

CITY OF OJAI
BASIC FINANCIAL STATEMENTS
June 30, 2011

INTRODUCTORY SECTION

CITY OF OJAI
BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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INTRODUCTORY SECTION

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**FINANCIAL
SECTION**



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Independent Auditor's Report

Honorable City Council
of the City of Ojai
Ojai, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ojai, California (City) as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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*, as 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ojai, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2010, the City adopted Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, 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, 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 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund, and Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund on pages 62 through 64, and the Postemployment Benefits Funding Progress on page 61 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ojai, California's basic financial statements as a whole. The major capital projects and debt service fund budgetary comparison schedules, combining nonmajor fund financial statements, and individual nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The major capital projects and debt service fund budgetary comparison schedules, fiduciary fund statement of changes in assets and liabilities, the combining nonmajor fund financial statements, and individual nonmajor fund budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 18, 2012

CITY OF OJAI

For the fiscal year ended June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ojai, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011 (the "current fiscal year"). We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the basic financial statements including the notes.

Financial Highlights

- The City of Ojai's total assets exceeded its liabilities at June 30, 2011 by \$23,550,286 (total net assets). Eighty-five percent (81%) of the City's total net assets were invested in capital assets (\$19,014,063) and the restricted net assets for specific purposes were \$4,019,656 or 17% of the total net assets. The City's unrestricted total net assets balance at June 30, 2011 was \$516,567, a decrease of \$1,434,402 in comparison with the prior year, while the restricted net assets balance at the end of the current fiscal year was \$4,019,656, a decrease of \$852,968 in comparison with the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported ending total fund balances of \$4,282,117, a decrease of \$2,356,312 in comparison with the prior year, while the total liabilities ending balance was \$10,761,364, an increase of \$3,154,489 in comparison with the prior year.
- At the end of the current fiscal year, the unrestricted but assigned fund balance for the City's General Fund was \$300,674, or 2.2% of its total expenditures for the current fiscal year. The prior year's unrestricted but assigned fund balance was \$3,108,744 and its ratio to total expenditures was 44%.
- The City of Ojai's total debt repayments during the current fiscal year were \$906,569 and other total debt increased by \$1,366,516.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Ojai's assets and liabilities, with the difference between the two reported as *net assets*. Over time,

increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the current fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, community development, parks and recreation, and libraries. The business-type activities of the City include public transit and a public cemetery. The government-wide financial statements can be found on pages 15 – 17 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, 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses 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.

Because 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 government-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 funds' balance sheets and the governmental funds' statements of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eighteen (18) separate governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *General Fund*, *Redevelopment Agency Low and Moderate Income Housing Fund*, *Redevelopment Agency Debt Service Fund*, *Redevelopment Agency Capital Project Fund*, and *Libbey Bowl Capital Project Fund*, which are considered to be the major

funds. Data from the other thirteen (13) governmental funds are combined into a single aggregated amount and shown under the caption of *Other Governmental Funds*. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and can be found on pages 67-76. The basic governmental funds' financial statements can be found on pages 18 – 19 and pages 22 – 23.

Proprietary funds: The City maintains two individual enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its local transit services and its public cemetery operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary funds' financial statements provide separate information for the transit and cemetery operations. The basic proprietary funds' financial statement can be found on pages 25-27 of this report.

Agency funds: Agency funds are used to account for situations where the City's role is purely custodial. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All assets reported in agency funds are offset by liabilities. The agency funds' financial statement can be found on page 28 of this report.

Notes to the Basic 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 basic financial statements begin on page 29 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on pages 61-64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the changes in net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Ojai, assets exceeded liabilities by \$23,550,286 and \$21,417,726 for the fiscal years ended June 30, 2011 and 2010, respectively. The City of Ojai's financial position has strengthened by \$2,132,560 in total.

Most of the increase in total net assets is from investment in capital assets net of related debt. The restricted net assets decreased by \$852,968. The unrestricted net assets decreased by \$1,434,402, while the investment in capital assets balances increased by \$4,419,930 in comparison with the prior fiscal year. The majority of the increase in investment in capital assets was from the completion of the Libbey Bowl Reconstruction and Skateboard Park projects. Most of the decrease in the total unrestricted net assets was due to the advance funding of the Libbey Bowl Reconstruction project.

The following table of *Statement of Net Assets* provides the City's financial position as of June 30, 2011 and 2010.

CITY OF OJAI						
STATEMENT OF NET ASSETS						
JUNE 30, 2011 AND 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	\$ 8,915,633	\$ 9,709,065	\$175,983	\$206,242	\$ 9,091,616	\$ 9,915,307
Capital assets	19,671,304	16,072,427	599,564	461,706	20,270,868	16,534,133
Total Assets	28,586,937	25,781,492	775,547	667,948	29,362,484	26,449,440
LIABILITIES						
Long-term liabilities	2,951,777	2,502,786	18,574	15,065	2,970,351	2,517,851
Other liabilities	2,806,533	2,408,555	35,314	105,308	4,046,673	2,513,863
Total Liabilities	5,758,310	4,911,341	53,888	120,373	5,812,198	5,031,714
NET ASSETS						
Investment in capital assets net of related debt	18,414,499	14,132,427	599,564	461,706	19,014,063	14,594,133
Restricted	4,019,656	4,872,624			4,019,656	4,872,624
Unrestricted, but designated	394,472	1,865,100	122,095	85,869	516,567	1,950,969
Total net assets	\$22,828,627	\$20,870,151	\$721,659	\$547,575	\$23,550,286	\$21,417,726

The largest portion (81%) of the City's net assets reflects its investment in capital assets (\$19,014,063) (e.g., land, buildings, improvements, infrastructure, vehicles, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This ratio (81%) is a 30% increase from the previous fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending and, with the exception of business-type assets, do not generate direct revenue for the City. Although the City of Ojai'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.

The restricted portion of the City's total net assets of \$4,019,656 represents resources that are subject to external restrictions on how they may be used. The remaining net assets of \$516,567 are unrestricted and have decreased substantially (\$1,434,402). Generally, the unrestricted fund balance represents resources that can be used to meet the government's ongoing obligations to citizens and creditors. The \$516,567 is net of the total long-term liabilities of \$2,970,351, which do not require short-term cash outlays. Therefore, the short-term ongoing obligations to citizens and creditors will not be disrupted.

The following table of *Statement of Activities and Changes in Net Assets* provides the City's operations for fiscal years ended June 30, 2011 and 2010 with comparative totals for the same periods.

CITY OF OJAI						
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS						
JUNE 30, 2011 AND 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 891,349	\$ 700,697	\$ 67,220	\$ 52,505	\$ 958,569	\$ 753,202
Operating contributions & grants	1,916,853	343,479	666,392	664,025	2,583,245	1,007,504
Capital contributions & grants	1,630,045	659,272	180,250		1,810,295	659,272
General revenues:						
Property taxes	2,930,218	3,010,095			2,930,218	3,010,095
Sales taxes	996,177	1,009,447			996,177	1,009,447
Franchise taxes	365,526	330,441			365,526	330,441
Transient occupancy taxes	1,848,286	1,640,276			1,848,286	1,640,276
Other	379,160	707,931			379,160	707,931
Motor vehicle in lieu tax	682,030	677,037			682,030	677,037
Investment earnings	251,308	260,552	770	1,068	252,078	261,620
Miscellaneous	166,696	563,597			166,696	563,597
Transfers	(73,766)	(5,000)	73,766	5,000		
	11,983,882	9,897,824	988,398	722,598	12,972,280	10,620,422
Expenditures:						
General Government	1,952,534	1,824,721			1,952,534	1,824,721
Public Safety	2,684,374	2,775,691			2,684,374	2,775,691
Public Works	1,909,334	2,097,721			1,909,334	2,097,721
Community Development	1,991,405	1,910,839			1,991,405	1,910,839
Parks and Recreation	883,165	897,907			883,165	897,907
Libraries	105,996	105,996			105,996	105,996
Unallocated depreciation	188,159	178,785			188,159	178,785
Interest on long-term debt	310,439	314,115			310,439	314,115
Loss on sale of property		153,531				153,531
Transit activities			786,639	777,857	786,639	777,857
Cemetery activities			27,675	14,779	27,675	14,779
Total expenditures	10,025,406	10,259,306	814,314	792,636	10,839,720	11,051,942
Change in net assets	1,958,476	(361,482)	174,084	(70,038)	2,132,560	(431,520)
Net assets at beginning of fiscal year	20,870,151	21,231,633	547,575	617,613	21,417,726	21,849,246
Net assets at end of fiscal year	\$22,828,627	\$20,870,151	\$721,659	\$547,575	\$23,550,286	\$21,417,726

Governmental activities: Governmental activities increased the City's net assets by \$1,958,476. Total revenue for governmental activities increased from the previous year by \$2,086,058, or 21.07%. Most of the increases were in *Operating contributions and grants*, and *Transient occupancy taxes*. The *Operating contributions and grants* total includes the Libbey Bowl Reconstruction pledge collections from the Community. Total governmental expenditures decreased by \$233,900, or 2.28% from the previous year.

Business-type Activities: Net assets from business-type activities (from the Transit and Cemetery funds) increased by \$174,084. The major contributing factor to this increase was the Transit fund's receipt of FTA 5311 Capital Grants during the current fiscal year to purchase a trolley, which helped generate additional income. The Transit fund had an operating loss of \$68,472 in the prior fiscal year. The Cemetery fund had a loss of \$2,965 for the current fiscal year and a loss of \$1,566 for the prior fiscal year.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As shown in the table on page 9, as of the end of current fiscal year, the total Governmental Fund balance was \$4,282,117, a decrease of \$2,356,312 (35%) in comparison with the prior fiscal year. The total *Nonspendable* fund balance at June 30, 2011 was \$5,707,214. This balance represents the City's General Fund *Nonspendable* balance, which was approximately 77% of the total *General Fund* balance of \$7,426,495 as of June 30, 2011.

The *Restricted* fund balances are restricted for specific purposes and they are not available for the general purpose expenditures. At the end of current fiscal year it had a total balance of \$2,620,710.

The total *assigned* fund balance at the end of current fiscal year was \$300,671, a decrease of \$2,808,070. This balance is for future equipment replacement.

The *Unassigned* fund balance was negative \$4,346,481, an increase of \$1,709,927 in comparison with the prior fiscal year, as shown on page 9 of the summary schedule of Governmental Funds Balance Sheet as of June 30, 2011 and 2010. The negative fund balance of \$6,056,762 was a total negative fund balance of the *Ojai Redevelopment Agency Capital Projects Fund*, *Ojai Redevelopment Debt Service Fund*, *Libbey Bowl Capital Projects Fund*, *Street Lighting Fund* and *Plaza Maintenance Fund*, see Notes to the Basic Financial Statements number 2C on page 39 of this report.

The following table provides a summary of the City's *Governmental Funds Balance Sheet* as of June 30, 2011 and 2010.

CITY OF OJAI						
BALANCE SHEET						
GOVERNMENTAL FUNDS						
JUNE 30, 2011 AND 2010						
	General Fund		Other Governmental		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and investments	\$2,108,174	\$2,331,409	\$3,076,400	\$3,771,654	\$5,184,574	\$6,103,063
Cash and investments - restricted	\$9,022		32	32	9,054	32
Accounts & interest receivables	594,242	653,626	1,247,746	517,071	1,841,988	1,170,697
Miscellaneous receivable		17,558				17,558
Notes receivable			1,398,946	1,389,392	1,398,946	1,389,392
Pre-paid expenditures	18,319	332,342			18,319	332,342
Due from other funds	779,600	1,470,962			779,600	1,470,962
Advances to other funds	5,688,895	3,761,258	122,105		5,811,000	3,761,258
Total assets	\$9,198,252	\$8,567,155	\$5,845,229	\$5,678,149	\$15,043,481	\$14,245,304
LIABILITIES						
Accounts payable	\$ 733,302	\$ 382,915	\$ 199,792	\$ 207,241	\$ 933,094	\$ 590,156
Other liabilities	1,038,455	981,896	2,978,815	2,273,565	4,017,270	3,255,461
Advances from other funds			5,811,000	3,761,258	5,811,000	3,761,258
Total liabilities	1,771,757	1,364,811	8,989,607	6,242,064	10,761,364	7,606,875
FUND BALANCES						
Nonspendable	5,707,214	4,093,600		1,960,974	5,707,214	6,054,574
Restricted			2,620,710	3,531,519	2,620,710	3,531,519
Assigned		3,108,744	300,674		300,674	3,108,744
Unassigned	1,719,281		(6,065,762)	(6,056,408)	(4,346,481)	(6,056,408)
Total fund balances	7,426,495	7,202,344	(3,144,378)	(563,915)	4,282,117	6,638,429
Total liabilities and fund balances	\$9,198,252	\$8,567,155	\$5,845,229	\$5,678,149	\$15,043,481	\$14,245,304

General Fund Budgetary Highlights: The City made revisions to the original appropriations, which were approved by the City Council. The revisions resulted in an increase to the projected *General Fund's* fund balance of \$404,628 from the originally projected fund balance.

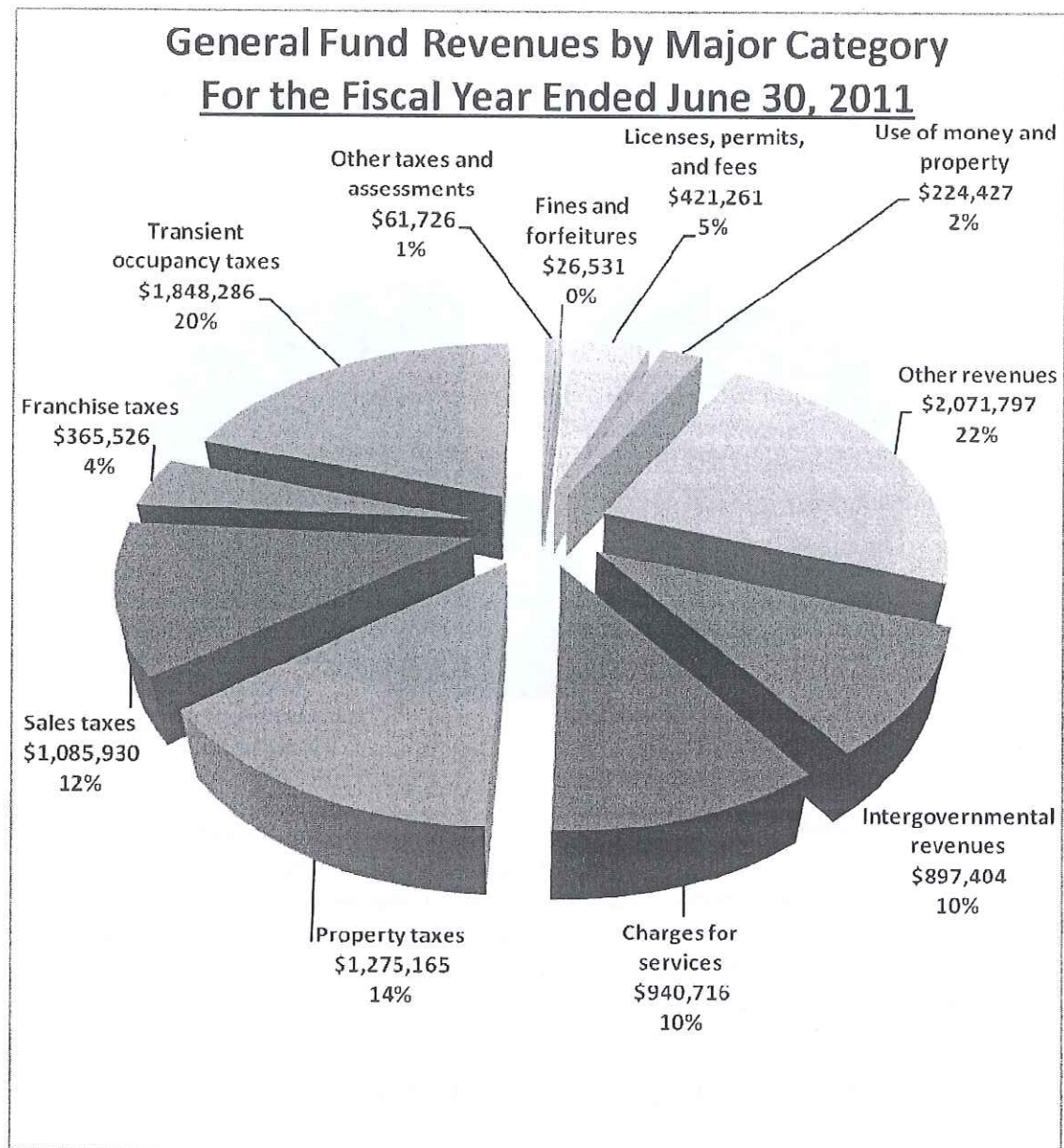
The final budget revenues were increased from the original revenue budget by \$2,626,532 (38.58%) and expenditures were increased by \$4,181,756 (60.54%). The increase in expenditures was mainly for capital outlays, which increased by \$4,006,100. The balance of the increase was from the operating expenditures. During current fiscal year, the City completed the *Libbey Bowl Reconstruction*, *Skate Board Park*, and miscellaneous projects. Within *Other Financing Sources (Uses)*, the *Transfers-in* increased by \$2,085,029 from the original budget figures. This was to pay for these various capital projects.

See the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, for the Fiscal Year Ended June 30, 2011* below.

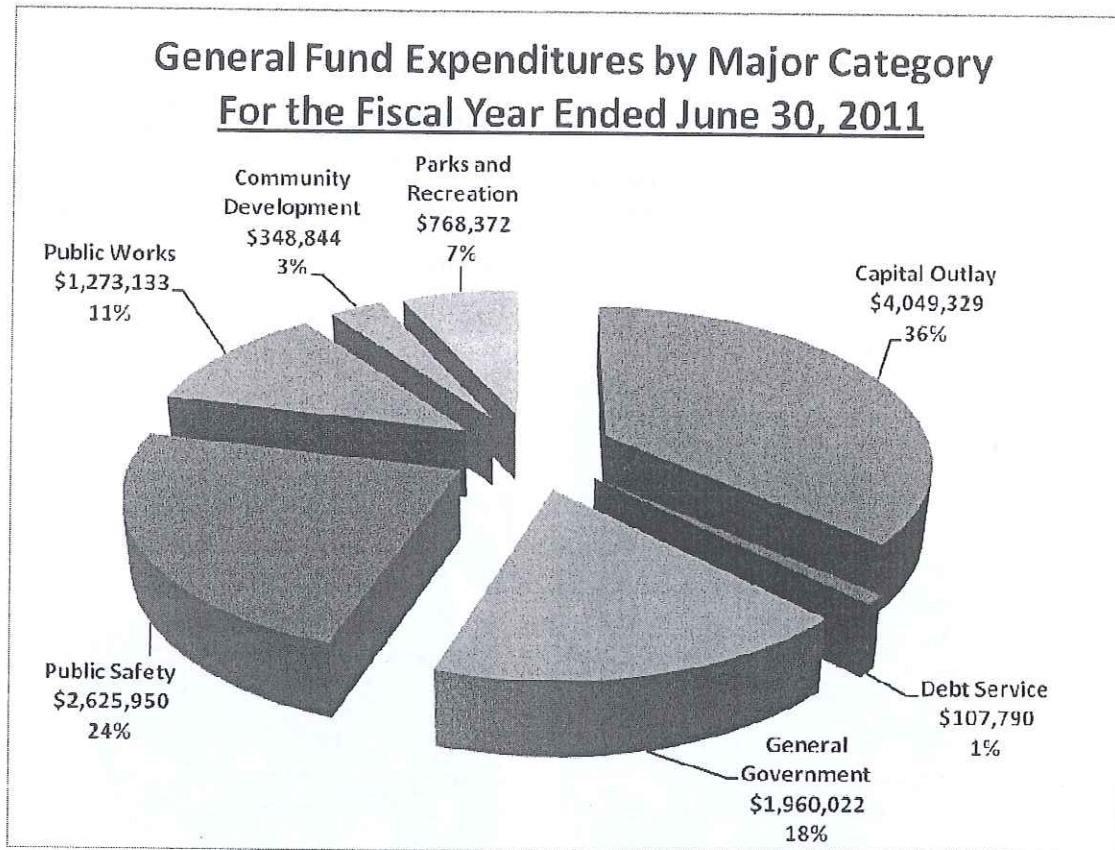
CITY OF OJAI					
SCHEDULE OF REVENUES, EXPENDITURES,					
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL					
GENERAL FUND					
For the Fiscal Year Ended June 30, 2011					
	Budget		Changes	Actual	Variance with
	Original	Final	Increase (Decrease)	Amounts	Final Budget - Positive (Negative)
REVENUES					
Property taxes	\$1,273,100	\$1,242,538	\$(30,562)	\$1,275,165	\$32,627
Sales taxes	1,128,526	1,149,680	21,154	1,085,930	(63,750)
Other taxes	2,004,649	2,476,771	472,122	2,275,538	(201,233)
Licenses, permits, and fees	333,418	405,967	72,549	421,261	15,294
Fines and forfeitures	19,545	23,480	3,935	26,531	3,051
Use of money and property	218,705	205,900	(12,805)	224,427	18,527
Intergovernmental - Other	260,566	232,463	(28,103)	215,374	(17,089)
Motor vehicle in lieu	673,576	675,000	1,424	682,030	7,030
Charges for services	885,876	911,212	25,336	940,716	29,504
Other revenue	10,135	2,111,617	2,101,482	2,071,797	(39,820)
Total revenues	6,808,096	9,434,628	2,626,532	9,218,769	(215,859)
EXPENDITURES					
General government	1,709,872	1,931,983	222,111	1,960,022	(28,039)
Public safety – Police	2,701,162	2,618,755	(82,407)	2,625,950	(7,195)
Public works	1,301,826	1,328,036	26,210	1,273,133	54,903
Community development	315,583	358,656	43,073	348,844	9,812
Parks and recreation	768,656	737,535	(31,121)	768,372	(30,837)
Debt Service	110,000	107,790	(2,210)	107,790	
Capital outlay		4,006,100	4,006,100	4,049,329	(43,229)
Total expenditures	6,907,099	11,088,855	4,181,756	11,133,440	(44,585)
Excess of revenues over (under)expenditures	(99,003)	(1,654,227)	(1,555,224)	(1,914,671)	(260,444)
OTHER FINANCING SOURCES (USES)					
Transfers in	153,715	2,238,744	2,085,029	2,334,103	95,359
Transfers out	(164,452)	(289,629)	(125,177)	(195,281)	94,348
Total other financing sources (uses)	(10,737)	1,949,115	1,959,852	2,138,822	189,707
Net change in fund balance	(109,740)	294,888	404,628	224,151	(70,737)
Fund balances - July 1, 2010	7,202,344	7,202,344	7,202,344	7,202,344	
Fund balances - June 30, 2011	\$7,092,604	\$7,497,232	\$7,606,972	\$7,426,495	\$(70,737)

Following are the *General Fund* pie charts for its revenues and expenditures by major categories for the fiscal year ended June 30, 2011.

Forty-six percent (46%) of the General Fund revenues were from Property Taxes, Sales Taxes and Transient Occupancy Taxes.



The Public Safety expenditures represent twenty-four percent (24%) of the total general fund expenditures, while eleven percent (11%) was for Public Works and eighteen percent (18%) was for General Government services. Capital project costs were thirty-six percent (36%) of the current fiscal year's expenditures as shown on the expenditure pie chart below.



Proprietary funds: The City's proprietary fund statements provide the same type of information found in the government-wide financial statements (see more detail on pages 25-27 of this report). The net assets of the respective enterprise funds are Transit - \$450,640, an increase of \$177,049 from the previous year and Cemetery - \$271,019, a decrease of \$2,965 from the previous year. The Transit Fund net asset increase during the fiscal year was due to the receipt of the FTA 5311 Capital Grant monies, with which it purchased a trolley.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets is for its governmental and business-type activities. The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and construction in progress. The following table provides a summary of the City's capital assets net of accumulated depreciation as of June 30, 2011 and 2010. Additional information on the City's capital assets can be found in the Notes to Basic Financial Statements number 7 on pages 45-47 of this report.

CAPITAL ASSETS						
NET OF ACCUMULATED DEPRECIATION						
JUNE 30, 2011 AND 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Rights of way	\$750,000	\$750,000	\$ -	\$ -	\$750,000	\$750,000
Land	1,707,686	1,400,798	110,500	110,500	1,818,186	1,511,298
Construction in progress	309,098	907,056	20,181		329,279	907,056
Buildings	11,036,748	7,283,743			11,036,748	7,283,743
Land improvements	2,078,503	1,679,967	143,309	156,489	2,221,812	1,836,456
Equipment and machinery	366,817	257,500	10,168	11,705	376,985	269,205
Infrastructure	3,413,759	3,768,170			3,413,759	3,768,170
Vehicles	9,693	25,193	315,406	183,012	325,099	208,205
Total	\$19,672,304	\$16,072,427	\$599,564	\$461,706	\$20,271,868	\$16,534,133

Long-term debt: As of June 30, 2011, the City had total bonded debt outstanding of \$1,315,000. The City also had a long-term liability of \$528,015 to the California Public Employees Retirement System (CALPERS) for unfunded pension obligations for its past public safety (police) employees. The City implemented GASB 45, which requires that the City record an *Annual Required Amount*, actuarially determined, in accordance with parameters of GASB Statement No.45. The amount for the current fiscal year was \$820,127. Additional detailed information on the City's long-term debt can be found in the Notes to Basic Financial Statements number 8, page 47- 51 of this report.

LONG TERM LIABILITIES						
JUNE 30, 2011 AND 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Net pension obligation	\$528,015	\$635,805	\$ -	\$ -	\$528,015	\$635,805
Tax allocation bonds	1,315,000	1,940,000			1,315,000	1,940,000
Settlement Agreement with County of Ventura	837,000				837,000	
OPEB	820,127	412,292			820,127	412,292
Other	272,567	329,344	24,766	20,087	297,333	349,431
Total	\$3,772,709	\$3,317,441	\$24,766	\$20,087	\$3,797,475	\$3,337,528

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET OUTLOOK

Prior to the adoption of the current fiscal year budget, the City Council received a comprehensive report from staff on the City's General Fund fiscal position as well as the special revenue funds fiscal positions. The City's priority for the last few years has been to bring its General Fund reserve fund balance to the required level and it will continue to be the main focus until the City meets the requirement. The reserve fund balance policy requires the *General Fund* to have a reserve fund balance that is equal to fifty percent (50%) of the General Fund's current year operating expenditures budget. This requirement is currently approximately \$3.7 million. During the current fiscal year, the City's reserve fund balance decreased by \$1,389,463, which was mainly due to the General Fund advancing \$1.3 million to Libbey Bowl Project funding. As of June 30, 2011 the General Fund had a reserve fund balance of \$1,719,281, which was \$3,108,744 as of June 30, 2010. The General Fund advancement of \$1.3 million for the Libbey Bowl Reconstruction will be repaid to the City with the Libbey Bowl Reconstruction pledge collections from the Community over the next two years and the repayments will replenish the reserve fund.

The major portions of the City's General Fund revenues are from Transient Occupancy Taxes, Sales Taxes, and Property Taxes. These revenues and other revenue categories have been affected by the overall nationwide and statewide economic downturn, which reduces individual disposable income, and the decline in housing market activities. The continuous record high unemployment rates locally, statewide and nationwide did not help the City's revenues side, which is predicted to continue for the next few more years. The City's revenue receipts were improved during the fiscal year 2010-2011, but not to the level before the economic decline. The continuous uncertain economic conditions, coupled with the State of California budget issues, raise concerns about the City's General Fund revenues; hence, the City staff will monitor receipts from these revenue sources closely. The fiscal year 2011-12 may end with some savings, which would increase the balance of the General Fund unrestricted but assigned for a rainy day.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Ojai's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Susie L. Mears
Director of Finance
City of Ojai
P. O. Box 1570
Ojai, CA 93024

BASIC FINANCIAL STATEMENTS

CITY OF OJAI
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,184,574	\$ 155,456	\$ 5,340,030
Cash and investments with fiscal agents	9,054		9,054
Accounts receivable, net	1,835,099	420,079	2,255,178
Interest receivable	6,889	179	7,068
Notes receivable	1,398,946		1,398,946
Internal balances	404,557	(404,557)	
Prepaid expenses	18,319		18,319
Inventory		4,826	4,826
Deferred charges, net of accumulated amortization	58,195		58,195
Capital assets not being depreciated	2,765,784	130,681	2,896,465
Capital assets, net of accumulated depreciation	16,905,520	468,883	17,374,403
	<hr/>	<hr/>	<hr/>
Total assets	28,586,937	775,547	29,362,484
LIABILITIES			
Accounts payable	933,094	20,397	953,491
Accrued liabilities	195,477	8,725	204,202
Accrued interest payable	14,052		14,052
Deposits payable	1,000		1,000
Unearned revenue	841,978		841,978
Noncurrent liabilities:			
Due within one year	820,932	6,192	827,124
Due in more than one year	2,951,777	18,574	2,970,351
	<hr/>	<hr/>	<hr/>
Total liabilities	5,758,310	53,888	5,812,198
NET ASSETS			
Invested in capital assets, net of related debt	18,414,499	599,564	19,014,063
Restricted for:			
Libraries	45,371		45,371
Streets, bikeways, parks and other related purposes	581,058		581,058
Debt service	40,555		40,555
Transit	36,553		36,553
Housing	3,315,996		3,315,996
Community development	123		123
Unrestricted	394,472	122,095	516,567
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 22,828,627	\$ 721,659	\$ 23,550,286

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ (1,952,534)	\$ 145,178	\$ -	\$ -
Public safety	(2,684,374)	36,132		213,746
Public works	(1,909,334)	60,665	1,916,853	1,416,299
Community development	(1,991,405)	276,336		
Parks and recreation	(883,165)	373,038		
Libraries	(105,996)			
Unallocated depreciation	(188,159)			
Interest on long-term debt	(310,439)			
Total governmental activities	(10,025,406)	891,349	1,916,853	1,630,045
Business-type Activities:				
Transit	(786,639)	43,280	666,392	180,250
Cemetery	(27,675)	23,940		
Total business-type activities	(814,314)	67,220	666,392	180,250
Total government	\$ (10,839,720)	\$ 958,569	\$ 2,583,245	\$ 1,810,295

General Revenues and Transfers:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Transient occupancy taxes

Other

Motor vehicle in lieu tax, unrestricted

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of fiscal year

Net assets at end of fiscal year

See Notes to Basic Financial Statement

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,807,356)	\$ -	\$ (1,807,356)
(2,434,496)		(2,434,496)
1,484,483		1,484,483
(1,715,069)		(1,715,069)
(510,127)		(510,127)
(105,996)		(105,996)
(188,159)		(188,159)
(310,439)		(310,439)
(5,587,159)		(5,587,159)
	103,283	103,283
	(3,735)	(3,735)
	99,548	99,548
(5,587,159)	99,548	(5,487,611)
2,930,218		2,930,218
996,177		996,177
365,526		365,526
1,848,286		1,848,286
379,160		379,160
682,030		682,030
251,308	770	252,078
166,696		166,696
(73,766)	73,766	
7,545,635	74,536	7,620,171
1,958,476	174,084	2,132,560
20,870,151	547,575	21,417,726
\$ 22,828,627	\$ 721,659	\$ 23,550,286

**CITY OF OJAI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund	Redevelopment Agency Debt Service Fund
ASSETS			
Cash and investments	\$ 2,108,174	\$ 1,792,663	\$ -
Cash and investments with fiscal agents	9,022		32
Accounts receivable, net	590,895	194	
Interest receivable	3,347	2,088	
Prepaid items	18,319		
Notes receivable		1,398,946	
Due from other funds	779,600		
Advances to other funds	5,688,895	122,105	
	<u>9,198,252</u>	<u>3,315,996</u>	<u>32</u>
Total assets	<u>\$ 9,198,252</u>	<u>\$ 3,315,996</u>	<u>\$ 32</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 733,302	\$ -	\$ -
Accrued liabilities	195,477		
Deposits payable	1,000		
Due to other funds			
Deferred revenue	841,978	1,398,946	
Advances from other funds			4,373,895
	<u>1,771,757</u>	<u>1,398,946</u>	<u>4,373,895</u>
Total liabilities	<u>1,771,757</u>	<u>1,398,946</u>	<u>4,373,895</u>
Fund balances:			
Nonspendable:			
Prepaid items	18,319		
Advances to other funds	5,688,895		
Restricted		1,917,050	
Assigned			
Unassigned	1,719,281		(4,373,863)
	<u>7,426,495</u>	<u>1,917,050</u>	<u>(4,373,863)</u>
Total fund balances (deficits)	<u>7,426,495</u>	<u>1,917,050</u>	<u>(4,373,863)</u>
Total liabilities and fund balances	<u>\$ 9,198,252</u>	<u>\$ 3,315,996</u>	<u>\$ 32</u>

See Notes to Basic Financial Statements

Redevelopment Agency Capital Projects Fund	Libbey Bowl Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 181,716	\$ 110,174	\$ 991,847	\$ 5,184,574
831	1,204,826	38,353	9,054
137		1,317	1,835,099
			6,889
			18,319
			1,398,946
			779,600
			5,811,000
<u>\$ 182,684</u>	<u>\$ 1,315,000</u>	<u>\$ 1,031,517</u>	<u>\$ 15,043,481</u>
\$ 182,684	\$ -	\$ 17,108	\$ 933,094
			195,477
			1,000
		375,043	375,043
	1,204,826		3,445,750
122,105	1,315,000		5,811,000
<u>304,789</u>	<u>2,519,826</u>	<u>392,151</u>	<u>10,761,364</u>
			18,319
			5,688,895
		703,660	2,620,710
		300,674	300,674
(122,105)	(1,204,826)	(364,968)	(4,346,481)
(122,105)	(1,204,826)	639,366	4,282,117
<u>\$ 182,684</u>	<u>\$ 1,315,000</u>	<u>\$ 1,031,517</u>	<u>\$ 15,043,481</u>

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CITY OF OJAI
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Fund balances of governmental funds		\$ 4,282,117
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.		
Capital assets at historical cost	\$ 35,697,475	
Accumulated depreciation	<u>(16,026,171)</u>	19,671,304
Certain accounts, notes, loans, and interest receivable are not available to pay for current period expenditures and, therefore, are offset by deferred revenue in the governmental funds.		2,603,772
Long-term debt has not been included in the governmental funds.		
Pension obligation	\$ (528,015)	
Tax allocation bonds	(1,315,000)	
Settlement agreement with County of Ventura	(837,000)	
Compensated absences	(272,567)	
OPEB	<u>(820,127)</u>	(3,772,709)
Deferred charges, net of accumulated amortization of \$128,858 for debt issuance costs have not been reported in the governmental funds.		58,195
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.		<u>(14,052)</u>
Net assets of governmental activities		<u><u>\$ 22,828,627</u></u>

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund	Redevelopment Agency Debt Service Fund
REVENUES			
Property taxes	\$ 1,275,165	\$ 331,011	\$ -
Sales taxes	1,085,930		
Other taxes and assessments	2,275,538		
Licenses, permits, and fees	421,261		
Fines and forfeitures	26,531		
Use of money and property	224,427	8,861	
Intergovernmental:			
Other	215,374	1,854	
Motor vehicle in lieu	682,030		
Charges for services	940,716		
Other revenue	2,071,797		
	<hr/>	<hr/>	<hr/>
Total revenues	9,218,769	341,726	
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General government	1,960,022		
Public safety	2,625,950		
Public works	1,273,133		
Community development	348,844	79,762	129,177
Pass-through payments			
Parks and recreation	768,372		
Libraries			
Capital outlay	4,049,329	305,888	
Debt service:			
Principal	107,790		625,000
Interest and fiscal charges			264,842
	<hr/>	<hr/>	<hr/>
Total expenditures	11,133,440	385,650	1,019,019
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	(1,914,671)	(43,924)	(1,019,019)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,334,103		1,058,234
Transfers out	(195,281)		(651,852)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,138,822		406,382
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	224,151	(43,924)	(612,637)
	<hr/>	<hr/>	<hr/>
Fund balances (deficit) - July 1, 2010	7,202,344	1,960,974	(3,761,226)
	<hr/>	<hr/>	<hr/>
Fund balances (deficit) - June 30, 2011	\$ 7,426,495	\$ 1,917,050	\$ (4,373,863)
	<hr/>	<hr/>	<hr/>

See Notes to Basic Financial Statements

Redevelopment Agency Capital Projects Fund	Libbey Bowl Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,324,042	\$ -	\$ -	\$ 2,930,218
			1,085,930
		317,434	2,592,972
			421,261
			26,531
137		8,329	241,754
7,416		233,538	458,182
			682,030
		7,739	948,455
14,062		22,803	2,108,662
1,345,657		589,843	11,495,995
			1,960,022
			2,625,950
		120,049	1,393,182
426,766		24,237	1,008,786
300,574			300,574
			768,372
		105,996	105,996
		260,414	4,615,631
			732,790
2,396			267,238
729,736		510,696	13,778,541
615,921		79,147	(2,282,546)
651,852		278,958	4,323,147
(1,058,234)	(1,204,826)	(1,286,720)	(4,396,913)
(406,382)	(1,204,826)	(1,007,762)	(73,766)
209,539	(1,204,826)	(928,615)	(2,356,312)
(331,644)		1,567,981	6,638,429
\$ (122,105)	\$ (1,204,826)	\$ 639,366	\$ 4,282,117

CITY OF OJAI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (2,356,312)

Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay expenditures are added back to fund balances	\$ 4,384,738	
Depreciation expense not reported in governmental funds	<u>(764,443)</u>	3,620,295

Costs written off for canceled capital projects. These costs were previously capitalized as Work in Progress.		(21,418)
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Revenue not recognized in the governmental funds is deferred as it was not available to pay current period expenditures		1,204,826
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Certain notes receivable are reported in the governmental funds as expenditures and then, offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.		9,554
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.

Police net pension obligation	\$ 107,790	
2007 Tax allocation bonds, Series A	<u>625,000</u>	732,790

OPEB expenditures reported in the statement of net assets do not require the use of current financial resources and therefore, is not reported as expenditures in a governmental fund. This is the net change in OPEB for the current period.		(407,835)
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Long-term settlement agreement included in the statement of net assets does not provide or require the use of current financial resources and therefore, is not reported as revenues or expenditures in governmental funds (net change during current period).		(837,000)
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Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized and amortized on the statement of net assets.		
Amortization of debt issue costs		(49,880)

Accrued interest payable is interest due on long-term debt. This is the net change in accrued interest in the current period.		6,679
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Compensated absences are not a current period expense. This is the net change in compensated absences for the current period.		<u>56,777</u>
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Change in net assets of governmental activities		<u>\$ 1,958,476</u>
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CITY OF OJAI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 155,456	\$ 155,456
Accounts receivable, net	420,079		420,079
Interest receivable		179	179
Inventory		4,826	4,826
Total current assets	420,079	160,461	580,540
Noncurrent Assets:			
Capital assets not being depreciated	21,781	108,900	130,681
Capital assets, net of accumulated depreciation	464,695	4,188	468,883
Total noncurrent assets	486,476	113,088	599,564
Total assets	906,555	273,549	1,180,104
LIABILITIES			
Current Liabilities:			
Accounts payable	20,172	225	20,397
Accrued liabilities	8,375	350	8,725
Due to other funds	404,557		404,557
Current portion of long-term obligations	5,703	489	6,192
Total current liabilities	438,807	1,064	439,871
Noncurrent Liabilities:			
Compensated absences	17,108	1,466	18,574
Total noncurrent liabilities	17,108	1,466	18,574
Total liabilities	455,915	2,530	458,445
NET ASSETS			
Invested in capital assets, net of related debt	486,476	113,088	599,564
Restricted for:			
Cemetery		157,931	157,931
Unrestricted	(35,836)		(35,836)
Total net assets	\$ 450,640	\$ 271,019	\$ 721,659

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Operating Revenues:			
Charges for services (net of refunds)	\$ 43,231	\$ 23,940	\$ 67,171
Other revenue	49		49
Total operating revenues	43,280	23,940	67,220
Operating Expenses:			
Salaries and benefits	380,838	22,398	403,236
Material, supplies, and operational expenses	347,573	5,031	352,604
Depreciation	58,228	246	58,474
Total operating expenses	786,639	27,675	814,314
Operating income (loss)	(743,359)	(3,735)	(747,094)
Non-Operating Revenues (Expenses):			
Intergovernmental revenue	666,392		
Interest income		770	770
Total non-operating revenues (expenses)	666,392	770	770
Income and (loss) before transfers and capital contributions	(76,967)	(2,965)	(746,324)
Transfers in	73,766		73,766
Capital contributions	180,250		180,250
Changes in net assets	177,049	(2,965)	(672,558)
Total net assets - July 1, 2010	273,591	273,984	547,575
Total net assets - June 30, 2011	\$ 450,640	\$ 271,019	\$ (124,983)

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 43,280	\$ 23,940	\$ 67,220
Cash paid to suppliers for goods and services	(527,666)	(6,546)	(534,212)
Cash paid to employees for services	(379,602)	(22,297)	(401,899)
Net cash provided by (used by) operating activities	(863,988)	(4,903)	(868,891)
Cash Flows from Noncapital Financing Activities:			
Operating grants received	986,553		
Transfers from other funds	73,766		73,766
Net cash provided by noncapital financing activities	1,060,319		1,060,319
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(196,331)		(196,331)
Net cash used by capital and related financing activities	(196,331)		(196,331)
Cash Flows from Investing Activities:			
Interest received		808	808
Net cash provided by investing activities		808	808
Net increase (decrease) in cash and cash equivalents		(4,095)	(4,095)
Cash and Cash Equivalents at Beginning of Fiscal Year		159,551	159,551
Cash and Cash Equivalents at End of Fiscal Year	\$ -	\$ 155,456	\$ 155,456
Reconciliation to Statement of Net Assets:			
Cash and investments	\$ -	\$ 155,456	\$ 155,456
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (743,359)	\$ (3,735)	\$ (747,094)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	58,228	246	58,474
(Increase) decrease in inventory		(1,280)	(1,280)
Increase (decrease) in accounts payable	3,256	(235)	3,021
Increase (decrease) in accrued liabilities	(3,556)	214	(3,342)
Increase (decrease) in compensated absences	4,792	(113)	4,679
Increase (decrease) in due to other funds	(183,349)		(183,349)
Total adjustments	(120,629)	(1,168)	(121,797)
Net cash provided by (used by) operating activities	\$ (863,988)	\$ (4,903)	\$ (868,891)

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u> Special Deposits
ASSETS	
Cash and investments	\$ 26,782
Total assets	<u>\$ 26,782</u>
LIABILITIES	
Accounts payable	\$ 26,782
Total liabilities	<u>\$ 26,782</u>

See Notes to Basic Financial Statements

Notes to
Basic Financial Statements

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of Ojai (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Ojai is a political subdivision provided for by the General Law of the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under a council-manager form of government.

The City of Ojai is a municipal corporation governed by an elected five-member City council who, in turn, elects one of its members to serve as the Mayor. As required by accounting principles generally accepted in the United States of America, these 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 so data from these units are combined with data of the City. The blended component units have a June 30 fiscal year end to coincide with the City.

Blended Component Units

The **Redevelopment Agency of the City of Ojai** (Agency) was established pursuant to the State of California Health and Safety Code, Section 33000. It consists of one project area. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within the territorial limits of the City of Ojai.

Complete financial statements for the Redevelopment Agency of the City of Ojai can be obtained from the City of Ojai.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 segments 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.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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.

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 funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue 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. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when the 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of 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 revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 other funds.

The Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund is used to account for the required 20% set-aside of property tax revenue pursuant to Community Development law to fund low and moderate income housing projects.

The Redevelopment Agency Debt Service Fund is used to account for property tax revenue used for the debt service activities of the Redevelopment Agency of the City of Ojai.

Redevelopment Agency Capital Projects Fund is used to account for approved redevelopment projects.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Libbey Bowl Capital Project Fund – This fund accounts for the Libbey Bowl project construction cost pledge collections.

The City reports the following proprietary funds:

Transit Enterprise Fund – This fund accounts for the operation and maintenance of the transit operations.

Cemetery Enterprise Fund – This fund accounts for the operation and maintenance of cemetery operations.

Additionally, the City reports the following fund type:

The Fiduciary Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For proprietary fund type activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the 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 non-operating revenues and expenses.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

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

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

New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 54 and No. 59 during the fiscal year ended June 30, 2011.

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions*." The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classification that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Notes 1D and 14B.

The definitions of the special revenue fund type, capital projects fund type, and debt service fund type are also clarified by the provisions in this statement.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, "*Financial Instruments Omnibus*". This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

D. Assets, Liabilities, Net Assets or Fund Balances

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on average three months balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Net Assets or Fund Balances (Continued)

Cash and Investments (Continued)

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms.

The City's investments are carried at fair value. LAIF determines the fair value of their portfolio quarterly and report a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

Receivables and Payables

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

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

Property Taxes

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. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Ventura for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. 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 percent of purchase price or value in 1978 whichever is later. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. 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 Levies – are limited to 1 percent of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Net Assets or Fund Balances (Continued)

Property Taxes (Continued)

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

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 payment.

The County of Ventura levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy.

Tax Levy Apportionments – 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, apportionments 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.

Property Tax Administration Fees – the State of California Fiscal Year 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded net of administrative fees withheld during the fiscal year.

Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Net Assets or Fund Balances (Continued)

Restricted Assets (Continued)

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 (including infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset 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 was capitalized during the fiscal year ended June 30, 2011.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20 to 50
Infrastructure	10 to 65
Vehicles	3 to 8
Computer equipment	5
Other equipment and furnishings	5 to 20

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

Compensated Absences and Post-Employment Benefits

The City accrues the liability for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement No. 4.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Net Assets or Fund Balances (Continued)

Compensated Absences and Post-Employment Benefits (Continued)

The Compensated absences policy of the City is as follows:

- a) Vacation is accrued by full time employees based on years of service. Employees with up to 1 year of service accrue 79.2 hours per year and those with over 18 years of service accrue up to 144 hours. Permanent part-time employees receive a pro-rata accrual based on hours worked exceeding 20 hours per week. Maximum accrual is 30 working days.
- b) Sick leave is accrued by employees at a rate of 7.2 hours per month. Permanent part time employees accrue a pro-rata share of these hours based on hours worked exceeding 20 hours per week Maximum hours allowed as an accrual are 960. Employees can sell back up to 40 hours of sick leave every year, provided they maintain a balance of at least 300 hours. Upon death, retirement, and/or honorable separation from employment, the City will pay 50% of an employee's accumulated sick leave if the employee has at least 5 years of service.

The City provides post-employment medical benefits to retired employees who were hired before November 1, 2010 and have at least 5 years of PERS service credit with the City and retire from the City. Employees hired after November 1, 2010 must have ten years of continuous service for the City of Ojai and retire from the City to receive the post-employment medical benefits. Currently, this benefit is funded on a pay-as-you-go basis. For fiscal year 2010-11, the City paid \$116,889 for post-employment medical benefits for 17 retirees.

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 assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs and underwriters' discount are reported as deferred bond issuance costs. Amortization of bond premiums or discounts and issuance costs are included as part of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Balances

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Restricted net assets

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Net Assets or Fund Balances (Continued)

Net Assets and Fund Balances (Continued)

represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments or by enabling legislation) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the is bound to honor constraints on how to specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the City Council *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classification.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the fiscal year.

E. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (USGAAP) requires City management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 Stewardship, Compliance, and Accountability

A. General Budget Policies

1. The budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. All amendments made during the fiscal year are included in the budgetary amounts reported herein. The "appropriated budget" covers all City expenditures. Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of budgetary control.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund.

3. Formal budgetary integration is employed as a management control device during the fiscal year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations which are encumbered lapse at fiscal year-end, and then are added to the following fiscal year's budgeted appropriations.
4. Budgets for the General, Special Revenue, Debt Service, RDA Debt Service, and RDA Capital Projects Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.
5. Budget comparisons are not presented for the Proprietary Funds, as the City is not legally required to adopt a budget for this type of funds.
6. Capital projects are budgeted through the Capital Projects Funds. Appropriations for capital projects authorized, but not constructed or completed during the fiscal year, are carried forward as continuing appropriations into the following fiscal year's budget.
7. Under Article XIII-B of the California constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following fiscal year. For the fiscal year ended June 30, 2011, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Funds	N/A	15%	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	N/A	50 Million
Investment Agreements	1 year	N/A	N/A
Securities of the US Government	5 years	N/A	None
Certificates of Deposit	5 years	N/A	None

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State or Local Government Obligations	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None

Disclosure Relating to Interest Rate Risk

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 rate 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.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

Major Funds

General Fund:

General Government	\$ 28,039
Public Safety	7,195
Parks and Recreation	30,837
Capital outlay	43,229
Redevelopment Agency Capital Projects Fund:	
Community Development	24,361
Debt Service: Interest and Fiscal Charges	1,056
Redevelopment Agency Debt Service Fund:	
Interest and Fiscal Charges	17,043

Nonmajor Special Revenue Funds:

Grant Funding Fund:

Capital Outlay	86,565
Plaza Maintenance Fund:	
Community Development	154,756

C. Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2011:

Major Governmental Funds:

Redevelopment Agency Debt Service Fund	\$ 4,373,863
Redevelopment Agency Capital Projects Fund	122,105
Libbey Bowl Capital Project Fund	1,204,826

Nonmajor Governmental Funds:

Street Lighting Special Revenue Fund	212,353
Plaza Maintenance Special Revenue Fund	152,615

Note 3 Cash and Investments

At June 30, 2011, deposits and investments were reported in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 5,340,030
Cash and investments with fiscal agents	9,054
Fiduciary funds, statement of assets and liabilities:	
Cash and investments	26,782
Total cash and investments	<u>\$ 5,375,866</u>

Cash and investments as of June 30, 2011, consist of the following:

Petty cash	\$ 500
Cash in bank	200,726
Investments	5,174,640
Total cash and investments	<u>\$ 5,375,866</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 Cash and Investments (Continued)

Disclosure Relating to Interest Rate Risk (Continued)

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

Investment Type	Total	Remaining Maturity (in months)			
		12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 5,165,586	\$ 5,165,586	\$ -	\$ -	\$ -
Held by Trustee:					
Money market funds	9,054	9,054			
Total	<u>\$ 5,174,640</u>	<u>\$ 5,174,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

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, the investment policy, or debt agreements, and the actual rating as of fiscal year for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	AA	Not Rated
State Investment Pool	\$ 5,165,586	N/A	\$ -	\$ -	\$ -	\$ 5,165,586
Held by Trustee:						
Money market funds	9,054	N/A		9,054		
Total	<u>\$ 5,174,640</u>		<u>\$ -</u>	<u>\$ 9,054</u>	<u>\$ -</u>	<u>\$ 5,165,586</u>

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. The City holds no investments in any one issuer (other than money market funds and 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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 investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair 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's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, \$299,382 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurers of the Treasurer of the State of California. The fair value of the City's investment in these pools are reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire 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.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

Note 4 Notes and Loans Receivable

The Redevelopment Agency's Low and Moderate Housing Fund entered into an agreement on December 21, 1991 to loan Montgomery Oaks Associates, a California limited partnership, the amount of \$250,000. As of June 30, 2011, the outstanding balance is \$250,000 plus accrued interest of \$146,414. The purpose of the loan is to provide financial assistance for the land acquisition and predevelopment expenses of a 21 unit affordable housing complex. The terms of the loan call for a repayment on December 23, 2064 for principal and simple interest of 3% per annum.

The Redevelopment Agency's Low and Moderate Housing Fund has loaned \$300,000 to the Area Housing Authority at 0% interest with no specific due date.

The Redevelopment Agency's Low and Moderate Housing Fund has loaned 6 individuals funds for housing rehabilitation in the amount of \$113,914 plus accrued interest of \$38,618. These loans carry interest at rates ranging from 0% to 6% and are normally due when the property is sold.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 4 Notes and Loans Receivable (Continued)

The Redevelopment Agency's Low and Moderate Housing Fund entered into an agreement on October 10, 2000 and loaned \$550,000 to the Cabrillo Economic Development Corporation, a California nonprofit public benefit corporation at 0% interest. The terms of the loan call for a repayment at the end of 60 years. The full amount is still outstanding as of June 30, 2011.

As of June 30, 2011, loans receivable and related deferred revenue totaled \$1,398,946.

Note 5 Accounts Receivable

The following is a list of accounts receivable at June 30, 2011:

	Receivable	Allowance	Net
Governmental Activities -	\$ 1,835,099	\$ -	\$ 1,835,099
Accounts receivable, net	<u>\$ 1,835,099</u>	<u>\$ -</u>	<u>\$ 1,835,099</u>
Business - type Activities -	\$ 420,079	\$ -	\$ 420,079
Accounts receivable, net	<u>\$ 420,079</u>	<u>\$ -</u>	<u>\$ 420,079</u>

Note 6 Interfund Activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2011.

A. Transfers

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ 2,334,103	\$ 195,281
Redevelopment Agency - Capital Projects	651,852	1,058,234
Redevelopment Agency - Debt Service	1,058,234	651,852
Libbey Bowl Capital Project		1,204,826
Nonmajor Governmental Funds:		
Transit Equipment Replacement		73,766
Gas Tax		211,560
Bicycle and Pedestrian		8,286
Transportation Development Act		7,588
Grant Funding	83,677	
Community Development Block Grant		3,000
Street Lighting	7,809	
Plaza Maintenance	39,643	
Equipment Replacement	147,829	982,520
Major Proprietary Fund:		
Transit	73,766	
	<u>\$ 4,396,913</u>	<u>\$ 4,396,913</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 Interfund Activity (Continued)

A. Transfers (Continued)

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

B. Advances To/From Other Funds

At June 30, 2011, the funds below had made advances which were not expected to be repaid within the next fiscal year.

	<u>Payable</u>	<u>Receivable</u>
From: General Fund	\$ -	\$ 5,688,895
Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund		122,105
To: Redevelopment Agency Debt Service Fund	4,373,895	
Redevelopment Agency Capital Projects Fund	122,105	
Libbey Bowl Capital Project Fund	1,315,000	
	<u>\$ 5,811,000</u>	<u>\$ 5,811,000</u>

As of June 30, 2011, the General Fund had outstanding advances of \$4,373,895 to the Ojai Redevelopment Agency, which was used to cover capital and operating costs of the Agency. The advances will be repaid with future operating revenues at interest rates equal to the average annual LAIF rate earned by the Agency which during the fiscal year 2010-11 was 5.15%. The repayment of such advances shall be subordinate to all other obligations of indebtedness incurred by the Agency. There is no future minimum debt service requirement, as repayment will be made when funds are available. The balance is an accumulation of costs paid by the City of Ojai on behalf of the Agency.

C. Due to/From Other Funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2011.

	<u>Due to/ Payable</u>	<u>Due from/ Receivable</u>
Major Governmental Fund:		
General	\$ -	\$ 779,600
Nonmajor Governmental Funds:		
Gas Tax	20,538	
Transportation Development Act	7	
Community Development Block Grant	438	
Street Lighting	202,589	
Plaza Maintenance	151,471	
Major Proprietary Fund:		
Transit	404,557	
	<u>\$ 779,600</u>	<u>\$ 779,600</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 Interfund Activity (Continued)

C. Due to/From Other Funds (Continued)

Interfund activity has been eliminated in the statement of net assets and activities except where it is between Governmental and Business-type activities.

Note 7 Capital Assets

A. Governmental Activities

Governmental capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Additions	Transfers	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:					
Right of ways	\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000
Land	1,400,798	306,888			1,707,686
Construction in progress	907,056	107,631	-587,303	-21,418	309,098
Total	<u>3,057,854</u>	<u>317,651</u>	<u>(587,303)</u>	<u>(21,418)</u>	<u>2,766,784</u>
Capital assets being depreciated:					
Buildings	10,810,699	3,421,230	549,303		14,781,232
Improvements other than buildings	2,732,539	536,875			3,269,414
Equipment and machinery	628,825	109,982	38,000		776,807
Infrastructure	13,634,540				13,634,540
Vehicles	469,698				469,698
Total	<u>28,276,301</u>	<u>4,068,087</u>	<u>587,303</u>		<u>32,931,691</u>
Less accumulated depreciation for:					
Buildings	(3,526,956)	-217,528			(3,744,484)
Improvements other than buildings	(1,052,572)	-138,339			(1,190,911)
Equipment and machinery	(371,325)	-38,665			(409,990)
Infrastructure	(9,866,370)	-354,411			(10,220,781)
Vehicles	(444,505)	-15,500			(460,005)
Total	<u>(15,261,728)</u>	<u>(764,443)</u>			<u>(16,026,171)</u>
Total net of accumulated depreciation	<u>13,014,573</u>	<u>3,303,644</u>	<u>587,303</u>		<u>16,905,520</u>
Total capital assets, net	<u>\$ 16,072,427</u>	<u>\$ 3,621,295</u>	<u>\$ -</u>	<u>\$ (21,418)</u>	<u>\$ 19,672,304</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Public safety	\$ 38,032
Public works	413,341
Community development	71,293
Parks and recreation	53,618
Unallocated	<u>188,159</u>
Total	<u>\$ 764,443</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 Capital Assets (Continued)

B. Business-type activities

Business-type capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Cemetery Fund:				
Capital assets, not being depreciated:				
Land	\$ 108,900	\$ -	\$ -	\$ 108,900
Total	<u>108,900</u>			<u>108,900</u>
Capital assets, being depreciated:				
Land improvements	12,124			12,124
Total	<u>12,124</u>			<u>12,124</u>
Less accumulated depreciation for:				
Land improvements	(7,690)	(246)		(7,936)
Total	<u>(7,690)</u>	<u>(246)</u>		<u>(7,936)</u>
Total net of accumulated depreciation	4,434	(246)		4,188
Cemetery Fund capital assets, net	<u><u>\$ 113,334</u></u>	<u><u>\$ (246)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 113,088</u></u>
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Construction in progress	4,100	16,081		20,181
Total	<u>5,700</u>	<u>16,081</u>		<u>21,781</u>
Capital assets, being depreciated:				
Land improvements	176,662			176,662
Equipment and machinery	18,216			18,216
Vehicles	1,015,935	180,250		1,196,185
Total	<u>1,210,813</u>	<u>180,250</u>		<u>1,391,063</u>
Less accumulated depreciation for:				
Land improvements	(28,708)	(8,833)		(37,541)
Equipment and machinery	(6,510)	(1,538)		(8,048)
Vehicles	(832,922)	(47,857)		(880,779)
Total	<u>(868,140)</u>	<u>(58,228)</u>		<u>(926,368)</u>
Total net of accumulated depreciation	342,673	122,022		464,695
Transit Fund capital assets, net	<u><u>\$ 348,373</u></u>	<u><u>\$ 138,103</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 486,476</u></u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 Capital Assets (Continued)

B. Business-type activities (Continued)

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Total Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 110,500	\$ -	\$ -	\$ 110,500
Construction in progress	4,100	16,081		20,181
Total	<u>114,600</u>	<u>16,081</u>		<u>130,681</u>
Capital assets, being depreciated:				
Land improvements	188,786			188,786
Equipment and machinery	18,216			18,216
Vehicles	1,015,935	180,250		1,196,185
Total	<u>1,222,937</u>	<u>180,250</u>		<u>1,403,187</u>
Less accumulated depreciation for:				
Land improvements	(36,398)	(9,079)		(45,477)
Equipment and machinery	(6,510)	(1,538)		(8,048)
Vehicles	(832,922)	(47,857)		(880,779)
Total	<u>(875,830)</u>	<u>(58,474)</u>		<u>(934,304)</u>
Total net of accumulated depreciation	<u>347,107</u>	<u>121,776</u>		<u>468,883</u>
Total Business-type capital assets, net	<u>\$ 461,707</u>	<u>\$ 137,857</u>	<u>\$ -</u>	<u>\$ 599,564</u>

Depreciation expense was charged to functions/programs of the City's Business-type activities as follows:

Business-type Activities:	
Cemetery	\$ 246
Transit	58,228
Total	<u>\$ 58,474</u>

Note 8 Long-Term Liabilities

A. Summary

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Governmental activities:					
Net pension obligation	\$ 635,805	\$ -	\$ (107,790)	\$ 528,015	\$ 107,790
Tax allocation bonds	1,940,000		(625,000)	1,315,000	645,000
Settlement Agreement with County of Ventura		837,000		837,000	
Compensated absences	329,344		(56,777)	272,567	68,142
OPEB	412,292	524,724	(116,889)	820,127	
Total governmental	<u>\$ 3,317,441</u>	<u>\$ 1,361,724</u>	<u>\$ (906,456)</u>	<u>\$ 3,772,709</u>	<u>\$ 820,932</u>
Business-type activities:					
Compensated absences					
Transit	\$ 18,019	\$ 4,792	\$ -	\$ 22,811	\$ 5,703
Cemetery	2,068		(113)	1,955	489
Total business-type	<u>\$ 20,087</u>	<u>\$ 4,792</u>	<u>\$ (113)</u>	<u>\$ 24,766</u>	<u>\$ 6,192</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 Long-Term Liabilities (Continued)

B. Governmental Activities

Tax Allocation Bonds – Series 2007

In December 2007, the City issued \$3,130,000 of Tax Allocation Bonds Series A. The bond proceeds along with the remaining cash available from the 1997 Tax Allocation Bonds were used to pay costs of issuance and fully redeemed the 1997 Tax Allocation Bonds. The bonds are secured by a first pledge of and lien on all of the tax increment revenues of the Agency. Interest is payable semi-annually each September 1 and March 1 at a rate of 3.25%. Principal is due every September 1 beginning in 2008 with maturity in 2012. The total outstanding balance of the 2007 bonds at June 30, 2011 was \$1,315,000.

Police Net Pension Obligation

The City is obligated to pay to the California Public Employees Retirement System (CALPERS) \$107,790 annually for prior unfunded pension obligation for its Public Safety (police) employees. Adjustments are made annually for actual calculations. The payments are scheduled to be made until the fiscal year ended June 30, 2016. The total outstanding balance at June 30, 2011 was \$528,015.

Settlement Agreement with the County of Ventura

The City of Ojai passed an ordinance in June 1997 which amended the Redevelopment Plan and added new territory to the project area. There was a dispute as to if the tax increment cap applies to the new territory. To settle the dispute, the City of Ojai agrees to pay the County of Ventura, per settlement agreement dated January 12, 2011, the amount of \$837 thousand plus simple interest compounded annually at the City's average annual LAIF rate. The rate for the period January 12, 2011 through June 30, 2011 was 0.49% which resulted in accrued interest on the agreement of \$1,841. The outstanding balance of the settlement agreement at June 30, 2011 was \$837,000. The Ojai Redevelopment Agency has entered into an agreement to repay this to the City of Ojai.

C. Governmental Activities Long-Term Debt Amortization

Fiscal Year Ending June 30,	2007 Tax Allocation Bonds		
	Principal	Interest	Total
2012	\$ 645,000	\$ 32,256	\$ 677,256
2013	670,000	10,888	680,888
	<u>\$ 1,315,000</u>	<u>\$ 43,144</u>	<u>\$ 1,358,144</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 Long-Term Liabilities (Continued)

C. Governmental Activities Long-Term Debt Amortization (Continued)

Fiscal Year Ending June 30,	Police Net Pension Obligation		
	Principal	Interest	Total
2012	\$ 107,790	\$ -	\$ 107,790
2013	107,790		107,790
2014	107,790		107,790
2015	107,790		107,790
2016	96,855		96,855
	<u>\$ 528,015</u>	<u>\$ -</u>	<u>\$ 528,015</u>

Fiscal Year Ending June 30,	Settlement Agreement with the County of Ventura		
	Principal	Interest	Total
2012	\$ -	\$ -	\$ -
2013			
2014			
2015			
2016			
2017-2021	837,000	29,961	866,961
	<u>\$ 837,000</u>	<u>\$ 29,961</u>	<u>\$ 866,961</u>

Fiscal Year Ending June 30,	Total Governmental Activities		
	Principal	Interest	Total
2012	\$ 752,790	\$ 32,256	\$ 785,046
2013	777,790	10,888	788,678
2014	107,790		107,790
2015	107,790		107,790
2016	96,855		96,855
2017-2021	837,000	29,961	866,961
	<u>\$ 2,680,015</u>	<u>\$ 73,105</u>	<u>\$ 2,753,120</u>

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 Long-Term Liabilities (Continued)

D. Other Post-employment Benefits (OPEB)

Plan Description:

The City provides post-employment health care benefits through the Public Employees' Medical and Hospital Care Act (PEMHCA) plan. Employees who were hired before November 1, 2010 and have worked for the City five years and retire from the City will receive the same health care benefits continuously. Employees who are hired after November 1, 2010 will receive the post-employment health benefit after working for the City of Ojai for ten years continuously and retiring from the City of Ojai. The retirees' benefits are the same as the active employees. The City of Ojai provides health benefits to employees under the PEMHCA program. The City paid monthly health insurance premiums for the employees up to \$497 for an employee, \$894 for an employee and one dependent, and \$1,133 for an employee and family coverage during the calendar year 2011. The monthly premium amount may change year-to-year. Currently, this benefit is funded on a pay-as-you-go basis. For the fiscal year ended June 30, 2011, the City paid \$116,889 in health care costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the fiscal 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	\$ 523,665
Interest on net OPEB obligation	18,553
Adjustment to annual required contribution	<u>(17,494)</u>
Annual OPEB cost (expense)	524,724
Actual contributions made	<u>(116,889)</u>
Increase in net OPEB obligation	407,835
Net OPEB obligation, beginning of the fiscal year	<u>412,292</u>
Net OPEB obligation, end of the fiscal year	<u><u>\$ 820,127</u></u>

Funded Status and Funding Progress:

As of July 1, 2009, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,189,579, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$4,189,579. The covered payroll (annual payroll of active employees covered by the plan) was \$1,944,839 and the ratio of the UAL to the covered payroll was 215.42%.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 Long-Term Liabilities (Continued)

D. Other Post-employment Benefits (OPEB) (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 rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation, and interest rates. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 9 Operating Leases

The City has entered into an operating lease agreement for property used for the Park and Ride and also the Skate Park. The lessor is the Ojai Unified School District and the termination date of the lease is December 31, 2023. The lease may be canceled at any time by consent of both parties. The annual rent for the Park and Ride is based on available parking spaces (71). As of June 30, 2011, the amount was \$270 per space which increases annually by the Consumer Price Index (CPI). The annual lease for the Park and Ride, as of June 30, 2011, was \$24,028, which will also increase annually by the CPI.

Future annual lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2012	\$ 24,028
2013	24,028
2014	24,028
2015	24,028
2016	24,028
2017-2021	120,140
2022-2024	72,084
	<u>\$ 312,364</u>

Note 10 City Employees Retirement Plan (Defined Benefit Pension Plan)

A. Plan Description

The City of Ojai contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814. Benefit provisions and all other requirements are established by State Statute and local resolutions.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 10 City Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

B. Miscellaneous Employees Plan

Funding Policy

Active plan members are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2011, was 14.592%. Benefit provisions and all other requirements are established by State statute and may be amended by CalPERS. The City's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010, and 2009, were \$380,394, \$405,913, and \$291,795 respectively and were equal to the required contributions. The City contributed its actuarially required amount of \$259,678 and also paid the employee portion of \$120,716.

C. Safety Employees Plan

Funding Policy

The City is required to contribute at an actuarially determined amount for prior service costs; the current amount is \$107,790. The contribution requirements of the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$107,790, \$107,319, and \$105,724 respectively and were equal to the required contributions.

Note 11 Net Assets – Governmental and Business-type Activities

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. The investment in capital assets, net of related debt category presents the City's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category reflects net assets that are subject to restrictions beyond the City's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance.

Note 12 Liability, Workers' Compensation, and Purchased Insurance

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Ojai is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 121 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 lines of coverage. The California JPIA 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.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 12 Liability, Workers' Compensation, and Purchased Insurance (Continued)

B. Self-Insurance Programs of the Authority

A revised cost allocation methodology was introduced in 2010-11; however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) 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. 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. On a cumulative basis for all 2010-11 reinsurance contracts, the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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 \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 12 Liability, Workers' Compensation, and Purchased Insurance (Continued)

B. Self-Insurance Programs of the Authority (Continued)

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 up to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City of Ojai participates in the pollution legal liability insurance program (formerly called environmental insurance), which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Ojai. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Ojai participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Ojai property is currently insured according to a schedule of covered property submitted by the City of Ojai to the Authority. City of Ojai property currently has all-risk property insurance protection in the amount of \$11,528,883. 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 retrospective adjustments.

Earthquake and Flood Insurance

The City of Ojai purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Ojai property currently has earthquake protection in the amount of \$8,240,405. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 12 Liability, Workers' Compensation, and Purchased Insurance (Continued)

C. Purchased Insurance (Continued)

Crime Insurance

The City of Ojai purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2010-11.

As of June 30, 2011, the City has no uninsured occurrences. The City has not used an actuary in determining the liability reserve if needed. Because actual claim liabilities depend on such complex factors as inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

Note 13 Contingencies and Commitments

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

SERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the Redevelopment Agency of the City of Ojai (the Agency).

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13 Contingencies and Commitments (Continued)

ERAF Contribution

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million.

In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the California Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in "Genest". Accordingly, the Superior Court's decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Superior Court held in favor of the State of California; therefore, the Agency paid its share of SERAF contributions of \$593,082 for the fiscal year 2009-2010 and \$122,105 for the fiscal year 2010-11.

Assembly Bill IX 26 (Dissolution Act)

The Ojai Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill IX 26 (Dissolution Act) and Assembly Bill IX 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

If the City, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011. Under the provisions of the Dissolution Act, an "Enforceable Payment Obligation Schedule" (EOPS) will be adopted by the Agency and presented to the County Auditor-Controller for certification. The last official act of the Agency will be to provide a draft "Recognized Obligation Payment Schedule" (ROPS) to a successor agency. The ROPS is subject to an independent audit and a review by an independent oversight board. Once audited and accepted by the oversight board, the County Auditor & Controller is directed to

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 13 Contingencies and Commitments (Continued)

Assembly Bill IX 26 (Dissolution Act) (Continued)

retain an amount of tax increment sufficient to meet the ongoing cost of enforceable obligations, and then distribute the remainder of revenues to the affected taxing agencies.

If the City elects to continue the Agency, the City Council must enact a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must also enact an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, the City must then make an annual payment, which may be reimbursed by the Agency. The required payment, which was calculated by the State Department of Finance and released to the City on August 1, 2011, will be \$536,941 for FY 2011-12. Subsequent remittance payments will be calculated using a statutory ratio that will be applied to the FY 2011-12 payment and adjusted for inflation and other items. The Agency estimates that the payment for FY 2012-13 will be \$126,921.

The City has not recorded any liability related to these Acts in these financial statements. At the close of FY 2010-11 the amount of the required payment was not yet known. The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the City Council taken subsequent to the issuance of this report.

Should the City Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities would be assigned to a successor agency. If the Supreme Court upholds these Acts, the City Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

See Note 15 for additional information.

Libbey Bowl

The City has entered into construction financing agreements with Ojai Valley Service Foundation (OVSF) and Ojai Festivals, LTD (OFL), collectively known as the Community, to reconstruct the Libbey Bowl. The City has established a capital project fund to account for the sources and uses of the funds. The Community has contributed \$1,894,872, as of June 30, 2011 from the pledge collection fund for construction and the City advanced \$1,315,000 to the project fund to complete the project by June 30, 2011. The City's advanced funds will be repaid to the City as the balance of the pledges are collected. The estimated date of full repayment is June 30, 2015.

Note 14 Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 14 Net Assets and Fund Balances (Continued)

A. Net Assets

Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets as determined at the government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of Net Assets which are not restricted as to use.

B. Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. The City does not have any committed fund balances at June 30, 2011.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2011 are as follows:

		Redevelopment Agency Low and Moderate	Income Housing Special Revenue Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Libbey Bowl Capital Project Fund	Other Governmental Funds	Total
Fund Balances	General							
<u>Nonspendable:</u>								
Prepaid items	\$ 18,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,319
Advances to other funds	5,688,895							5,688,895
Total Nonspendable	5,707,214							5,707,214
<u>Restricted for:</u>								
Community development							123	123
Housing		1,917,050						1,917,050
Libraries							45,371	45,371
Streets, bikeways, parks, and other related purposes							581,058	581,058
Transit							36,553	36,553
Debt service							40,555	40,555
Total Restricted		1,917,050					703,660	2,620,710
<u>Assigned for:</u>								
Equipment replacement							300,674	300,674
Total Assigned							300,674	300,674
Unassigned:	1,719,281		(4,373,863)	(122,105)	(1,204,826)	(364,968)		(4,346,481)
Total Fund Balances (Deficits)	\$ 7,426,495	\$ 1,917,050	\$ (4,373,863)	\$ (122,105)	\$ (1,204,826)	\$ 639,366		\$ 4,282,117

CITY OF OJAI
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 15 Subsequent Events

Line of credit

The City entered into a business loan agreement with Rabobank, N.A. on July 1, 2011. The City promises to pay to Rabobank, N.A. (Lender) the principal amount of \$1,250,000 or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest should be calculated from the date of each advance until repayment of each advance. The City will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on June 30, 2012. In addition, the City will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning August 1, 2011, with all subsequent interest payments to be due on the same day of each month after that. The payments will be applied first to any accrued unpaid interest, then to principal, then to any late charges, and then to any unpaid collection costs. The interest rate on this note is subject to change from time to time based on changes in an index, which is the Rabobank Prime Rate.

Assembly Bill IX 26 (Dissolution Act)

On June 28, 2011, the California Legislature adopted Assembly Bill IX 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 10). On August 23, 2011, the Ojai Redevelopment Agency Board adopted the Enforceable Obligation Payment schedule and, on September 13, 2011, the Recognized Obligation Payment Schedule and an amended Enforceable Obligation Schedule. Both schedules are required by the Dissolution Act. On August 27, 2011, the City of Ojai adopted an Ordinance to participate in the Continuation Act. No other actions have been taken in light of the stay orders issued by the California Supreme Court California Redevelopment Assn. v. Matosantos (SI94861).

On December 29, 2011, the California Supreme Court rendered an opinion upholding the State of California's rights to abolish redevelopment agencies (Assembly Bill IX 26). The California Supreme Court also rendered an opinion invalidating the State of California's allowance of redevelopment agencies to make payments to various funds benefitting schools and special districts as a condition of continued operation (Assembly Bill IX 27).

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF OJAI
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Postemployment Benefits Other Than Pension Trend Information

Actuarial Valuation Date	Actuarial Asset Value (a)	Projected Unit Credit Method of Funding (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Covered Payroll [(b)-(a)]/(c)
7/1/2009	\$ -	\$ 4,189,579	\$ 4,189,579	0%	\$ 1,944,839	215.42%

Annual required contribution	\$ 523,665
Interest on net OPEB obligation	18,553
Adjustment to annual required contribution	(17,494)
Annual OPEB cost (expense)	524,724
Actual contributions made	(116,889)
Increase in net OPEB obligation	407,835
Net OPEB obligation, beginning of the fiscal year	412,292
Net OPEB obligation, end of the fiscal year	<u>\$ 820,127</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 1,273,100	\$ 1,242,538	\$ 1,275,165	\$ 32,627
Sales	1,128,526	1,149,680	1,085,930	(63,750)
Other	2,004,649	2,476,771	2,275,538	(201,233)
Licenses, permits, and fees	333,418	405,967	421,261	15,294
Fines and forfeitures	19,545	23,480	26,531	3,051
Use of money and property	218,705	205,900	224,427	18,527
Intergovernmental:				
Other	260,566	232,463	215,374	(17,089)
Motor vehicle in lieu	673,576	675,000	682,030	7,030
Charges for services	885,876	911,212	940,716	29,504
Other revenue	10,135	2,111,617	2,071,797	(39,820)
Total revenues	6,808,096	9,434,628	9,218,769	(215,859)
EXPENDITURES				
Current:				
General government:				
City council	160,940	269,340	264,944	4,396
City manager	430,546	553,291	564,537	(11,246)
City treasurer	1,169	1,162	1,162	
City attorney	169,500	169,501	194,687	(25,186)
City finance	783,888	784,634	780,706	3,928
City clerk	163,829	154,055	153,986	69
Total general government	1,709,872	1,931,983	1,960,022	(28,039)
Public safety:				
Police	2,701,162	2,618,755	2,625,950	(7,195)
Total public safety	2,701,162	2,618,755	2,625,950	(7,195)
Public works:				
General Admin/Engineering	448,624	439,300	373,599	65,701
Maintenance	853,202	888,736	899,534	(10,798)
Total public works	1,301,826	1,328,036	1,273,133	54,903
Community development	315,583	358,656	348,844	9,812
Parks and recreation:				
Parks	287,694	284,110	292,066	(7,956)
Recreation	480,962	453,425	476,306	(22,881)
Total parks and recreation	768,656	737,535	768,372	(30,837)

(Continued)

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2011
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Debt Service:				
Principal	\$ 110,000	\$ 107,790	\$ 107,790	\$ -
Capital outlay		4,006,100	4,049,329	(43,229)
Total expenditures	6,907,099	11,088,855	11,133,440	(44,585)
Excess of revenues over (under) expenditures	(99,003)	(1,654,227)	(1,914,671)	(260,444)
OTHER FINANCING SOURCES (USES)				
Transfers in	153,715	2,238,744	2,334,103	95,359
Transfers out	(164,452)	(289,629)	(195,281)	94,348
Total other financing sources (uses)	(10,737)	1,949,115	2,138,822	189,707
Net change in fund balance	(109,740)	294,888	224,151	(70,737)
Fund balance - July 1, 2010	7,202,344	7,202,344	7,202,344	
Fund balance - June 30, 2011	<u>\$ 7,092,604</u>	<u>\$ 7,497,232</u>	<u>\$ 7,426,495</u>	<u>\$ (70,737)</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 344,787	\$ 329,404	\$ 331,011	\$ 1,607
Use of money and property	13,000	9,335	8,861	(474)
Intergovernmental			1,854	1,854
Total revenues	<u>357,787</u>	<u>338,739</u>	<u>341,726</u>	<u>2,987</u>
EXPENDITURES				
Current:				
Community development	89,552	229,851	201,867	27,984
Capital outlay	<u>305,000</u>	<u>306,000</u>	<u>305,888</u>	<u>112</u>
Total expenditures	<u>394,552</u>	<u>535,851</u>	<u>507,755</u>	<u>28,096</u>
Net change in fund balance	(36,765)	(197,112)	(166,029)	31,083
Fund Balance - July 1, 2010	<u>1,960,974</u>	<u>1,960,974</u>	<u>1,960,974</u>	
Fund Balance - June 30, 2011	<u>\$ 1,924,209</u>	<u>\$ 1,763,862</u>	<u>\$ 1,794,945</u>	<u>\$ 31,083</u>

ADJUSTMENTS TO USGAAP BASIS:

Net change: fund balance budgetary basis	\$ (166,029)
Add back expenditure for advances to other funds	<u>122,105</u>
Net change: fund balance - USGAAP	(43,924)
FUND BALANCE, BEGINNING OF FISCAL YEAR - USGAAP	<u>1,960,974</u>
FUND BALANCE, END OF FISCAL YEAR - USGAAP	<u>\$ 1,917,050</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 1,342,111	\$ 1,324,042	\$ (18,069)
Use of money and property	1,217	137	(1,080)
Intergovernmental:			
Other	9,250	7,416	(1,834)
Other revenue	2,758	14,062	11,304
	<u>1,355,336</u>	<u>1,345,657</u>	<u>(9,679)</u>
Total revenues			
EXPENDITURES			
Current:			
Community development	402,405	426,766	(24,361)
Pass-through payments	307,105	300,574	6,531
Debt service:			
Interest and fiscal charges	1,340	2,396	(1,056)
	<u>710,850</u>	<u>729,736</u>	<u>(18,886)</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>644,486</u>	<u>615,921</u>	<u>(28,565)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from advances - Low income housing fund	122,105	122,105	
Transfers in		651,852	651,852
Transfers out	(1,058,271)	(1,058,234)	37
	<u>(936,166)</u>	<u>(284,277)</u>	<u>651,889</u>
Total other financing sources (uses)			
Net change in fund balance	(291,680)	331,644	623,324
Fund balance - July 1, 2010	<u>(331,644)</u>	<u>(331,644)</u>	
Fund balance - June 30, 2011	<u>\$ (623,324)</u>	<u>\$ -</u>	<u>\$ 623,324</u>
ADJUSTMENTS TO USGAAP BASIS:			
Net change: fund balance budgetary basis		\$ 331,644	
Deduct short-term advances from (to) other funds		<u>(122,105)</u>	
Net change: fund balance - USGAAP		209,539	
FUND BALANCE (DEFICIT), BEGINNING OF FISCAL YEAR - USGAAP		<u>(331,644)</u>	
FUND BALANCE (DEFICIT), END OF FISCAL YEAR - USGAAP		<u>\$ (122,105)</u>	

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other revenue	\$ 1,001,847	\$ -	\$ (1,001,847)
Total revenues	1,001,847		(1,001,847)
EXPENDITURES			
Current:			
Community development	129,177	129,177	
Debt service:			
Principal	681,295	625,000	56,295
Interest and fiscal charges	247,799	264,842	(17,043)
Total expenditures	1,058,271	1,019,019	39,252
Excess of revenues over (under) expenditures	(56,424)	(1,019,019)	(962,595)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,058,271	1,058,234	(37)
Transfers out		(651,852)	(651,852)
Total other financing sources (uses)	1,058,271	406,382	(651,889)
Net change in fund balance	1,001,847	(612,637)	(1,614,484)
Fund balance (deficit) - July 1, 2010	(3,761,226)	(3,761,226)	
Fund balance (deficit) - June 30, 2011	\$ (2,759,379)	\$ (4,373,863)	\$ (1,614,484)

**CITY OF OJAI
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds derived from specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. These funds are required by statute, charter provisions, or ordinance to finance particular functions or activities of government. The specific special revenue funds utilized by the City are shown below:

The **Transit Equipment Replacement Fund** is used to account for maintenance and replacement of transit equipment.

The **Gas Tax Fund** is used to account for State revenue received pursuant to Street and Highway Code Sections 2103, 2105, 2106, 2107, and 2107.5 to fund maintenance and construction of streets and roads not funded through another source.

The **Drainage Fund** is used to account for fees collected to assist the City for future drainage maintenance and projects.

The **Bicycle and Pedestrian Fund** is used to account for the revenue received through the County. These are Article 3 funds to be used for projects and maintenance for bicycle and pedestrian right of ways.

The **Transportation Development Act Fund** is used to account for the City's contribution to the County Transit including local services, bus stop improvements, and other projects.

The **Grant Funding Fund** is used to account for monies received through various grant agencies.

The **Community Development Block Grant Fund** is used to account for federal revenue from the Community Development Block Grant.

The **Street Lighting Fund** is used to account for assessments received from residents to assist in the operation and repair of the City's street lights.

The **Library Special Tax Fund** is used to account for assessments received from residents to assist in the operations and maintenance of the City's Library.

The **Plaza Maintenance Fund** is used to account for assessments received from district property owners for the maintenance of the downtown plaza.

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CITY OF OJAI
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

DEBT SERVICE FUND

Debt Service Fund is used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on long-term debt. The specific debt service fund utilized by the City is shown below:

The **Arcade Assessment Fund** is used to account for debt service activities related to the City of Ojai.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds). The specific capital projects funds utilized by the City are shown below:

The **Equipment Replacement Fund** is used to account for costs associated with the replacement of City equipment.

The **Park Acquisition Fund** is used to account for developer fees for the acquisition, development, and enhancement of neighborhood and community park and recreation facilities.

CITY OF OJAI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue Funds			
	Transit Equipment Replacement	Gas Tax	Drainage	Bicycle and Pedestrian
ASSETS				
Cash and investments	\$ 36,553	\$ -	\$ 392,157	\$ 89,294
Accounts receivable, net		25,976		
Interest receivable		174	447	102
Total assets	<u>\$ 36,553</u>	<u>\$ 26,150</u>	<u>\$ 392,604</u>	<u>\$ 89,396</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds		20,538		
Total liabilities		<u>20,538</u>		
Fund balances:				
Restricted	36,553	5,612	392,604	89,396
Assigned				
Unassigned				
Total fund balances (deficit)	<u>36,553</u>	<u>5,612</u>	<u>392,604</u>	<u>89,396</u>
Total liabilities and fund balances	<u>\$ 36,553</u>	<u>\$ 26,150</u>	<u>\$ 392,604</u>	<u>\$ 89,396</u>

Special Revenue Funds

Transportation Development Act	Grant Funding	Community Development Block Grant	Street Lighting	Library Special Tax	Plaza Maintenance
\$ -	\$ 69,738	\$	\$ -	\$ 42,862	\$ -
9	3,483	561	1,937	2,454	3,942
				55	
<u>\$ 9</u>	<u>\$ 73,221</u>	<u>\$ 561</u>	<u>\$ 1,937</u>	<u>\$ 45,371</u>	<u>\$ 3,942</u>
\$ -	\$ 321	\$	\$ 11,701	\$ -	\$ 5,086
7		438	202,589		151,471
7	321	438	214,290		156,557
2	72,900	123		45,371	
			(212,353)		(152,615)
2	72,900	123	(212,353)	45,371	(152,615)
<u>\$ 9</u>	<u>\$ 73,221</u>	<u>\$ 561</u>	<u>\$ 1,937</u>	<u>\$ 45,371</u>	<u>\$ 3,942</u>

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CITY OF OJAI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011
(Continued)

	Debt Service Fund	Capital Projects Funds		
	Arcade Assessment	Equipment Replacement	Park Acquisition	Totals
ASSETS				
Cash and investments	\$ 40,502	\$ 300,220	\$ 20,521	\$ 991,847
Accounts receivable, net				38,353
Interest receivable	53	454	23	1,317
Total assets	<u>\$ 40,555</u>	<u>\$ 300,674</u>	<u>\$ 20,544</u>	<u>\$ 1,031,517</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 17,108
Due to other funds				375,043
Total liabilities				392,151
Fund balances:				
Restricted	40,555		20,544	703,660
Assigned		300,674		300,674
Unassigned				(364,968)
Total fund balances (deficit)	<u>40,555</u>	<u>300,674</u>	<u>20,544</u>	<u>639,366</u>
Total liabilities and fund balances	<u>\$ 40,555</u>	<u>\$ 300,674</u>	<u>\$ 20,544</u>	<u>\$ 1,031,517</u>

CITY OF OJAI
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds			
	Transit Equipment Replacement	Gas Tax	Drainage	Bicycle and Pedestrian
REVENUES				
Other taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property		319	1,887	455
Intergovernmental:				
Other		211,241		232
Charges for services			7,215	
Other revenue				
Total revenues		211,560	9,102	687
EXPENDITURES				
Current:				
Public works				
Community development				
Libraries				
Capital outlay				
Total expenditures				
Excess of revenues over (under) expenditures		211,560	9,102	687
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(73,766)	(211,560)		(8,286)
Total other financing sources (uses)	(73,766)	(211,560)		(8,286)
Net change in fund balances	(73,766)		9,102	(7,599)
Fund balances (deficit) - July 1, 2010	110,319	5,612	383,502	96,995
Fund balances (deficit) - June 30, 2011	\$ 36,553	\$ 5,612	\$ 392,604	\$ 89,396

Special Revenue Funds

Transportation Development Act	Grant Funding	Community Development Block Grant	Street Lighting	Library Special Tax	Plaza Maintenance
\$ - 37	\$ -	\$ -	\$ 88,857	\$ 105,079 259	\$ 123,498
	3,483	18,498			
37	3,483	18,498	88,857	105,338	123,498
			120,049		18,762
	87,160	18,498		105,996	154,756
	87,160	18,498	120,049	105,996	173,518
37	(83,677)		(31,192)	(658)	(50,020)
(7,588)	83,677	(3,000)	7,809		39,643
(7,588)	83,677	(3,000)	7,809		39,643
(7,551)		(3,000)	(23,383)	(658)	(10,377)
7,553	72,900	3,123	(188,970)	46,029	(142,238)
\$ 2	\$ 72,900	\$ 123	\$ (212,353)	\$ 45,371	\$ (152,615)

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CITY OF OJAI
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)

	Debt Service Fund	Capital Project Funds		
	Arcade Assessment	Equipment Replacement	Park Acquisition	Totals
REVENUES				
Other taxes and assessments	\$	\$ -	\$ -	\$ 317,434
Use of money and property	223	5,051	98	8,329
Intergovernmental:				
Other	84			233,538
Charges for services			524	7,739
Other revenue		22,803		22,803
Total revenues	307	27,854	622	589,843
EXPENDITURES				
Current:				
Public works				120,049
Community development	5,475			24,237
Libraries				105,996
Capital outlay				260,414
Total expenditures	5,475			510,696
Excess of revenues over (under) expenditures	(5,168)	27,854	622	79,147
OTHER FINANCING SOURCES (USES)				
Transfers in		147,829		278,958
Transfers out		(982,520)		(1,286,720)
Total other financing sources (uses)		(834,691)		(1,007,762)
Net change in fund balances	(5,168)	(806,837)	622	(928,615)
Fund balances (deficit) - July 1, 2010	45,723	1,107,511	19,922	1,567,981
Fund balances (deficit) - June 30, 2011	\$ 40,555	\$ 300,674	\$ 20,544	\$ 639,366

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSIT EQUIPMENT REPLACEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (49,300)	\$ (73,766)	\$ (24,466)
Total other financing sources (uses)	(49,300)	(73,766)	(24,466)
Net change in fund balance	(49,300)	(73,766)	(24,466)
Fund balance - July 1, 2010	110,319	110,319	
Fund balance - June 30, 2011	<u>\$ 61,019</u>	<u>\$ 36,553</u>	<u>\$ (24,466)</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ 221,651	\$ 211,241	\$ (10,410)
Use of money and property	84	319	235
	<u>221,735</u>	<u>211,560</u>	<u>(10,175)</u>
Total revenues			
	<u>221,735</u>	<u>211,560</u>	<u>(10,175)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(221,736)	(211,560)	10,176
	<u>(221,736)</u>	<u>(211,560)</u>	<u>10,176</u>
Total other financing sources (uses)			
	<u>(221,736)</u>	<u>(211,560)</u>	<u>10,176</u>
Net change in fund balance	(1)		1
Fund balance - July 1, 2010	5,612	5,612	
	<u>5,612</u>	<u>5,612</u>	
Fund balance - June 30, 2011	\$ 5,611	\$ 5,612	\$ 1
	<u>\$ 5,611</u>	<u>\$ 5,612</u>	<u>\$ 1</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRAINAGE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 6,900	\$ 7,215	\$ 315
Use of money and property	1,900	1,887	(13)
Total revenues	8,800	9,102	302
Net change in fund balance	8,800	9,102	302
Fund balance - July 1, 2010	383,502	383,502	
Fund balance - June 30, 2011	<u>\$ 392,302</u>	<u>\$ 392,604</u>	<u>\$ 302</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BICYCLE AND PEDESTRIAN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 480	\$ 455	\$ (25)
Intergovernmental:			
Other		232	232
Total revenues	480	687	207
Excess of revenues over (under) expenditures	480	687	207
OTHER FINANCING SOURCES (USES)			
Transfers out	(8,286)	(8,286)	
Total other financing sources (uses)	(8,286)	(8,286)	
Net change in fund balance	(7,806)	(7,599)	207
Fund balance - July 1, 2010	96,995	96,995	
Fund balance - June 30, 2011	\$ 89,189	\$ 89,396	\$ 207

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 37	\$ 37	\$ -
Total revenues	37	37	
OTHER FINANCING SOURCES (USES)			
Transfers out	(7,588)	(7,588)	
Total other financing sources (uses)	(7,588)	(7,588)	
Net change in fund balance	(7,551)	(7,551)	
Fund balance - July 1, 2010	7,553	7,553	
Fund balance - June 30, 2011	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GRANT FUNDING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ -	\$ 3,483	\$ 3,483
Total revenues		3,483	3,483
EXPENDITURES			
Capital outlay	595	87,160	(86,565)
Total expenditures	595	87,160	(86,565)
Excess of revenues over (under) expenditures	(595)	(83,677)	(83,082)
OTHER FINANCING SOURCES (USES)			
Transfers in	595	83,677	83,082
Total other financing sources (uses)	595	83,677	83,082
Net change in fund balance			
Fund balance - July 1, 2010	72,900	72,900	
Fund balance - June 30, 2011	\$ 72,900	\$ 72,900	\$ -

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ 34,596	\$ 18,498	\$ (16,098)
Total revenues	34,596	18,498	(16,098)
EXPENDITURES			
Capital outlay	34,596	18,498	16,098
Total expenditures	34,596	18,498	16,098
Excess of revenues over (under) expenditures			
OTHER FINANCING SOURCES (USES)			
Transfers out	(3,000)	(3,000)	
Total other financing sources (uses)	(3,000)	(3,000)	
Net change in fund balance	(3,000)	(3,000)	
Fund balance - July 1, 2010	3,123	3,123	
Fund balance - June 30, 2011	\$ 123	\$ 123	\$ -

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET LIGHTING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 91,235	\$ 88,857	\$ (2,378)
Total revenues	91,235	88,857	(2,378)
EXPENDITURES			
Current:			
Public works	131,917	120,049	11,868
Total expenditures	131,917	120,049	11,868
Excess of revenues over (under) expenditures	(40,682)	(31,192)	9,490
OTHER FINANCING SOURCES (USES)			
Transfers in	7,809	7,809	
Total other financing sources (uses)	7,809	7,809	
Net change in fund balance	(32,873)	(23,383)	9,490
Fund balance (deficit) - July 1, 2010	(188,970)	(188,970)	
Fund balance (deficit) - June 30, 2011	\$ (221,843)	\$ (212,353)	\$ 9,490

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBRARY SPECIAL TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 105,238	\$ 105,079	\$ (159)
Use of money and property	275	259	(16)
	<hr/>	<hr/>	<hr/>
Total revenues	105,513	105,338	(175)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Libraries	105,996	105,996	
	<hr/>	<hr/>	<hr/>
Total expenditures	105,996	105,996	
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(483)	(658)	(175)
	<hr/>	<hr/>	<hr/>
Fund balance - July 1, 2010	46,029	46,029	
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2011	<u>\$ 45,546</u>	<u>\$ 45,371</u>	<u>\$ (175)</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PLAZA MAINTENANCE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 116,973	\$ 123,498	\$ 6,525
Total revenues	116,973	123,498	6,525
EXPENDITURES			
Current:			
Community development	193,115	18,762	174,353
Capital outlay		154,756	(154,756)
Total expenditures	193,115	173,518	19,597
Excess of revenues over (under) expenditures	(76,142)	(50,020)	26,122
OTHER FINANCING SOURCES (USES)			
Transfers in	39,643	39,643	
Total other financing sources (uses)	39,643	39,643	
Net change in fund balance	(36,499)	(10,377)	26,122
Fund balance (deficit) - July 1, 2010	(142,238)	(142,238)	
Fund balance (deficit) - June 30, 2011	<u>\$ (178,737)</u>	<u>\$ (152,615)</u>	<u>\$ 26,122</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARCADE ASSESSMENT DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ -	\$ 84	\$ 84
Use of money and property	220	223	3
Total revenues	220	307	87
EXPENDITURES			
Current:			
Community development	5,475	5,475	
Total expenditures	5,475	5,475	
Net change in fund balance	(5,255)	(5,168)	87
Fund balance - July 1, 2010	45,723	45,723	
Fund balance - June 30, 2011	\$ 40,468	\$ 40,555	\$ 87

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 7,500	\$ 5,051	\$ (2,449)
Other revenue		22,803	22,803
Total revenues	7,500	27,854	20,354
OTHER FINANCING SOURCES (USES)			
Transfers in	147,828	147,829	1
Transfers out	(855,137)	(982,520)	(127,383)
Total other financing sources (uses)	(707,309)	(834,691)	(127,382)
Net change in fund balance	(699,809)	(806,837)	(107,028)
Fund balance - July 1, 2010	1,107,511	1,107,511	
Fund balance - June 30, 2011	<u>\$ 407,702</u>	<u>\$ 300,674</u>	<u>\$ (107,028)</u>

CITY OF OJAI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK ACQUISITION CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 100	\$ 98	\$ (2)
Charges for services	400	524	124
Total revenues	500	622	122
Net change in fund balance	500	622	122
Fund balance - July 1, 2010	19,922	19,922	
Fund balance - June 30, 2011	<u>\$ 20,422</u>	<u>\$ 20,544</u>	<u>\$ 122</u>

CITY OF OJAI
FIDUCIARY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Special Deposits Fund				
ASSETS				
Cash and investments	\$ 17,557	\$ 9,225	\$ -	\$ 26,782
Total Assets	<u>\$ 17,557</u>	<u>\$ 9,225</u>	<u>\$ -</u>	<u>\$ 26,782</u>
LIABILITIES				
Accounts payable	\$ 17,557	\$ 9,225	\$ -	\$ 26,782
Total Liabilities	<u>\$ 17,557</u>	<u>\$ 9,225</u>	<u>\$ -</u>	<u>\$ 26,782</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable City Council
of the City of Ojai
Ojai, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ojai, California (City), as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 18, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting, and which is reported to management of City of Ojai in a separate report dated January 18, 2012 as items 2011-01 to 2011-03. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in a separate report dated January 18, 2012 as items 2011-05 and 2011-06.

We noted certain matters that we reported to management of City of Ojai, California, in a separate report dated January 18, 2012.

The City's responses to the findings identified in our audit are described in the accompanying separate report dated January 18, 2012. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management and the City Council and is not intended to be and should not be used by anyone other than these specific parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 18, 2012