	317,411
2019	270,953	55,981	326,934
2020	301,444	35,298	336,742
2021	334,526	12,318	346,844
Total	<u>\$ 1,731,323</u>	<u>\$ 494,441</u>	<u>\$ 2,225,764</u>

The future debt service requirements on the Safety Plan Side Fund are as follows:

Year Ending June 30,	Pension-related Debt		Total
	Principal	Interest	
2015	\$ 436,127	\$ 52,901	\$ 489,028
2016	486,424	18,497	504,921
Total	<u>\$ 922,551</u>	<u>\$ 71,398</u>	<u>\$ 993,949</u>

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

Fiduciary Fund

Tax Allocation Bonds

On March 21, 1994, the Redevelopment Agency of the City of Santa Paula adopted a resolution authorizing the sale of \$6,900,000 aggregate principal amount of Santa Paula Redevelopment Project 1994 Tax Allocation Refunding Bonds at interest rates ranging from 6.345% to 6.548% for the purpose of retiring \$6,000,000 of Tax Allocation Notes issued on November 1, 1992. The bonds mature on December 1 of each year to 2024 with interest payable semi-annually. On June 7, 2000, the Agency defeased \$2,285,000 of the \$6,900,000 Tax Allocation Refunding Bonds by purchasing United States government securities in an irrevocable trust with an escrow agent utilizing existing funds. The bonds are considered to be partially defeased and the related liability has been removed from long-term debt.

Debt service requirements to maturity on the remaining bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 160,000	\$ 160,590
2016	175,000	150,430
2017	185,000	139,300
2018	200,000	127,500
2019	215,000	114,600
2020-2024	1,265,000	351,300
2025	305,000	19,575
	<u>\$ 2,505,000</u>	<u>\$ 1,063,295</u>

Changes in Long-term Debt

The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2014.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable:					
Tax Allocation Refunding Bonds	\$ 2,655,000	\$ -	\$ (150,000)	\$ 2,505,000	\$ 160,000
Unamortized Discount	(17,105)	-	1,426	(15,679)	-
Total	<u>\$ 2,637,895</u>	<u>\$ -</u>	<u>\$ (148,574)</u>	<u>2,489,321</u>	<u>\$ 160,000</u>

City of Santa Paula
Notes to Financial Statements
June 30, 2014

III) DETAILED NOTES ON ALL FUNDS - Continued

F) Fund Balance

The details of the fund balances as of June 30, 2014 are presented below:

	General Fund	Total Non-major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Nonspendable:			
Loans Receivable	\$ 13,174	\$	\$ 13,174
Permanent Endowments		743,364	743,364
Restricted for:			
Street Work	3,200,427	3,291,788	6,492,215
Public Safety		162,813	162,813
Community Development		90,183	90,183
Miscellaneous Grants		29,883	29,883
Cable Television		80,998	80,998
Hazard Abatement		202,001	202,001
Inclusionary Housing Ordinance		21,813	21,813
Development Fees		3,456,027	3,456,027
Committed to:			
CJPIA Insurance Premiums	534,000	-	534,000
Police Vehicles	94,741	-	94,741
Overhead Rate Study	39,500	-	39,500
Capital Improvements	538,623	-	538,623
Assigned to:			
			-
Unassigned:	<u>1,009,441</u>	<u>(293,010)</u>	<u>716,431</u>
Total Fund Balance	<u>\$ 5,429,906</u>	<u>\$ 7,785,860</u>	<u>\$ 13,215,766</u>

The unassigned category above encompasses fund designations that do not satisfy the criteria of the other categories presented. The \$2,216,305 reported in the General Fund includes the council approved operating reserve of \$1,009,441.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION

A) Risk Management

1. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Santa Paula is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

2. Self Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

3. Purchased Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$52,912,691. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

4. Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

5. Claims and Judgments

The City accounts for uninsured, material claims and judgments and associated legal and administrative costs when it is probable that the liability claim has been incurred and the amount of the loss can be reasonably estimated. Included therein are claims incurred but not reported, which consists of (a) known loss events expected to be presented as claims later, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. This is based upon historical actual results that have established a reliable pattern supplemented by specific information about current matters. Small dollar claims and judgments are recorded as expenditures when paid. The following claims schedule includes workers' compensation and general liability for the past two fiscal years.

Year	Beginning of Year Liability	Current Year Claims and Changes In Estimates	Claim Payments For Current and Prior Years	End of Year Liability
2012-2013	\$ 2,535,455	\$ 94,734	\$ 71,336	\$ 2,558,853
2013-2014	2,558,853	-	232,623	2,326,630

B) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City, as part of a consent judgment entered into on September 24, 2007, was required to construct a new water recycling facility ("WRF") no later than December 15, 2010. The WRF was constructed and placed into operation prior to the December 15, 2010 deadline. However, the WRF does not fully comply with the consent judgment, and therefore, may be subject to additional penalties. The amount of penalties, if any, has not been determined.

The City is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

C) Employee Retirement Systems and Pension Plans

Defined Benefit Pension Plan

Plan Description. The City of Santa Paula's Defined Benefit Pension Plan (Plan) provides retirement, disability, annual cost of living adjustments and death benefits to plan members and their beneficiaries. The Plan is part of the public agency portion of the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. State statutes establish a menu of benefit provisions as well as other requirements with the Public Employees' Retirement Law.

The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issue a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy. Safety and miscellaneous plan members are required to contribute 8% and 9%, respectively of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. As of the 2007-08 fiscal year, both plans were required to participate in risk pools, which includes pooled employer contribution rates. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2014 was 28.093% and 10.781% for Tier 1 and Tier 2 for miscellaneous employees and 39.266% for safety employees. The contribution requirements of plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the Miscellaneous and Safety Plans:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Contributed</u>
6/30/12	\$ 1,465,197	100%
6/30/13	\$ 2,114,132	100%
6/30/14	\$ 2,218,679	100%

D) Post Employment Benefits

Plan Description. The City of Santa Paula's defined benefit postemployment healthcare plan, (DHP), provides medical benefits to eligible retired City employees. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. DHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. The DHP does not issue a publicly available report.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Council. The City contributed \$115 per employee from July through December 2013, and \$119 thereafter.

Annual OPEB Cost. For 2014, the City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	111,683
Interest on net OPEB obligation		17,432
Adjustment to annual required contribution		(16,587)
Annual OPEB cost (expense)		112,528
Contributions made		(36,090)
Increase in net OPEB obligation		76,438
Net OPEB obligation – beginning of the year		348,647
Net OPEB obligation – end of the year	\$	425,085

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2014 and the two preceding fiscal years as follows:

THREE-YEAR TREND INFORMATION DPHP			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 112,528	32.1%	425,085
6/30/13	\$ 112,344	32.1%	348,647
6/30/12	\$ 108,685	32.6%	272,393

Funded Status and Funding Progress. As of July 1, 2012, the actuarial valuation accrued liability for benefits was \$1,174,307, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,126,370 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 50 percent.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2012
Discount Rate	0.05
Ultimate Trend Rate	0.05
HealthCare trend rates: Initial, Ultimate	.08, .05
Dental	0.04
Vision (tied to dental)	0.04
Other (tied to dental)	0.04
Age-adjustment factor	0
Cap inflator	
(neg = full inflation, 0 = frozen)	0.04
Percent of Retirees with Spouses)	0.6

E) Loans Receivable

An allowance for doubtful accounts has been established for the loans receivable balance in the governmental activities section of the statement of net position for \$493,258. The loans receivable balance of \$0 is net of the allowance.

F) Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$643,145.

City of Santa Paula
Notes to Financial Statements
June 30, 2014

IV) OTHER INFORMATION - Continued

G) Prior Period Adjustment

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities – Governmental Activities of \$107,216 is the result of reclassifying deposits which should have been recognized as revenues when received.

The prior period adjustment in the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Activities – Business-type Activities of \$6,994,073 is to remove assets capitalized in prior years for a project that was never completed and should have been expensed.

REQUIRED SUPPLEMENTARY INFORMATION

City of Santa Paula
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,067,000	\$ 8,241,550	\$ 8,438,655	\$ 197,105
Licenses & Permits	434,100	434,100	332,928	(101,172)
Intergovernmental	352,800	382,800	395,077	12,277
Charges for Services	1,071,594	1,138,594	1,058,884	(79,710)
Fines and Forfeitures	231,750	231,750	184,711	(47,039)
Investment Earnings	3,200	3,200	5,530	2,330
Other Revenues	59,890	155,890	199,091	43,201
	<u>10,220,334</u>	<u>10,587,884</u>	<u>10,614,876</u>	<u>26,992</u>
EXPENDITURES				
Current:				
General Government	1,321,464	1,324,527	1,140,559	183,968
Building and Safety	333,000	463,032	432,414	30,618
Community Services	978,121	1,010,669	1,045,047	(34,378)
Financial Services	484,512	486,574	455,893	30,681
Fire	2,241,415	2,408,837	2,398,095	10,742
Planning	613,323	615,793	463,683	152,110
Police	4,870,266	5,058,697	5,352,200	(293,503)
Public Works	1,564,468	1,585,573	436,123	1,149,450
	<u>12,406,569</u>	<u>12,953,702</u>	<u>11,724,014</u>	<u>1,229,688</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,186,235)</u>	<u>(2,365,818)</u>	<u>(1,109,138)</u>	<u>1,256,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,551,188	1,551,188
Transfers Out	-	-	(397,336)	(397,336)
Sale of Capital Assets	1,600,000	1,600,000	-	(1,600,000)
	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,153,852</u>	<u>(446,148)</u>
Net Change in Fund Balances	(586,235)	(765,818)	44,714	810,532
Fund Balances, Beginning	5,277,976	5,277,976	5,277,976	-
Restatement of Net Position	-	-	107,216	107,216
Fund Balances, Ending	<u>\$ 4,691,741</u>	<u>\$ 4,512,158</u>	<u>\$ 5,429,906</u>	<u>\$ 917,748</u>

City of Santa Paula
Schedule of Funding Progress for DPHP
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
06/30/09	\$ -	\$ 1,115,534	\$ 1,115,534	0%	\$ 2,199,767	50.71%
07/01/12	\$ -	\$ 1,174,307	\$ 1,174,307	0%	\$ 2,126,370	55.23%

City of Santa Paula
Notes to Required Supplementary Information
June 30, 2014

Budgetary Information

Budgeted revenue and expenditure amounts shown represent the City's originally adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts and projects entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

The City Council has the responsibility for adoption of the City's Budget. Budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by City Council. The level at which expenditures may not legally exceed appropriations is therefore established at the department level. Budgeted amounts may be transferred between programs with City Manager approval.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

SUPPLEMENTARY INFORMATION

City of Santa Paula
Nonmajor Governmental Funds
June 30, 2014

Special Revenue Funds

Mobile Home Rent Review Fund - This fund is used to administer the Mobile Home Rent Review Program.

State Gas Tax Fund - This fund is to be used for street repairs and maintenance.

Local Transportation TDA Fund - This fund is to be used for local streets and roads.

Housing and Community Development I - This fund is to be used for housing needs.

HUD CDBG Fund - This fund is used to account for the CDBG program run through the County of Ventura.

CA Oil Museum Fund - Revenues from fundraising, membership and interest from endowment. Used to cover operating costs of museum.

Asset Forfeiture Fund - To account for money derived from police asset forfeitures and related law enforcement expenses.

Hillsborough Open Space Assessment Fund - This fund is used to account for the Maintenance Assessment District for Tract #4486-1 (except parcels D & E) and Tract 4486-2.

DOJ-BJA Local Law Enforcement Fund - This fund is used to account for law enforcement for specified purposes.

Local Transportation TDA Article 3 Fund - This fund is set aside for bicycle and pedestrian facilities.

SAFER Grant Fund - This fund is used to account for grants specific for Fire Department staffing.

Cal Home Grant Fund - This fund is used to account for funds received from the CA Housing and Community Development Department for assisting individuals with housing loans.

NPDES Storm Water Quality Fund - This fund is only for use in relation to storm water quality.

SLESF - COPS (State) Fund - This fund is used to account for law enforcement for additional public safety use.

Beverage Container Recycling Fund - This fund is used to account for the recycling program state grants.

Area Agency on Aging Fund - This fund is used to account or the Senior Citizen program.

State Homeland Security Grant Fund - This fund is used to account for grant proceeds from the state that are to be used to enhance public safety and security.

Federal STP Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

CA Used Oil Block Grant Fund - This fund is used to account for grant proceeds from the State that are to be used for used oil collection projects.

City of Santa Paula
Nonmajor Governmental Funds - Continued
June 30, 2014

Special Revenue Funds - Continued

Cable Television Fund - This fund is used to account for cable television fees.

Stormwater Program Fund - This fund is used to account for storm water program activities.

Transportation Enhancement Grant Fund - This fund is used to account for Transportation Enhancement Grant activities.

BJA Vest Grant Fund - This fund is used to account for BJA Vest Grant activities.

Miscellaneous State Grants Fund - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

GHAD-GEO Hazardous Abatement District Fund - This fund is used to account for the Geological Hazard Abatement District #5606.

City of Santa Paula
Nonmajor Governmental Funds
June 30, 2014

Capital Project Funds

Congestion Management and Air Quality Fund - This fund is used to account for specific revenue sources that are restricted for congestion management and air quality.

Library Expansion Facilities Fund - This fund is used to account for developers fees collected to be used for Library Facility Expansion projects.

Law Enforcement Facilities Fund - This fund is used to account for developers fees collected to be used for Law Enforcement Facilities projects.

Water Distribution Facilities - This fund is used to account for developers fees collected to be used for Water Distribution Facilities projects.

Inclusionary Housing Ordinance Improvement - This fund is used to account for developers fees collected to be used for future Inclusionary Housing Ordinance Implementation Programs.

Fire Protection Facilities Fund - This fund is used to account for developers fees collected to be used for Fire Protection Facilities projects.

Public Meeting Facilities Fund - This fund is used to account for developers fees collected to be used for Public Meeting Facilities projects.

General Government Facilities Fund - This fund is used to account for developers fees collected to be used for General Government Facilities projects.

Traffic Impact Fees Fund - This fund is used to account for developers fees collected to be used for traffic related projects. This fund is legally restricted to capital acquisition or related debt service.

Parks and Recreation Facilities Fund - This fund is used to account for prior developer fees collected to be used for Parks and Recreation Facilities related projects. This fund is legally restricted to capital acquisition or related debt service.

Parkland Facilities Fund - This fund is used to account for developers fees collected to be used for Parkland Facilities projects.

Corporate Yard Facilities Fund - This fund is used to account for the funds for the Corporate Yard Facilities activities.

Sewer Collection Facilities Fund - This fund is used to account for developers fees collected to be used for Sewer Collection Facilities projects.

Storm Drain Facilities Fund - This fund is used to account for developers fees collected to be used for Storm Drain Facilities projects.

City of Santa Paula
Nonmajor Governmental Funds
June 30, 2014

Capital Project Funds - continued

Harding Park Improvements Fund - This fund is used to account for the funds used for the improvements to Harding Park from the Harding Park Trust Permanent fund.

Air Quality Impact Fee - This fund is used to account for developers fees collected to be used for air quality management.

Permanent Funds

Community Center Endowment Fund - This fund is used to account for principal trust amounts received and related investment earnings. Investment earnings may be used to support the Center.

Museum Endowment Fund - This fund is used to account for principal trust amounts received and related investment earnings. Investment earnings may be used to support the Museum.

Harding Park Trust Fund - This fund is used to account for principal trust amounts received and related investment earnings. Investment earnings may be used to support the Harding Park Trust Fund subject to the approval of the Harding Park Advisory Committee.

**City of Santa Paula
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue	Capital Projects	Permanent Funds	Total
ASSETS				
Cash and Investments	\$ 3,740,426	\$ 3,453,289	\$ 788,856	\$ 7,982,571
Receivables	337,562	1,751	9,403	348,716
Loans Receivable	480,084	-	-	480,084
Advances to Other Funds	-	126,041	-	126,041
Cash - Restricted	24,015	-	-	24,015
Total Assets	<u>\$ 4,582,087</u>	<u>\$ 3,581,081</u>	<u>\$ 798,259</u>	<u>\$ 8,961,427</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 113,415	\$ 5,234	\$ 16,283	\$ 134,932
Due to Other Funds	321,792	-	-	321,792
Advances From Other Funds	-	100,000	126,041	226,041
Total Liabilities	<u>435,207</u>	<u>105,234</u>	<u>142,324</u>	<u>682,765</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants	12,718	-	-	12,718
Unavailable Revenues - Loans Receivable	480,084	-	-	480,084
Total Deferred Inflows of Resources	<u>492,802</u>	<u>-</u>	<u>-</u>	<u>492,802</u>
FUND BALANCE				
Nonspendable	-	-	743,364	743,364
Restricted	3,857,666	3,477,840	-	7,335,506
Unassigned	(203,588)	(1,993)	(87,429)	(293,010)
Total Fund Balances	<u>3,654,078</u>	<u>3,475,847</u>	<u>655,935</u>	<u>7,785,860</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,582,087</u>	<u>\$ 3,581,081</u>	<u>\$ 798,259</u>	<u>\$ 8,961,427</u>

**City of Santa Paula
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014**

	Mobile Home Rent Review	State Gas Tax	Local Transportation TDA	Housing and Community Development I	(CDBG) Housing and Community Development II
ASSETS					
Cash and Investments	\$ -	\$ 2,162,675	\$ 861,472	\$ 69,773	\$ -
Receivables	-	94,284	374	35	15,191
Loans Receivable	-	-	-	-	263,520
Cash - Restricted	-	-	-	-	24,015
Total Assets	\$ -	\$ 2,256,959	\$ 861,846	\$ 69,808	\$ 302,726
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ -	\$ 37,781	\$ 4,712	\$ -	\$ 4,374
Due to Other Funds	172,938	-	-	-	39,214
Total Liabilities	172,938	37,781	4,712	-	43,588
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Grants	-	-	-	-	-
Unavailable Revenues - Loans Receivable	-	-	-	-	263,520
Total Deferred Inflows of Resources	-	-	-	-	263,520
FUND BALANCE					
Restricted	-	2,219,178	857,134	69,808	-
Unassigned	(172,938)	-	-	-	(4,382)
Total Fund Balances	(172,938)	2,219,178	857,134	69,808	(4,382)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 2,256,959	\$ 861,846	\$ 69,808	\$ 302,726

CA Oil Museum	Asset Forfeiture	Hillsborough Open Space Assessment	DOJ-BJA Local Law Enforcement 03/04	Local Transportation TDA Article 3	SAFER Grant	Cal Home Grant Dept. of HCD
\$ 2,015	\$ 6,749	\$ -	\$ -	\$ 3,961	\$ -	\$ 8,087
-	3	172	928	1	96,875	-
-	-	-	-	-	-	216,564
-	-	-	-	-	-	-
<u>\$ 2,015</u>	<u>\$ 6,752</u>	<u>\$ 172</u>	<u>\$ 928</u>	<u>\$ 3,962</u>	<u>\$ 96,875</u>	<u>\$ 224,651</u>
\$ 5,786	\$ -	\$ 705	\$ -	\$ 1,400	\$ 12,333	\$ -
-	-	661	928	-	76,406	-
<u>5,786</u>	<u>-</u>	<u>1,366</u>	<u>928</u>	<u>1,400</u>	<u>88,739</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	216,564
-	-	-	-	-	-	216,564
-	6,752	-	-	2,562	8,136	8,087
<u>(3,771)</u>	<u>-</u>	<u>(1,194)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,771)</u>	<u>6,752</u>	<u>(1,194)</u>	<u>-</u>	<u>2,562</u>	<u>8,136</u>	<u>8,087</u>
<u>\$ 2,015</u>	<u>\$ 6,752</u>	<u>\$ 172</u>	<u>\$ 928</u>	<u>\$ 3,962</u>	<u>\$ 96,875</u>	<u>\$ 224,651</u>

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**City of Santa Paula
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2014**

	NPDES Storm Water Quality	SLESF-COPS State	Beverage Container Recycling	Area Agency on Aging	State Homeland Security Grant
ASSETS					
Cash and Investments	\$ 9,993	\$ 129,921	\$ 9,130	\$ 8,970	\$ -
Receivables	41,239	25,064	5	6,091	-
Loans Receivable	-	-	-	-	-
Cash - Restricted	-	-	-	-	-
Total Assets	<u>\$ 51,232</u>	<u>\$ 154,985</u>	<u>\$ 9,135</u>	<u>\$ 15,061</u>	<u>\$ -</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 197	\$ 7,060	\$ -	\$ 2,773	\$ -
Due to Other Funds	-	-	-	-	442
Total Liabilities	<u>197</u>	<u>7,060</u>	<u>-</u>	<u>2,773</u>	<u>442</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Grants	-	-	-	-	-
Unavailable Revenues - Loans Receivable	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Restricted	51,035	147,925	9,135	12,288	-
Unassigned	-	-	-	-	(442)
Total Fund Balances	<u>51,035</u>	<u>147,925</u>	<u>9,135</u>	<u>12,288</u>	<u>(442)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 51,232</u>	<u>\$ 154,985</u>	<u>\$ 9,135</u>	<u>\$ 15,061</u>	<u>\$ -</u>

Federal STP	CA Used Oil Block Grant	Cable Television Fund	Stormwater Program	Transportation Enhancement Grant	BJA Vest Grant	Miscellaneous State Grants
\$ -	\$ 20,737	\$ 72,906	\$ 169,464	\$ -	\$ -	\$ -
-	11	8,092	89	34,497	12,718	1,081
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 20,748</u>	<u>\$ 80,998</u>	<u>\$ 169,553</u>	<u>\$ 34,497</u>	<u>\$ 12,718</u>	<u>\$ 1,081</u>
\$ -	\$ -	\$ -	\$ 7,674	\$ 25,236	\$ -	\$ -
-	-	-	-	17,404	12,718	1,081
-	-	-	7,674	42,640	12,718	1,081
-	-	-	-	-	12,718	-
-	-	-	-	-	-	-
-	-	-	-	-	12,718	-
-	20,748	80,998	161,879	-	-	-
-	-	-	-	(8,143)	(12,718)	-
-	20,748	80,998	161,879	(8,143)	(12,718)	-
<u>\$ -</u>	<u>\$ 20,748</u>	<u>\$ 80,998</u>	<u>\$ 169,553</u>	<u>\$ 34,497</u>	<u>\$ 12,718</u>	<u>\$ 1,081</u>

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**City of Santa Paula
Combining Balance Sheet
Nonmajor Special Revenue Funds (Continued)
June 30, 2014**

	GHAD-GEO Hazardous Abatement Dist	<u>Total</u>
ASSETS		
Cash and Investments	\$ 204,573	\$ 3,740,426
Receivables	812	337,562
Loans Receivable	-	480,084
Cash - Restricted	-	24,015
	<u> </u>	<u> </u>
Total Assets	<u>\$ 205,385</u>	<u>\$ 4,582,087</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,384	\$ 113,415
Due to Other Funds	-	321,792
	<u> </u>	<u> </u>
Total Liabilities	<u>3,384</u>	<u>435,207</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Grants	-	12,718
Unavailable Revenues - Loans Receivable	-	480,084
	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>492,802</u>
FUND BALANCE		
Restricted	202,001	3,857,666
Unassigned	-	(203,588)
	<u> </u>	<u> </u>
Total Fund Balances	<u>202,001</u>	<u>3,654,078</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 205,385</u>	<u>\$ 4,582,087</u>

**City of Santa Paula
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2014**

	Congestion Management and Air Quality	Library Expansion Facilities	Law Enforcement Facilities	Water Distribution Facilities	Inclusionary Housing Ordinance
ASSETS					
Cash and Investments	\$ -	\$ 224,955	\$ 14,455	\$ 757,470	\$ 21,802
Receivables	-	114	8	383	11
Advances to Other Funds	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 225,069</u>	<u>\$ 14,463</u>	<u>\$ 757,853</u>	<u>\$ 21,813</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 3,282	\$ -	\$ -
Advances From Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,282</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	-	225,069	11,181	757,853	21,813
Unassigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>225,069</u>	<u>11,181</u>	<u>757,853</u>	<u>21,813</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 225,069</u>	<u>\$ 14,463</u>	<u>\$ 757,853</u>	<u>\$ 21,813</u>

Fire Protection Facilities	Public Meeting Facilities	General Government Facilities	Traffic Impact Fees	Parks and Recreation Facilities	Parkland Facilities	Corp Yard Facilities
\$ 26,903	\$ 314,515	\$ 220,645	\$ 461,008	\$ 20,393	\$ 1,041,372	\$ 97,952
14	160	112	231	12	524	55
-	-	-	-	-	126,041	-
<u>\$ 26,917</u>	<u>\$ 314,675</u>	<u>\$ 220,757</u>	<u>\$ 461,239</u>	<u>\$ 20,405</u>	<u>\$ 1,167,937</u>	<u>\$ 98,007</u>
\$ -	\$ -	\$ 1,952	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	100,000
-	-	1,952	-	-	-	100,000
26,917	314,675	218,805	461,239	20,405	1,167,937	-
-	-	-	-	-	-	(1,993)
<u>26,917</u>	<u>314,675</u>	<u>218,805</u>	<u>461,239</u>	<u>20,405</u>	<u>1,167,937</u>	<u>(1,993)</u>
<u>\$ 26,917</u>	<u>\$ 314,675</u>	<u>\$ 220,757</u>	<u>\$ 461,239</u>	<u>\$ 20,405</u>	<u>\$ 1,167,937</u>	<u>\$ 98,007</u>

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**City of Santa Paula
Combining Balance Sheet
Nonmajor Capital Projects Funds - Continued
June 30, 2014**

	Sewer Collection Facilities	Storm Drain Facilities	Harding Park Improvements	Air Quality Impact Fee	Total
ASSETS					
Cash and Investments	\$ 123,706	\$ 124,307	\$ -	\$ 3,806	\$ 3,453,289
Receivables	62	63	-	2	1,751
Advances to Other Funds	-	-	-	-	126,041
Total Assets	\$ 123,768	\$ 124,370	\$ -	\$ 3,808	\$ 3,581,081
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ 5,234
Advances From Other Funds	-	-	-	-	100,000
Total Liabilities	-	-	-	-	105,234
Fund Balances:					
Restricted	123,768	124,370	-	3,808	3,477,840
Unassigned	-	-	-	-	(1,993)
Total Fund Balances	123,768	124,370	-	3,808	3,475,847
Total Liabilities and Fund Balances	\$ 123,768	\$ 124,370	\$ -	\$ 3,808	\$ 3,581,081

**City of Santa Paula
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2014**

	Community Center Endowment	Museum Endowment	Harding Park Trust	Total
ASSETS				
Cash and Investments	\$ 531,404	\$ 211,583	\$ 45,869	\$ 788,856
Receivables	270	107	9,026	9,403
Total Assets	\$ 531,674	\$ 211,690	\$ 54,895	\$ 798,259
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 16,283	\$ 16,283
Advances from Other Funds	-	-	126,041	126,041
Total Liabilities	-	-	142,324	142,324
Fund Balances:				
Nonspendable	531,674	211,690	-	743,364
Unassigned	-	-	(87,429)	(87,429)
Total Fund Balance	531,674	211,690	(87,429)	655,935
Total Liabilities and Fund Balances	\$ 531,674	\$ 211,690	\$ 54,895	\$ 798,259

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City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total</u>
REVENUES				
Taxes	\$ 49,525	\$ 222,338	\$ -	\$ 271,863
Intergovernmental	2,940,206	245	-	2,940,451
Charges for Services	196,126	-	91,742	287,868
Fines and Forfeitures	1,947	-	-	1,947
Investment Earnings	27,384	7,952	1,831	37,167
Other Revenues	244,512	-	3,720	248,232
	<u>3,459,700</u>	<u>230,535</u>	<u>97,293</u>	<u>3,787,528</u>
Total Revenues				
EXPENDITURES				
General Government	5,022	90,371	-	95,393
Building and Safety	81,236	243	-	81,479
Community Services	275,299	120,626	78,683	474,608
Financial Services	2,723	-	-	2,723
Fire	441,120	32,601	-	473,721
Planning	-	10,000	-	10,000
Police	90,058	45,112	-	135,170
Public Works	1,082,051	2,130	-	1,084,181
Debt Service:				
Principal	34,550	-	-	34,550
Interest	17,448	-	-	17,448
	<u>2,029,507</u>	<u>301,083</u>	<u>78,683</u>	<u>2,409,273</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>1,430,193</u>	<u>(70,548)</u>	<u>18,610</u>	<u>1,378,255</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	828,305	1,231	-	829,536
Transfers Out	(430,969)	(2,606)	(1,231)	(434,806)
	<u>397,336</u>	<u>(1,375)</u>	<u>(1,231)</u>	<u>394,730</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	1,827,529	(71,923)	17,379	1,772,985
Fund Balances - Beginning	<u>1,826,549</u>	<u>3,547,770</u>	<u>638,556</u>	<u>6,012,875</u>
Fund Balances - Ending	<u>\$ 3,654,078</u>	<u>\$ 3,475,847</u>	<u>\$ 655,935</u>	<u>\$ 7,785,860</u>

City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Mobile Home Rent Review	State Gas Tax	Local Transportation TDA	Housing and Community Development I	(CDBG) Housing and Community Development II
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	948,654	788,000	-	141,303
Charges for Services	9,962	10,950	-	-	13,958
Fines and Forfeitures	-	-	-	-	-
Investment Earnings	-	3,215	1,296	160	8,455
Other Revenues	-	-	-	-	11,204
Total Revenues	9,962	962,819	789,296	160	174,920
EXPENDITURES					
General Government	4,797	-	-	-	-
Building and Safety	-	-	-	-	81,236
Community Services	-	-	-	-	18,567
Financial Services	-	-	2,723	-	-
Fire	-	-	-	-	-
Police	-	-	-	-	-
Public Works	-	779,831	45,104	-	59,086
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	4,797	779,831	47,827	-	158,889
Excess (Deficiency) of Revenues Over Expenditures	5,165	182,988	741,469	160	16,031
OTHER FINANCING SOURCES (USES)					
Transfers In	-	828,305	-	-	-
Transfers Out	-	-	(430,969)	-	-
Total Other Financing Sources (Uses)	-	828,305	(430,969)	-	-
Net Change in Fund Balances	5,165	1,011,293	310,500	160	16,031
Fund Balances - Beginning	(178,103)	1,207,885	546,634	69,648	(20,413)
Fund Balances - Ending	\$ (172,938)	\$ 2,219,178	\$ 857,134	\$ 69,808	\$ (4,382)

<u>CA Oil Museum</u>	<u>Asset Forfeiture</u>	<u>Hillsborough Open Space Assessment</u>	<u>DOJ-BJA Local Law Enforcement 03/04</u>	<u>Local Transportation TDA Article 3</u>	<u>SAFER Grant</u>	<u>CAL Home Grant Dept. of HCD</u>
\$ -	\$ -	\$ 8,291	\$ -	\$ -	\$ -	\$ -
-	-	-	10,012	2,515	760,760	-
22,862	-	-	-	-	-	-
-	1,947	-	-	-	-	-
13,071	16	4	-	-	-	-
165,768	-	-	-	-	-	-
<u>201,701</u>	<u>1,963</u>	<u>8,295</u>	<u>10,012</u>	<u>2,515</u>	<u>760,760</u>	<u>-</u>
-	-	-	-	-	-	225
-	-	-	-	-	-	-
197,272	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	414,919	-
-	2,317	-	10,012	-	-	-
-	-	9,171	-	1,400	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>197,272</u>	<u>2,317</u>	<u>9,171</u>	<u>10,012</u>	<u>1,400</u>	<u>414,919</u>	<u>225</u>
<u>4,429</u>	<u>(354)</u>	<u>(876)</u>	<u>-</u>	<u>1,115</u>	<u>345,841</u>	<u>(225)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,429</u>	<u>(354)</u>	<u>(876)</u>	<u>-</u>	<u>1,115</u>	<u>345,841</u>	<u>(225)</u>
<u>(8,200)</u>	<u>7,106</u>	<u>(318)</u>	<u>-</u>	<u>1,447</u>	<u>(337,705)</u>	<u>8,312</u>
<u>\$ (3,771)</u>	<u>\$ 6,752</u>	<u>\$ (1,194)</u>	<u>\$ -</u>	<u>\$ 2,562</u>	<u>\$ 8,136</u>	<u>\$ 8,087</u>

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City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Continued
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	NPDES Storm Water Quality	SLESF-COPS State	Beverage Container Recycling	Area Agency on Aging	State Homeland Security Grant
REVENUES					
Taxes	\$ 41,234	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	125,000	-	20,062	25,759
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Investment Earnings	40	261	43	22	-
Other Revenues	-	-	-	11,718	-
	<u>41,274</u>	<u>125,261</u>	<u>43</u>	<u>31,802</u>	<u>25,759</u>
Total Revenues	<u>41,274</u>	<u>125,261</u>	<u>43</u>	<u>31,802</u>	<u>25,759</u>
EXPENDITURES					
General Government	-	-	-	-	-
Building and Safety	-	-	-	-	-
Community Services	-	-	13,299	31,437	-
Financial Services	-	-	-	-	-
Fire	-	-	-	-	26,201
Police	-	93,397	-	-	-
Public Works	48,458	-	195	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>48,458</u>	<u>93,397</u>	<u>13,494</u>	<u>31,437</u>	<u>26,201</u>
Total Expenditures	<u>48,458</u>	<u>93,397</u>	<u>13,494</u>	<u>31,437</u>	<u>26,201</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,184)</u>	<u>31,864</u>	<u>(13,451)</u>	<u>365</u>	<u>(442)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(7,184)	31,864	(13,451)	365	(442)
Fund Balances - Beginning	<u>58,219</u>	<u>116,061</u>	<u>22,586</u>	<u>11,923</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 51,035</u>	<u>\$ 147,925</u>	<u>\$ 9,135</u>	<u>\$ 12,288</u>	<u>\$ (442)</u>

<u>Federal STP</u>	<u>CA Used Oil Block Grant</u>	<u>Cable Television Fund</u>	<u>Stormwater Program Fund</u>	<u>Transportation Enhancement Grant</u>	<u>BJA Vest Grant</u>	<u>Miscellaneous State Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,633	-	109,508	-	-	-
-	-	32,623	-	-	-	-
-	-	-	-	-	-	-
-	42	-	308	-	-	-
-	-	-	-	55,822	-	-
<u>-</u>	<u>8,675</u>	<u>32,623</u>	<u>109,816</u>	<u>55,822</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	14,724	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(15,668)	-
-	6,423	-	55,593	63,704	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>6,423</u>	<u>14,724</u>	<u>55,593</u>	<u>63,704</u>	<u>(15,668)</u>	<u>-</u>
-	-	-	-	-	-	-
-	2,252	17,899	54,223	(7,882)	15,668	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>2,252</u>	<u>17,899</u>	<u>54,223</u>	<u>(7,882)</u>	<u>15,668</u>	<u>-</u>
-	18,496	63,099	107,656	(261)	(28,386)	-
<u>\$ -</u>	<u>\$ 20,748</u>	<u>\$ 80,998</u>	<u>\$ 161,879</u>	<u>\$ (8,143)</u>	<u>\$ (12,718)</u>	<u>\$ -</u>

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City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Continued
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	GHAD-GEO Hazardous Abatement Dist	<u>Total</u>
REVENUES		
Taxes	\$ -	\$ 49,525
Intergovernmental	-	2,940,206
Charges for Services	105,771	196,126
Fines and Forfeitures	-	1,947
Investment Earnings	451	27,384
Other Revenues	-	244,512
	<u>106,222</u>	<u>3,459,700</u>
Total Revenues		
EXPENDITURES		
General Government	-	5,022
Building and Safety	-	81,236
Community Services	-	275,299
Financial Services	-	2,723
Fire	-	441,120
Police	-	90,058
Public Works	13,086	1,082,051
Debt Service:		
Principal	34,550	34,550
Interest	17,448	17,448
	<u>65,084</u>	<u>2,029,507</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	<u>41,138</u>	<u>1,430,193</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	828,305
Transfers Out	-	(430,969)
	<u>-</u>	<u>397,336</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	41,138	1,827,529
Fund Balances - Beginning	<u>160,863</u>	<u>1,826,549</u>
Fund Balances - Ending	<u>\$ 202,001</u>	<u>\$ 3,654,078</u>

City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Project Funds
For the Year Ended June 30, 2014

	Congestion Management and Air Quality	Library Expansion Facilities	Law Enforcement Facilities	Water Distribution Facilities	Inclusionary Housing Ordinance
REVENUES					
Taxes	\$ -	\$ 15,651	\$ 6,207	\$ 12,670	\$ -
Charges for Services	-	-	245	-	-
Investment Earnings	-	549	96	1,715	56
Total Revenues	-	16,200	6,548	14,385	56
EXPENDITURES					
General Government	-	88,418	-	-	-
Building and Safety	-	-	-	-	-
Community Services	-	-	-	-	-
Fire	-	-	-	-	-
Planning	-	-	-	-	10,000
Police	-	-	45,112	-	-
Public Works	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	-	88,418	45,112	-	10,000
Excess (Deficiency) of Revenues Over Expenditures	-	(72,218)	(38,564)	14,385	(9,944)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(72,218)	(38,564)	14,385	(9,944)
Fund Balances - Beginning	-	297,287	49,745	743,468	31,757
Fund Balances - Ending	\$ -	\$ 225,069	\$ 11,181	\$ 757,853	\$ 21,813

<u>Fire Protection Facilities</u>	<u>Public Meeting Facilities</u>	<u>General Government Facilities</u>	<u>Traffic Impact Fees</u>	<u>Parks and Recreation Facilities</u>	<u>Parkland Facilities</u>	<u>Corp Yard Facilities</u>
\$ 5,168	\$ 13,022	\$ 13,551	\$ 66,490	\$ -	\$ 82,067	\$ -
-	-	-	-	-	-	-
100	709	494	972	191	2,261	243
<u>5,268</u>	<u>13,731</u>	<u>14,045</u>	<u>67,462</u>	<u>191</u>	<u>84,328</u>	<u>243</u>
-	-	1,953	-	-	-	-
-	-	-	-	-	-	243
-	-	-	-	106,162	14,464	-
32,601	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	148	-	-	-
-	-	-	-	-	-	-
<u>32,601</u>	<u>-</u>	<u>1,953</u>	<u>148</u>	<u>106,162</u>	<u>14,464</u>	<u>243</u>
(27,333)	13,731	12,092	67,314	(105,971)	69,864	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(27,333)	13,731	12,092	67,314	(105,971)	69,864	-
54,250	300,944	206,713	393,925	126,376	1,098,073	(1,993)
<u>\$ 26,917</u>	<u>\$ 314,675</u>	<u>\$ 218,805</u>	<u>\$ 461,239</u>	<u>\$ 20,405</u>	<u>\$ 1,167,937</u>	<u>\$ (1,993)</u>

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City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Continued
Nonmajor Capital Project Funds
For the Year Ended June 30, 2014

	Sewer Collection Facilities	Storm Drain Facilities	Harding Park Improvements	Air Quality Impact Fee	Total
REVENUES					
Taxes	\$ 5,162	\$ 2,350	\$ -	\$ -	\$ 222,338
Intergovernmental	-	-	-	-	245
Investment Earnings	276	281	-	9	7,952
Total Revenues	5,438	2,631	-	9	230,535
EXPENDITURES					
General Government	-	-	-	-	90,371
Building and Safety	-	-	-	-	243
Community Services	-	-	-	-	120,626
Fire	-	-	-	-	32,601
Planning	-	-	-	-	10,000
Police	-	-	-	-	45,112
Public Works	1,982	-	-	-	2,130
Economic Development	-	-	-	-	-
Total Expenditures	1,982	-	-	-	301,083
Excess (Deficiency) of Revenues Over Expenditures	3,456	2,631	-	9	(70,548)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	1,231	-	1,231
Transfers Out	(2,606)	-	-	-	(2,606)
Total Other Financing Sources (Uses)	(2,606)	-	1,231	-	(1,375)
Net Change in Fund Balances	850	2,631	1,231	9	(71,923)
Fund Balances - Beginning	122,918	121,739	(1,231)	3,799	3,547,770
Fund Balances - Ending	\$ 123,768	\$ 124,370	\$ -	\$ 3,808	\$ 3,475,847

City of Santa Paula
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Funds
For the Year Ended June 30, 2014

	Community Center Endowment	Museum Endowment	Harding Park Trust	Total
REVENUES				
Investment Earnings	\$ 1,214	\$ 485	\$ 132	\$ 1,831
Charges for Services	-	-	91,742	91,742
Other Revenues	3,720	-	-	3,720
Total Revenues	4,934	485	91,874	97,293
EXPENDITURES				
Community Services	1,092	436	77,155	78,683
Public Works	-	-	-	-
Total Expenditures	1,092	436	77,155	78,683
Excess (Deficiency) of Revenues Over Expenditures	3,842	49	14,719	18,610
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(1,231)	(1,231)
Total Other Financing Sources (Uses)	-	-	(1,231)	(1,231)
Net Change in Fund Balances	3,842	49	13,488	17,379
Fund Balances - Beginning	527,832	211,641	(100,917)	638,556
Fund Balances - Ending	\$ 531,674	\$ 211,690	\$ (87,429)	\$ 655,935

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APPENDIX B

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture. Such summary is not intended to be definitive. Reference is made to the full Indenture (copies of which are available from the Authority) for the complete terms thereof.

Defined Terms

“Additional Revenues” means, with respect to the issuance of any future Parity Obligations, any or all of the following amounts:

(a) an allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be financed from the proceeds of such Parity Obligations or from any other source, all in an amount equal to 90% of the estimated additional Net Revenues to be derived from such additions, improvements and extensions for the first 12-month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Authority, and

(b) an allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise that have become effective prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent 12-month period selected by the Authority, all as shown by the certificate or opinion of an Independent Accountant employed by the Authority.

“Annual Debt Service” means, for each Bond Year with respect to the Bonds, the sum of:

- (a) the interest payable on the Outstanding Bonds in such Bond Year, and
- (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments.

“Authority” means the Santa Paula Utility Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Authorized Representative” means:

(a) with respect to the Authority, its Chairperson, Vice Chairperson, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a resolution adopted by the board of directors of the Authority or a Written Certificate of the Authority signed by its Chairperson and filed with the City and the Trustee; and

(b) with respect to the City, its Mayor, City Manager, City Clerk, City Treasurer, Finance Director or any other person designated as an Authorized Representative of the City by a resolution adopted by the City Council or a Written Certificate of the City signed by its Mayor or City Manager and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584, as in effect on the Closing Date or as thereafter amended.

“Bond Year” means each twelve-month period extending from February 2 in one calendar year to February 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including February 1, 2015.

“Bonds” means the Series A Bonds and the Taxable Series B Bonds that may be Outstanding at any time under the Indenture and the Bond Law.

“Business Day” means any day (i) other than a Saturday or a Sunday or (ii) any other day on which commercial banks located in the city in which the Office of the Trustee is located are authorized or required by law to close.

“City” means the City of Santa Paula, a municipal corporation and general law city organized and existing under the laws of the State of California.

“Closing Date” means April 30, 2015, the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee, and the Trustee's counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; bond insurance and surety bond premiums, if any; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Defeasance Obligations” means:

- (a) Cash;
- (b) Federal Securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank;
 - (ii) certificates of beneficial ownership of the Farmers Home Administration;
 - (iii) Federal Housing Administration debentures;
 - (iv) participation certificates of the General Services Administration;
 - (v) Federal Financing Bank bonds and debentures;
 - (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association;

(vii) guaranteed Title XI financings of the U.S. Maritime Administration; and

(viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(e) bonds, notes or other evidences of indebtedness rated at the time of purchase AAA by S&P and Aaa by Moody's issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation; and

(f) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody's or

(ii) (A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under the Indenture.

“Depository System Participant” means any participant in the Depository's book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Enterprise” means the wastewater system of the City leased to the Authority under the Lease, including but not limited to all facilities, properties and improvements at any time leased or owned by the City for the collection, treatment and disposal of wastewater from residents served thereby, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Authority or the City.

“Enterprise Project” means any contract termination payments associated with the Enterprise and any capital improvements to or for the benefit of the Enterprise.

“Event of Default” means any of the events specified in the Indenture.

“Fair Market Value” has the meaning set forth in the Indenture.

“Federal Securities” means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and

(b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are fully, unconditionally and directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Governmental Agency” means the State of California, and the United States of America, acting through any of its agencies, to the extent that the State of California or such agency has loaned money to the Authority or the City for the Enterprise.

“Governmental Loan” means any loan made by a Governmental Agency to the Authority or the City that is secured by a pledge of Net Revenues and incurred by the Authority or the City to finance improvements to the Enterprise.

“Indenture” means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

“Interest Payment Dates” means each February 1 and August 1, commencing August 1, 2015, so long as any Bonds remain unpaid.

“Lease” means the Wastewater Enterprise Lease Agreement dated as of February 1, 2010, by and between the City, as lessor, and the Authority, as lessee, as amended by the First Amendment to Wastewater Enterprise Lease Agreement dated as of April 1, 2015, by and between the City and the Authority, and as may be further amended from time to time in accordance with its terms, relating to the lease of the Enterprise from the City to the Authority.

“Management Agreement” means the Wastewater Enterprise Management Agreement dated as of February 1, 2010, by and between the Authority and the City, relating to the operation and management of the Enterprise by the City on behalf of the Authority, as it may be amended from time to time in accordance with its terms.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service on the Bonds during the current or any future Bond Year.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

“Net Revenues” means, for any Fiscal Year, an amount equal to all of the Revenues received with respect to such Fiscal Year, minus Operation and Maintenance Costs becoming payable with respect to such Fiscal Year.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under the Indenture.

“Office” means the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration

of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust business is conducted.

“Operation and Maintenance Costs” means costs spent or incurred for maintenance and operation of the Enterprise calculated in accordance with generally accepted accounting principles, including but not limited to:

(a) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order,

(b) administrative costs of the City that are charged directly or apportioned to the Enterprise, including but not limited to salaries and wages of employees, payments to any pension system, overhead, insurance premiums, taxes (if any), fees of auditors, accountants, attorneys or engineers, and

(c) all other reasonable and necessary costs or charges of the City and the Authority (other than debt service payments) required to comply with the terms of the Bonds or of any resolution or indenture authorizing the issuance of Parity Obligations, or of such Parity Obligation.

But in all cases, “Operation and Maintenance Costs” exclude:

(i) debt service payable on obligations incurred by the Authority or the City with respect to the Enterprise, including but not limited to the payment of Debt Service on the Bonds, the 2010 Bonds and any Parity Obligations,

(ii) depreciation, replacement and obsolescence charges or reserves therefor,

(iii) capital expenditures (other than as set forth in paragraph (a) above), and

(iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means First Southwest Company, LLC, the original purchaser of the Bonds at the negotiated sale thereof.

“Outstanding,” when used as of any particular time with reference to Bonds, means, subject to the provisions of the Indenture regarding discharge, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority has been discharged in accordance with the Indenture; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee under the Indenture.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Owner,” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Obligations” means the following:

(a) any bonds, notes, leases, installment sale agreements or other obligations of the Authority payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the payment of debt service on the Bonds, entered into or issued under and in accordance with the Indenture,

(b) the 2010 Bonds, and

- (c) any Governmental Loan that is treated as a Parity Obligation under the Indenture.

“Parity Obligations Documents” means any indenture of trust, trust agreement, installment sale agreement, or other document authorizing the issuance of any Parity Obligations or any securities that evidence Parity Obligations.

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely conclusively upon any such determination by the Authority):

- (a) Federal Securities;
- (b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody’s issued by the Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, demand deposits, including interest bearing money market accounts, trust deposits, trust accounts, time deposits, overnight bank deposits, interest-bearing deposits, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody’s, and maturing no more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody’s and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market mutual fund rated, at the time of purchase, AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services for a fee, including serving as administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (g) Repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates;
- (h) any pre-refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, at the time of purchase, based on the refunding escrow, in the highest rating category of S&P and Moody’s or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the

maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) investment agreements, with notice to each rating agency then rating the Bonds;

(j) the Local Agency Investment Fund established under Section 16429.1 of the California Government Code, provided, however, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Indenture; and

(k) any other investment permitted under Section 53601 of the California Government Code.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

“Project Costs” means:

(a) with respect to the Wastewater Project, all costs of the acquisition thereof which are paid from moneys on deposit in the Series A Account of the Project Fund, including but not limited to:

(i) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition of the Wastewater Project;

(ii) obligations incurred for labor and materials in connection with the acquisition of the Wastewater Project;

(iii) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition of the Wastewater Project;

(iv) all transaction costs, including without limitation escrow fees and consultant costs, incurred by the City or the Authority in connection with the acquisition of the Wastewater Project;

(v) any sums required to reimburse the Authority or the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition of the Wastewater Project; and

(vi) all financing costs incurred in connection with the acquisition of the Wastewater Project; and

(b) with respect to the Enterprise Project, all amounts used for the Enterprise Project and paid from moneys on deposit in the Series B Account of the Project Fund.

“Project Fund” means the fund by that name established and held by the City under the Indenture.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company is in one of the three highest rating categories by Moody’s and S&P (without regard to numerical or other modification);

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and

(d) the Trustee is authorized under such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

“Reserve Account” means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

“Reserve Requirement” means, as of the date of calculation, the least of the following amounts, and shall be calculated separately for the Series A Bonds and the Taxable Series B Bonds:

- (a) Maximum Annual Debt Service on the Series A Bonds or the Taxable Series B Bonds, as applicable,
- (b) 10% of the total of the proceeds of the Series A Bonds or the Taxable Series B Bonds, as applicable, and
- (c) 125% of average Annual Debt Service on the Series A Bonds or the Taxable Series B Bonds, as applicable.

“Revenue Fund” means the fund established and held by the City under the Indenture with respect to the Enterprise for the receipt and deposit of Revenues.

“Revenues” means all revenues, income, rents, fees, charges, rates and other moneys and receipts derived by the Authority from or attributable to the lease and operation of the Enterprise including, without limitation, the following:

- (i) all revenues attributable to the Enterprise or to the payment of the costs thereof received by the Authority, including without limitation revenues derived from user rates and charges, any contract for service from the Enterprise or any part thereof, and any contractual arrangement with respect to the use of the Enterprise or any portion thereof or the services or capacity thereof,
- (ii) the proceeds of any standby or connection fees collected by the Authority,
- (iii) the proceeds of any insurance covering business interruption loss relating to the Enterprise,
- (iv) investment income earned on any moneys or securities deposited in any accounts to secure or provide for the payment of Debt Service, and interest received on any invested moneys of the Enterprise.

However, Revenues shall exclude in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Authority, any proceeds of property taxes or assessments required by law to be used by the Authority to pay bonds or other obligations secured by those property taxes or assessments, and any amounts reimbursed to the Authority by the United States of America pursuant to Section 54AA of the Code, or any future similar program.

“Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Series A Bonds” means the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Series A, issued in the aggregate principal amount of \$67,195,000.00 under the Indenture and the Bond law.

“S&P” means Standard & Poor’s, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority or the City.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Tax Code.

“Taxable Series B Bonds” means the Santa Paula Utility Authority 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B, issued in the aggregate principal amount of \$2,035,000.00 under the Indenture and the Bond law.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“2010 Bonds” means, collectively, the outstanding bonds of the Authority captioned “\$5,900,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010A Series,” and “\$6,130,000 Santa Paula Utility Authority Wastewater Enterprise Revenue Bonds, 2010B Series.”

“2010 Indenture” means the Indenture of Trust dated as of February 1, 2010, by and among the Authority, the City and the Trustee, providing for the issuance of the 2010 Bonds.

“Wastewater Project” means the wastewater treatment plant known as the Santa Paula Wastewater Reclamation Facility located at 905 Corporation Street, Santa Paula, California.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund,” within which the Trustee shall establish two accounts known as the “Series A Account” and the “Series B Account,” into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds. The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and the account or accounts from which the payment is to be made. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On the date set forth in the Indenture, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account, and shall thereupon close the Costs of Issuance Fund and the accounts therein.

Project Fund. The City will establish and maintain a separate fund to be known as the “Project Fund,” within which the Trustee shall establish two accounts known as the “Series A Account” and the “Series B Account,” into which the City shall deposit the funds received from the Trustee under the Indenture, which constitute an upfront lease payment under the First Amendment to Lease Agreement in consideration for the addition of the Wastewater Project to the property leased under the Lease.

Except as otherwise provided herein, moneys in the Series A Account of the Project Fund will be used solely for the payment of the Project Costs related to the Wastewater Project, and moneys in the Series B Account of the Project Fund will be used solely for the payment of the Project Costs related to the Enterprise Project. The Trustee has no responsibility for payments made in accordance with this provision of the Indenture. The City shall maintain accurate records showing all disbursements from the Project Fund.

Following the acquisition of the Wastewater Project, as evidenced by the filing by the City with the Trustee of a Written Certificate stating that the Wastewater Project has been acquired, the City shall withdraw from the Series A Account of the Project Fund and transfer to the Trustee, for deposit in the Interest Account for the payment of debt service on the Series A Bonds, all amounts remaining on deposit in the Series A Account of the Project Fund, and the City shall thereupon close the Series A Account of the Project Fund.

Upon the filing by the City with the Trustee of a Written Certificate stating that the costs of the Enterprise Project have been paid, the City shall withdraw from the Series B Account of the Project Fund and transfer to the Trustee, for deposit in the Interest Account, all amounts remaining on deposit in the Series B Account of the Project Fund, and the City shall thereupon close the Series B Account of the Project Fund.

Investment of Funds

All moneys in any of the funds or accounts established with the Trustee under the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least 2 Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall hold any such moneys uninvested.

Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund.

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee may rely conclusively on the written investment direction of the Authority as to the suitability and legality of the directed investments.

The Trustee shall incur no liability for losses arising from any investments made under this provision of the Indenture.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this provision of the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the Authority will not receive such confirmations to the extent permitted by law.

The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The moneys on deposit in the funds and accounts established under the Indenture shall not be deemed “surplus” under Section 53601 of the Government Code.

Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Net Revenues and other amounts pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

Nothing in this provision of the Indenture limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Net Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture, and any pledge and assignment securing Parity Obligations issued in accordance with the conditions set forth in the Indenture.

Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Budget and Appropriation. So long as any Bonds remain Outstanding, the Authority covenants that it shall adopt and make all necessary budgets and appropriations (including without limitation any supplemental budget or appropriation) of the Annual Debt Service payments from the Net Revenues.

The covenants on the part of the Authority contained in this provision of the Indenture shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Authority to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Authority to carry out and perform the covenants and agreements in this provision of the Indenture.

Events of Default

Events of Default Defined. The following events constitute Events of Default under the Indenture:

- (i) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (ii) Failure to pay any installment of interest on the Bonds when due.
- (iii) Failure by the Authority or the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority and the City by the Trustee provided, however, if in the reasonable opinion of the Authority or the City the failure stated in the notice (other than a default in the payment of any fees and expenses owing to the Trustee) can be corrected, but not within such 30-day period, such failure shall not constitute an Event

of Default if the Authority or the City institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

(iv) The filing by the Authority or the City of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a federal or state court of competent jurisdiction approves a petition, filed with or without the consent of the Authority or the City, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any federal or state court of competent jurisdiction assumes custody or control of the Authority or the City or of the whole or any substantial part of their property.

Acceleration. If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Cure. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, together with interest thereon at the prime rate of the Trustee then in effect, and any and all other defaults that have been noticed (other than payment defaults) to the Trustee (other than in the payment of the principal of and interest on the Bonds having come due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Trustee or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the Authority, the City and to the Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Other Remedies. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity, in addition to the remedy of acceleration, to enforce the payment of the principal of and interest on the Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Such available remedies shall include the right to seek specific performance of the Authority's obligations hereunder.

If an Event of Default occurs and continues and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this provision of the Indenture, as the Trustee, being advised by counsel, deems in the interests of the Bond Owners.

No remedy conferred upon or reserved to the Trustee (or to the Bond Owners) under the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

Application of Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the Indenture and all other funds then held by the Trustee hereunder shall be applied by the Trustee in the following order of priority:

First, to the payment of fees, charges and expenses of the Trustee (including fees and disbursements of its counsel and financial consultants) incurred in and about the performance of its powers and duties under the Indenture; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds, and if such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts

Limitation on Rights and Remedies of Bond Owners. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture unless all of the following conditions are met:

(a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have tendered to the Trustee indemnity acceptable to the Trustee in its sole discretion against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee has refused or omitted to comply with such request for 60 days after such written request was received by, and said tender of indemnity was made to, the Trustee; and

(e) the Trustee has not received any inconsistent direction during such 60-day period from the Owners of a majority in aggregate principal amount of the Outstanding Bonds.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture

Amendment of Indenture

Amendments With Bond Owner Consent. The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority, the City and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee.

No such modification or amendment may

(i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or

(ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on the Net Revenues and other assets

(except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

Amendments Without Owner Consent. The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture do not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the City contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority or the City;

(ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the City deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; or

(v) to modify any of the provisions of the Indenture in any other respect, provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds, in the opinion of Bond Counsel filed with the Trustee.

Defeasance

Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority pays all outstanding Bonds as provided above and also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds have not been surrendered for payment, the Indenture and the pledge of the Net Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect

to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to the provisions of the Indenture regarding defeasance.

In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee is made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture regarding unclaimed funds.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) non-callable Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee has been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority has delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Jones Hall, A Professional Law Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

April 30, 2015

Santa Paula Utility Authority
Santa Paula, California

City of Santa Paula
Santa Paula, California

OPINION: \$67,195,000 Santa Paula Utility Authority
 2015 Wastewater Enterprise Revenue Bonds, Series A

 \$2,035,000 Santa Paula Utility Authority
 2015 Wastewater Enterprise Revenue Bonds, Taxable Series B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the delivery by the Santa Paula Utility Authority (the "Authority") of the wastewater enterprise revenue bonds captioned above (the "Series A Bonds," the "Series B Bonds" and, collectively, the "Bonds"), issued pursuant to Article 4, Chapter 5, Division 7, Title 1 of the Government Code, commencing with Section 6584 (the "Bond Law"), an Indenture of Trust dated as of April 1, 2015 (the "Indenture"), by and among the Authority, the City of Santa Paula (the "City") and The Bank of New York Mellon Trust Company, N.A., as trustee, a resolution of the governing body of the Authority adopted on April 6, 2015, and a resolution of the city council of the City adopted on April 6, 2015.

The proceeds of the Bonds will be applied by the Authority to acquire certain improvements (the "Project") to the wastewater enterprise of the City (the "Wastewater Enterprise"), which the City has leased to the Authority under a Wastewater Enterprise Lease Agreement dated as of February 1, 2010, as amended by a First Amendment to Wastewater Enterprise Lease Agreement dated as of April 1, 2015, both by and between the City, as lessor, and the Authority, as lessee (as amended, the "Lease Agreement"). Debt service on the Bonds will be payable by the Authority from Net Revenues of the Wastewater Enterprise.

We have examined the such certified proceedings and other papers and documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a public agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture and the Lease Agreement, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Authority and are legal, valid and binding obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

3. The Indenture and the Lease Agreement have been duly approved by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms.

4. Pursuant to the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues (as such term is defined in the Indenture) for the security of the Bonds.

5. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Indenture and the Lease Agreement to perform the agreements on its part contained therein.

6. The Indenture and the Lease Agreement have been duly approved by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their terms.

7. Interest on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Series A Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted in the Indenture and the Lease Agreement and in other instruments relating to the Series A Bonds to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series A Bonds.

8. Interest on the Bonds is exempt from California personal income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture and the Lease Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

INFORMATION CONCERNING DTC

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Utility Authority, the City and the Underwriter believe to be reliable, but none of the Utility Authority, the City or the Underwriter take any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Utility Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Utility Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Utility Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Utility Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Utility Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Utility Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon the issuance of the Bonds, the Utility Authority proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of April 1, 2015, is executed and delivered by the Santa Paula Utility Authority (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, in connection with the issuance and delivery by the Issuer of its Wastewater Enterprise Revenue Bonds, 2015 Series (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer adopted on April 6, 2015 and that certain Indenture of Trust (the “Indenture”), dated as of April 1, 2015, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income purposes.

“*City*” shall mean the City of Santa Paula, California.

“*Disclosure Representative*” shall mean the Finance Director of the City, or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the Issuer which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB.

“*Listed Events*” shall mean any of the events listed in Section 5 of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“*Official Statement*” shall mean the Official Statement, dated April 14, 2015, relating to the Bonds.

“*Participating Underwriter*” shall mean First Southwest Company, LLC.

“*Repository*” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than 270 days following the end of the Issuer’s fiscal year, commencing 270 days after the end of Fiscal Year 2014-15, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository of a change in its fiscal year.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Issuer is the Dissemination Agent and the Issuer is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Repository in the manner prescribed by the MSRB. If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the manner prescribed by the MSRB.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB’s EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the City for the most recent fiscal year of the Issuer then ended. If the audited financial statements are not available by the time that the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the Repository, including a reference to the specific federal or State law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference information comparable to the information in the below-listed tables in the section of the Official Statement entitled "THE WASTEWATER ENTERPRISE":

- (i) Historic Wastewater Enterprise Service Charge Revenues;
- (ii) Historic Wastewater Enterprise Connections;
- (iii) Ten Largest Wastewater Enterprise Customers; and
- (iv) Historic Operating Results (Fiscal Year Ended June 30).

In addition to any of the information expressly required to be provided under paragraphs (a) or (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vii), in the light of the circumstances under which they were made, not misleading.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

- 1. principal and interest payment delinquencies;
- 2. unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. substitution of credit or liquidity providers, or their failure to perform;
- 5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- 6. tender offers;

7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5(b), the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the Issuer or the sale of all or substantially all of the assets of the City or the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall cause the Dissemination Agent to file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A. The Dissemination Agent may resign: (i) by providing thirty days written notice to the Issuer; and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Issuer shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Participating Underwriter, to the same effect as set forth in clause (2) above; (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Indenture; and (5) the Issuer shall have delivered copies of such opinion and amendment to the Repository. Notwithstanding the foregoing, the Dissemination Agent shall not be obligated to enter into an amendment increasing or affecting its duties or obligations.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent that any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Issuer shall be paid: (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	Santa Paula Utility Authority 970 Ventura Street Santa Paula, California 93060 Attention: Finance Director
To the Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 400 Los Angeles, California 90071
To the Participating Underwriter:	First Southwest Company, LLC 1620 26th Street, Suite 230 South Santa Monica, California 90404

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 16. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the

Issuer to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Issuer to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the Issuer to disclose information concerning any owner of land within the Issuer except as required as part of the information required to be disclosed by the Issuer pursuant to Sections 4 and 5 hereof. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

SANTA PAULA UTILITY AUTHORITY

By: _____
Its: Chair

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Dissemination Agent

By: _____
Its: Authorized Officer

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APPENDIX F

GENERAL INFORMATION ABOUT THE CITY OF SANTA PAULA AND THE COUNTY OF VENTURA

The following information relating to the City of Santa Paula (the “City”) and the County of Ventura (the “County”), California is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

General

The City is located approximately 65 miles northwest of Los Angeles in the central portion of the County. The City encompasses an area of approximately 5.4 square miles and has a population of approximately 30,500 people.

Incorporated in 1902, the City operates as a general law city with a council-manager form of government. The five City Council members are elected at large for staggered four-year terms. The City Council elects one of the City Council members as Mayor. The City is in the geographic center of Ventura County situated in the rich agricultural Santa Clara River Valley. The City is surrounded by rolling hills and the rugged mountain peaks of Santa Paula Peak, the Nordhoff Range and the Topa Topas. Orange, lemon and avocado groves abound in the area and the City is often referred to as the “Citrus Capital of the World.” The City is noted for avocado producing and processing in addition to serving as a major international distribution point for citrus products in the United States. The City’s increasingly diverse economy also includes metal fabrication and high technology manufacturing in support of defense and environmental industries.

The City provides police protection, building safety regulation and inspection, parks and recreation, water and wastewater service, stormwater management, refuse collection and land use planning services.

Population

The City’s population at January 1, 2014, the most recent estimate, was 30,448 according to the State Department of Finance. The following table shows population data for the City, the County of Ventura and the State of California for the period from 2010 to 2014.

CITY OF SANTA PAULA, COUNTY OF VENTURA AND STATE OF CALIFORNIA Population Estimates as of January 1

<i>Calendar Year</i>	<i>City of Santa Paula</i>	<i>County of Ventura</i>	<i>State of California</i>
2010	29,274	822,108	37,223,900
2011	29,464	827,874	37,427,946
2012	29,742	829,075	37,668,804
2013	29,979	836,153	37,984,138
2014	30,448	842,967	38,340,074

Source: State of California, Department of Finance Demographic Research Unit, *E-4 Population Estimates for Cities, Counties and State, 2001-2010 with 2000 & 2010 Census Counts; E-4 Population Estimates for Cities, Counties, and State, 2011-2014 with 2010 Benchmark.*

Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2010 through 2014 in the City, the County, the State of California and the United States.

CITY OF SANTA PAULA, COUNTY OF VENTURA, STATE OF CALIFORNIA AND UNITED STATES

Labor Force, Employment and Unemployment Yearly Average

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2010				
Santa Paula	15,200	12,500	2,700	17.6%
Ventura County	435,200	388,100	47,000	10.8
California	18,336,300	16,068,400	2,267,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Santa Paula	15,200	12,600	2,500	16.6%
Ventura County	436,500	392,300	44,200	10.1
California	18,417,900	16,249,600	2,168,300	11.8
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
Santa Paula	15,200	12,900	2,300	14.9%
Ventura County	440,700	400,800	39,900	9.0
California	18,519,000	16,589,700	1,929,300	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Santa Paula	14,800	12,900	1,900	12.9%
Ventura County	434,900	401,100	33,800	7.8
California	18,596,800	16,933,300	1,663,500	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Santa Paula	14,100	12,900	1,200	8.7%
Ventura County	431,100	402,200	28,800	6.7
California	18,811,400	17,397,100	1,414,300	7.5
United States	155,922,000	146,305,000	9,617,000	6.2

Note: Data is not seasonally adjusted.

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

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The following table shows industry, employment and civilian labor force data for the Oxnard-Thousand Oaks-Ventura Metropolitan Statistical Area, which is coterminous with Ventura County and, therefore, includes the City of Santa Paula, for the five most recent calendar years. These figures are area-wide statistics and may not necessarily accurately reflect employment trends in the City.

OXNARD-THOUSAND OAKS-VENTURA METROPOLITAN STATISTICAL AREA
Industry, Employment and Labor Force
Yearly Average

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Civilian Labor Force ⁽¹⁾	430,500	432,600	434,500	437,900	434,900
Employment	388,100	385,600	390,200	398,200	401,100
Unemployment	42,400	47,000	44,300	39,700	33,800
Unemployment Rate	9.9%	10.9%	10.2%	9.1%	7.8%
Total Farm	24,000	24,400	25,200	27,100	27,700
Mining & Logging	1,200	1,200	1,300	1,300	1,200
Construction	13,200	11,300	11,300	11,800	12,400
Manufacturing	32,600	31,500	30,600	29,900	29,800
Wholesale Trade	12,000	12,300	12,400	12,600	12,800
Retail Trade	35,100	35,500	36,300	37,300	38,500
Transportation, Warehousing & Utilities	5,400	5,300	5,500	5,700	5,800
Information	5,300	5,100	4,900	5,100	5,100
Finance & Insurance	16,100	16,000	16,200	15,400	14,500
Real Estate & Rental & Leasing	4,400	4,300	4,200	4,200	4,300
Professional & Business Services	35,100	33,600	33,200	34,800	36,200
Educational & Health Services	34,300	34,700	35,500	37,500	39,000
Leisure & Hospitality	29,800	30,300	31,400	32,700	33,700
Other Services	9,300	9,200	9,200	9,400	9,600
Government	42,900	44,200	44,400	43,600	43,600
Total, All Industries ⁽²⁾	300,700	299,100	301,600	308,400	314,300

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

⁽²⁾ Totals may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information, March 2013 Benchmark.

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Principal Employers

The following table lists the principal employers in the County as of June 30, 2014.

**COUNTY OF VENTURA
Principal Employers**

<i>Employer Name</i>	<i>Number of Employees</i>	<i>Industry</i>
United States Naval Base	14,457	Government
County of Ventura	8,597	Government
Amgen, Inc.	5,900	Biological Specimens-Manufacturers
Wellpoint, Inc.	2,913	Insurance
Simi Unified School District	2,229	Education
Community Memorial Hospital	2,000	Hospital
Conejo Unified School District	1,935	Education
Dignity Health	1,840	Healthcare
Ventura Unified School District	1,818	Education
Los Robles Regional Medical Center	1,615	Hospital

Source: County of Ventura, California, *Comprehensive Annual Financial Report Year Ended June 30, 2014*.

Commercial Activity

A summary of historic taxable sales within the City and County during the past five years for which data is available is shown in the following tables. In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 is not comparable to that of prior years.

**CITY OF SANTA PAULA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2009 ⁽¹⁾	293	\$112,277	502	\$150,721
2010 ⁽¹⁾	285	122,886	493	160,460
2011	290	141,418	496	185,257
2012	274	148,832	483	196,383
2013	285	154,332	480	207,454

⁽¹⁾ Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during 2013 in the County were reported to be \$12,824,295,000, a 7.2% increase from the total taxable sales of \$11,958,260,000 reported during 2012.

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COUNTY OF VENTURA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2009 ⁽¹⁾	14,331	\$7,213,606	22,564	\$ 9,883,853
2010 ⁽¹⁾	14,134	7,546,960	22,422	10,225,488
2011	13,788	8,156,404	22,032	11,020,181
2012	13,992	8,700,010	22,206	11,958,260
2013	14,322	9,101,438	22,233	12,824,295

⁽¹⁾ Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Transportation

The City is served by State Route 126, which links the City to U.S. Highway 101 and Interstate 5. There is an Amtrak bus station located in the City of Santa Paula providing service to an Amtrak train station in Oxnard, with rail connections to major cities in the United States. Also available are Metrolink commuter trains, a regional rail system providing transportation and mobility throughout Ventura County. The City also has a private general aviation airport.

Community Services and Recreation

Located within the City are approximately ten parks, nine elementary schools, a middle school, high school, continuation high school, vocational training center, several private schools, a community college satellite campus and easy access to three nearby community colleges and three universities. The community has an active recreation program for seniors, adults and youth. The Pacific Ocean is only minutes away, as are the mountains and saltwater, stream or lake fishing, boating, swimming, biking, hiking and camping. An 18-hole and 9-hole par 3 golf course lies adjacent to the City. In addition, the City is home to the California Oil Museum of Santa Paula, the Santa Paula Community Center, Santa Paula Senior Center and the Santa Paula Railroad Depot (which includes a community meeting room, gallery, visitor's bureau and Chamber of Commerce offices).

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