

# City of Los Banos

California

## Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2017

City of Los Banos  
520 J Street  
Los Banos, CA 93635





**CITY OF LOS BANOS  
CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**Prepared by**

**FINANCE DEPARTMENT**



**CITY OF LOS BANOS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30 2017**

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## INTRODUCTORY SECTION





December 31, 2017

Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Los Banos

SUBJECT: Comprehensive Annual Financial Report – June 30, 2017

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Los Banos (City) for the fiscal year ended June 30, 2017. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all information presented in this report. In order to provide a reasonable basis for making these representations, management of the City has established an internal control framework designed both to ensure the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. As a recipient of federal, state, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to the appropriate programs. This internal control structure is subject to periodic evaluation by management.

Price Paige & Company, a firm of licensed certified public accountants approved by the City Council, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Price Paige & Company concluded based upon the audit, that there is reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2017, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

In addition, the City may be required to undergo an annual single audit in compliance with provisions of the Title 2 U.S. Code of Federal Regulations. The report of the Single Audit is published separately from this CAFR. This fiscal year a Single Audit was not required as the

City expended less than the threshold amount of federal awards which is outlined in the requirements.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found in the financial section of this document, immediately following the report of the independent auditor.

### **Profile of the City Los Banos**

The City, incorporated in 1907 as a General Law City has a population of 39,993, and is the second largest city in Merced County. The City is located near the geographical center of California in the San Joaquin Valley approximately 70 miles northwest of Fresno, 80 miles east of the Pacific Ocean and 120 miles south of Sacramento. The Crossroads of California describes Los Banos because State Highway 33, 165 and 152 pass through the City and Interstate 5 is six miles to the west. Los Banos is famous for its agricultural products, including melons, almonds, walnuts, apricots, cotton, tomatoes, and dairy products.

The City delivers a full range of municipal services which include Police, Fire, Community and Economic Development, Recreation, Park Maintenance, and Public Utilities under the Council-Manager form of government. The City Council meets the first and third Wednesdays of every month. Policy making and legislative authority are vested in the City Council, which consists of a Mayor and four Council Members. The Mayor is directly elected by the people and serves a two year term. Four Council Members, a City Clerk, and a City Treasurer are elected and serve four year terms. The City Manager is appointed by the City Council and is responsible for implementing policies and overseeing the day-to-day operations of the City.

The City Council is required to adopt a budget no later than the close of the prior fiscal year. The budget is prepared by fund (e.g. General Fund) and department (e.g. Police). After adoption, departmental adjustments may be done with the approval from the City Manager provided that there is no change to the fund balance. Budget amendments to increase appropriations may be taken to the City Council for their approval throughout the year.

### **Local Economy**

Critical to any community is the current economic condition and outlook for the Nation, the State, and the City. Economic forecasts for the City and Merced County continue to indicate growth but at a slower pace as compared to the rest of California and the Nation. California has experienced some job growth, with its unemployment rate at 4.7%. Additionally, the City and Merced County experienced improved unemployment rates of 7.7% and 7.5% respectively. As employment is an integral component to our economy, City staff has begun working with Buxton Company to attract national retailers and major businesses to our community; as well as working with Chabin Concepts to assist with industrial recruitment. The City is optimistic that these investments will help with job creation, and increase our sales and property tax base.

The City continues to see an increase to property values and sales tax revenues. These economic indicators suggest the economy has recovered and is improving on a regular basis. The City has experienced a significant increase in the issuance of building permits. During the 2016-2017 fiscal year, seven new commercial building permits were issued; 334 new residential permits were issued of which 132 were finalized. In 2017-2018, the City saw two completed construction projects: Blaze Pizza and Habitat Burger. In addition, the City will also benefit in the coming year from the following construction projects: Prime Shine Car Wash and Windecker Fuel Station. These are reassuring factors that the City is on track to a healthier economic future.

### **Long Term Financial Planning**

The City maintains an annual budget and it serves as the foundation for the City's financial planning and control. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the City Council. The level of budgetary control (i.e. the level where the expenditures cannot legally exceed the appropriated amount) is maintained at the departmental level for the General Fund and at the fund level for all other funds. Department heads may transfer resources within a department as they see fit with the approval of the City Manager. The City Council may amend funds by an affirmative vote at any regular or special City Council Meeting.

The City Council has approved to maintain a 30% General Fund reserve to safeguard the City and improve its ability to respond to emergency needs. The current year budget provides a 55% operating reserve in the General Fund. This policy provides reassurance and protection against the uncertain dynamics associated with changes in the local economy.

Retirement rates have increased as CalPERS revised assumptions regarding mortality, retirement ages, and disability retirements. CalPERS has also reduced the assumption for the discount rate from 7.5% to 7.0%. This new assumption is estimated to affect our employer contribution in the coming fiscal years. The City is working diligently to devise a plan to mitigate the anticipated impact of this future financial obligation.

### **Major Achievements and Future Objectives**

The City continues to be diligent in curbing excess expenditures and pursuing new revenue opportunities. These continued efforts have placed the City in an excellent position to plan responsibly for the future. It is essential for the long-term health of our City that infrastructure and equipment needs be addressed as they substantially affect the economic vitality and quality of services in the community. The current budget includes an outlined five-year Capital Improvement Plan to identify needs in the different areas throughout the City. Some Capital Improvement objectives include:

#### **Administration Department**

- City Hall Expansion

#### **Police Department**

- Dispatch Computer Upgrade
- Police Station- Land Purchase
- Fleet Replacement

#### Fire Department

- Upgrade ADA Compliant
- Mobile Display Computer Replacement
- Fueling Station Canopy
- Fleet Replacement

#### Public Works Department

- K Street Storm Line
- Water Line Replacement- Idaho Ave, Iowa Ave and G Street
- West I Street Bridge Abutement
- Hexavalent Chromium (Cr6) Testing
- Oliveira Park Rehabilitation
- Sewer Line Replacement- Taco Bell/Ralley's
- Nantes Storm Basin- Land Purchase and Engineering
- Wastewater Treatment Plant Headworks
- Landscape/Irrigation Improvements- Valley Meadows, Somerset, Stonecreek, Rail Trail and Jo-Lin Manor
- Airport Improvements
- Fleet Replacement

#### Information Technology Department

- IT Strategic Plan
- Council Chamber Equipment Replacement

### **Cash Management**

The City finance staff focuses on safety, liquidity and yield of investments. The highest priority of cash management and investments is to ensure adequate funds are available to meet the City's obligations and all investments are in safe instruments. Yield, while important, is considered in third priority after safety and liquidity. The City invests in the Local Agency Investment Fund (LAIF) operated by the state for the benefit of local governments. The City also has investments in Wells Fargo Institutional Securities. Bond proceeds, debt service monies, debt service reserves, etc. are invested according to the bond covenants of each issue. Finance staff is currently working on updating the City's investment policy in order to improve the rate of returns on the City's investments, while still maintaining the safety and liquidity needs of the City.

### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Los Banos for its CAFR for the fiscal year ended June 30, 2016. This is the third year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

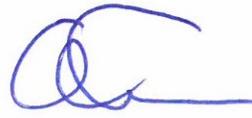
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to express our gratitude to the City Council for their unfailing support in maintaining the highest standards in the management of the City's finances. The Finance Department takes great pride in the preparation of the CAFR; their professionalism, commitment, and steadfast dedication has made this report possible. We further extend our sincere appreciation to this staff, and other personnel from various departments, agencies, and authorities who assisted in the preparation of this report.

Respectfully submitted,



Sonya Williams  
Finance Director



Alex Terrazas  
City Manager

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Los Banos**  
**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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# CITY OF LOS BANOS ORGANIZATION CHART

Citizens of Los Banos



Council Member Deborah Lewis	Mayor Pro Tem Scott Silveira	Mayor Michael Villalta	Council Member Daronica Johnson-Santos	Council Member Tom Faria
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City Clerk Lucy Mallonee	City Treasurer Kimberly Tomas
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City Manager  
Alex Terrazas

City Attorney  
William Vaughn

Planning Commission	Tree Commission
Airport Advisory Commission	Economic Development Advisory Commission
Traffic Safety Committee	Parks & Recreation Commission

Human Resources Director Lucy Mallonee	Fire Chief Tim Marrison	Public Works Director/City Engineer Mark Fachin	Finance Director Sonya Williams	Police Chief Gary Brizzee	Community & Economic Development Director Stacy Souza Elms	IT Director Rick Spalding
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City of Los Banos  
Directory of City Officials  
June 30, 2017

Elected Officials

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
City Clerk  
City Treasurer

Michael Villalta  
Scott Silveira  
Deborah Lewis  
Daronica Johnson-Santos  
Tom Faria  
Lucy Mallonee  
Kimberly Tomas

Appointed Officials

City Manager  
City Attorney  
Human Resources Director  
Fire Chief  
Police Chief  
Public Works Director/Engineer  
Finance Director  
IT Director  
Community & Economic Development Director

Alex Terrazas  
William Vaughn  
Lucy Mallonee  
Tim Marrison  
Gary Brizzee  
Mark Fachin  
Sonya Williams  
Rick Spalding  
Stacy Souza Elms

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Los Banos, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparisons of the City of Los Banos, California (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Banos, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Impact Fees Fund, the CDBG and Home Grants Fund and the Public Safety Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, the schedule of funding progress for other postemployment benefits on page 67, proportionate share of net pension liability on page 68, and the schedule of contributions on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund financial statements, the related budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
December 27, 2017

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of the City of Los Banos (City), 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, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

## **Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$185,967,718 (net position). The unrestricted net position of \$29,105,721 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position increased by \$6,982,278. This increase was mainly due to activity within the business type funds. The City's total assets increased by \$5,272,343 due to various equipment purchases throughout the year. Liabilities increased by \$3,413,497 with the growth of the City's pension liability a main factor in the increase.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$30,785,099. This is an increase of \$4,838,043 in comparison with the prior fiscal year. Approximately 27.1% or \$8,344,398 is available for spending at the government's discretion and is referred to as the unassigned fund balance.

At the end of the current fiscal year, total fund balance for the general fund was \$12,283,671. Of this amount, \$3,266,323 was assigned for various capital projects and \$9,017,100 was unassigned for discretionary use. The unassigned fund balance is 62.3% of the total general fund expenditures.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as *governmental activities* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, known as *business-type activities*. The governmental activities of the City include general government, public safety, highways and streets, parks and recreation, and economic development. The business-type activities of the City include water, wastewater, airport, and solid waste operations.

The government-wide financial statements include not only the City itself which is known as the *primary government*, but all legally separate entities or *component units* for which the government is financially accountable. Currently there are no component units of the City.

The government-wide financial statements can be found on pages 16-18 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a total of seventy two (72) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, impact fee special revenue funds, CDBG & Home grant special revenue funds, public safety special revenue funds, and capital grants capital projects fund which are considered to be major funds. Data from the twenty one (21) nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 20-28 of this report.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its water, wastewater, airport, and solid waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retiree health benefits, its information technology, and for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information about the activities the government operates like businesses, such as the water, wastewater, and solid waste systems as well as the municipal airport, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

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

At this time, the City maintains the Neighborhood Stabilization Program (NSP) Impound Fund as a fiduciary fund. This agency fund reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statements can be found on page 36 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-64 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 67-69 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 73-82 of this report.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Government-wide Overall Financial Analysis**

**Net Position:** A condensed presentation of the City's net position shown below totals \$185,967,718 as of June 30, 2017.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2017	2016	2017	2016	2017
Current & other assets	\$ 31,170	\$ 35,898	\$ 41,245	\$ 46,391	\$ 72,415	\$ 82,289
Capital assets	83,403	78,067	47,402	48,136	130,805	126,203
Total assets	114,573	113,965	88,647	94,527	203,220	208,492
Deferred outflows of resources	3,810	7,113	1,049	1,838	4,859	8,951
Long-term debt outstanding	13,090	15,550	10,660	11,181	23,750	26,731
Other liabilities	1,705	1,836	1,266	1,568	2,971	3,404
Total liabilities	14,795	17,386	11,926	12,749	26,721	30,135
Deferred inflows of resources	1,995	1,157	378	183	2,373	1,340
Net position						
Net investment in capital assets	83,051	77,814	45,817	46,906	128,868	124,720
Restricted	14,014	19,346	10,468	12,796	24,482	32,142
Unrestricted	4,528	5,375	21,107	23,731	25,635	29,106
Total net position	\$ 101,593	\$ 102,535	\$ 77,392	\$ 83,433	\$ 178,985	\$ 185,968

By far, the largest portion of the City's net position (67.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (17.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,105,721 is unrestricted and may be used to meet the government's ongoing needs and obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Changes in Net Position:** Below is a current year recap of the changes in net position. The full Statement of Activities can be seen on Page 18.

	2016	2017
Program revenues	\$ 30,574,641	\$ 34,884,717
General revenues/transfers	27,346,336	12,575,572
Governmental expenses	(21,957,983)	(25,311,438)
Business-type expenses	(15,240,456)	(15,166,573)
Net (decrease)	\$ 20,722,538	\$ 6,982,278

Program revenues reflect charges for services, operating and capital grants or contributions for other sources.

General revenues consist of a variety of taxes, unrestricted investment earnings, and gain on sale of capital assets. These revenues reflect a \$2,549,770 overall decrease from the 2016 fiscal year. This decrease was primarily due to less developer contributions and investment earnings.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The City's overall net position increased \$6,982,278 (4%) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Key elements of this increase are as follows:

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program revenues:						
Charges for services	\$ 5,002	\$ 5,594	\$ 19,540	\$ 20,694	\$ 24,542	\$ 26,288
Operating grants	3,385	3,809	25	35	3,410	3,844
Capital grants	2,623	4,754			2,623	4,754
General revenues:						
Property taxes	5,579	5,704	7	8	5,586	5,712
Sales tax	3,829	4,012			3,829	4,012
Other taxes	1,057	1,141			1,057	1,141
Use of money	1,205	1,146	384	335	1,589	1,481
Motor vehicle in-lieu	15	18			15	18
Gain on sale property	18	20	8	9	26	29
Other	2,441	60	580	122	3,021	182
Total revenues:	<u>\$ 25,154</u>	<u>\$ 26,258</u>	<u>\$ 20,544</u>	<u>\$ 21,203</u>	<u>\$ 45,698</u>	<u>\$ 47,461</u>
Expenses:						
General government	1,372	1,187			1,372	1,187
Public safety	9,687	12,473			9,687	12,473
Highways & Streets	6,023	6,223			6,023	6,223
Parks & Recreation	4,281	4,735			4,281	4,735
Economic dev.	583	682			583	682
Interest on debt	11	11			11	11
Water			4,400	4,356	4,400	4,356
Sewer			4,418	4,197	4,418	4,197
Airport			361	331	361	331
Solid waste			6,061	6,283	6,061	6,283
Total expenses	<u>\$ 21,957</u>	<u>\$ 25,311</u>	<u>\$ 15,240</u>	<u>\$ 15,167</u>	<u>\$ 37,197</u>	<u>\$ 40,478</u>
Increase (decrease) in net position before transfers	3,197	947	5,304	6,036	8,501	6,983
Transfers	(5)	(6)	5	6	-	-
Extraordinary item (note 14)	12,221				12,221	-
Increase (decrease) in net position	<u>15,413</u>	<u>941</u>	<u>5,309</u>	<u>6,042</u>	<u>20,722</u>	<u>6,983</u>
Net position - beginning	<u>86,180</u>	<u>101,593</u>	<u>72,082</u>	<u>77,391</u>	<u>158,263</u>	<u>178,985</u>
Net position - ending	<u>\$ 101,593</u>	<u>\$ 102,534</u>	<u>\$ 77,391</u>	<u>\$ 83,433</u>	<u>\$ 178,985</u>	<u>\$ 185,968</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$940,488 or 0.01% from the prior fiscal year for an ending balance of \$102,534,171. The City is experiencing some growth in property and sales tax which has led to an increase in revenues in governmental activities. The increase in the overall net position of governmental activities is the result of this tax revenue growth. The full Statement of Net Position can be seen on Pages 16-17.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Business-type Activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$83,433,547. The total increase in net position for business-type activities (water, wastewater, solid waste and airport funds) was \$6,041,790 or 7.8% from the prior fiscal year. The growth, in large part, is attributable to an increase in water use due to the lifting of watering restrictions that were in place because of the drought and additional connection fees received from new development. As a result, charges for services for enterprise activities increased \$303,338, \$757,446 and \$200,105 over the previous year's amount in the water, wastewater and solid waste funds, respectively.

**Net Cost of Services:** The table below presents the total cost of each of the City's governmental activities as well as each of the activities' net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

The total governmental activities costs of \$25,311,438 were offset by charges for services of \$5,593,570, operating grants/contributions of \$3,808,707, and capital grants/contributions of \$4,753,878, bringing the net expense to cost of services to \$11,155,283. Streets received a total of \$1,823,890 and Parks & Recreation received \$1,817,550 from capital grants/contributions reflecting the restricted subventions for infrastructure and park improvements. Public Safety represents the highest percentage of total net costs at \$6,255,655 or 56%.

(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2016	2017	2016	2017
General government	\$ 1,372	\$ 1,187	\$ (693)	\$ (325)
Public safety	9,687	12,473	(4,537)	(6,256)
Highways & streets	6,023	6,223	(3,744)	(3,391)
Parks & recreation	4,281	4,735	(1,537)	(784)
Economic development	583	682	(425)	(388)
Interest of long term debt	11	11	(11)	(11)
Total	<u>\$ 21,957</u>	<u>\$ 25,311</u>	<u>\$ (10,947)</u>	<u>\$ (11,155)</u>

## Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds have been classified as governmental or proprietary.

### Governmental Funds

The focus of the City's governmental funds is on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

To provide an overview of the City's funds, following is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2016 to 2017. The total revenues and expenditures do not include any "other financing sources (uses)."

#### Increase (Decrease) from Prior Year

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$ 155,540	\$ (149,794)	\$ 675,057	\$ 2,048,637
Special revenue funds	4,227,549	116,883	2,265,464	176,182
Capital projects fund	(1,048)	(30,118)	(1,321)	836
Other funds	220,544	29,390	492,437	412,490

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$30,785,099 or an increase of \$4,838,043 from the prior fiscal year. Approximately 62.3% of this total amount (\$19,174,378) is not available for new spending because it is restricted and committed to impact fee related projects and capital grant projects.

Of the remaining balance, \$753,097 is assigned for economic development, \$1,388,226 for general capital projects, and \$1,125,000 for public safety capital projects which leaves \$8,344,398 or 27.1% as unassigned and available for spending in the future at the government's discretion. However, approximately \$4.3 million of the General Fund's unassigned fund balance is needed to comply with the City's minimum fund balance policy.

## **General Fund**

The assets in the General Fund realized an increase of 1% whereas liabilities decreased by 8%. The total fund balance for General Funded ended the year at \$12,283,671 with \$9,017,100 as unassigned and available for discretionary use. This was an increase of 4% from the previous fiscal year. The significant reasons for the increase to the total general fund balance was due to growth in property and sales tax revenues and a rise in building permits issued. Further analysis of the General Fund budget is discussed below under the "General Fund Budgetary Highlights".

**Major Governmental Funds.** There are five major governmental funds: General Fund, Impact Fees Special Revenue Fund, CDBG and HOME Grants Special Revenue Fund, Public Safety Special Revenue Fund, and Capital Grants Capital Projects Fund. Changes in the General Fund are highlighted in the Financial Analysis section above. The following are changes in the other major funds:

**Impact Fee Fund.** These funds account for fees collected from developers for new development and used for future impact of capital needs within the City. At June 30, 2017 the impact fee funds had a total fund balance of \$12.2 million. The entire amount of the fund balance has been committed for capital projects. During the current year funds were expended towards the final purchase of the fuel tank at Fire Station #1 and park improvements at various parks throughout the City. Most of the remaining fund equity position will be used on expanding public safety facilities in order to mitigate the safety impact from new development.

**CDBG and HOME Grants.** These funds account for grant funding received from the State of California to assist low to moderate income homeowners. The total fund balance at June 30, 2017 was \$100,228 and was generated from repayment of loans. These funds are restricted and are required to be sent back to the State or used back into the program. The City will utilize all program income available.

**Public Safety Special Revenue.** These funds are generated from a half cent sales tax for public safety known as Measure P. In November 2009 Measure A was passed that amended Measure P to allow building funds generated by the half cent sales tax to be utilized for Police and Fire personnel. In November 2014 Measure K was passed which extended Measure A for an additional 7 years. The majority of Measure P funds are used for personnel. The total fund balance at June 30, 2017 was \$3.1 million. These funds also account for revenues received for public safety grants, impact fees, and community facility districts.

**Non-Major Governmental Funds.** These funds include gas tax funds and Landscaping and Lighting Assessment Districts. The gas tax funds are used to maintain and repair the City's 123 miles of streets and the Assessment Districts are used to maintain the landscaping and lighting within designated districts.

There are no restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for the future.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** At mid-year the City Council approved budget adjustments for the general fund. The most significant adjustment was an increase to technical services for \$180,000 due to the upsurge in building permits.

**Final budget compared to actual results.** Total revenues exceeded budget expectations by \$243,259 or 2%. The most significant differences between estimated revenues and actual revenues were property taxes, other taxes and charges for services. Revenue for property taxes was anticipated at \$5,603,251 but the actual amount received was \$5,675,697 for a \$72,446 amount over budget. Estimated revenues for other taxes was \$522,450 and the actual amount received was \$595,119 exceeding the budget by \$72,669. Charges for services revenue was projected at \$1,403,318 and the actual amount received was \$1,487,060 surpassing budgeted amounts by \$83,742. These positive variances exceeded the budget by 3% or \$228,857. These variances were due to increased property values, additional hotel stays, and a rise in home sales.

Expenditure variances were positive coming in 6.7% under the amended budget. The most significant savings were found in public safety, community development, and capital outlay. Public safety achieved a savings of \$413,904, community development \$212,355, and capital outlay \$265,605. The City was able to realize a total savings of \$1,040,214 from the amended budget.

**Capital Assets and Debt Administration**

**Capital assets.** City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$126,203,236 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, wells, and the wastewater treatment plant. There was a total decrease in capital assets for the current fiscal year in the amount of \$4,601,491.

For governmental activities, capital assets decreased \$5,335,184. Depreciation for the City's governmental activities is \$6,844,282. For business-type activities, capital assets increased by \$733,693. Depreciation for the business-type funds was \$2,166,977.

A recap of the City's capital assets, net of accumulated depreciation, is shown next:

(in thousands of dollars)

Description	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 7,121	\$ 7,121	\$ 8,068	\$ 8,068	\$ 15,189	\$ 15,189
Buildings & Improvements	22,030	22,084	10,041	10,041	32,071	32,125
Equipment	14,362	15,249	8,499	8,862	22,861	24,111
Infrastructure	129,608	129,629	53,850	56,365	183,458	185,994
Construction in Progress	210	190	2,015	1,975	2,225	2,165
Less: Accumulated Depreciation	(89,929)	(96,205)	(35,072)	(37,176)	(125,001)	(133,381)
Total Capital Assets	\$ 83,402	\$ 78,068	\$ 47,401	\$ 48,135	\$ 130,803	\$ 126,203

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Major capital asset events during the current fiscal year included the projects stated as follows:

- Computer Aided Dispatch/Record Management System (CAD/RMS) paid for by the Police Department for \$443,125
- Pneumatic Compactor paid for by the Streets Department for \$108,760
- Vibratory Asphalt Compactor paid for by the Streets Department for \$69,090
- 24ft Decontamination Cleaning Trailer paid for by Homeland Security Grant Fund for \$104,439
- West I Street Water Line paid for by the Water Fund for \$341,257
- F Street Storm Line paid for by the Wastewater Fund for \$184,789
- Jo-Lin Sewer Lift Station Rehab paid for by the Wastewater Fund for \$226,793
- Mercey Springs Sewer Main Replacement paid for by the Wastewater Fund for \$1,519,116
- 2016 4X4 John Deere Tractor paid for by the Wastewater Fund for \$99,999

More detailed information about the City's capital assets is presented in Note 6 to the financial statements on pages 50-51 of this report.

**Long-term Debt:** A recap of the City's long-term debt is shown below. Changes in the total outstanding long-term debt include a decrease of \$371,122 or 14% for the current fiscal year. This decrease in bonded debt was due to the City making its regularly scheduled bond payments as required. An increase of \$82,006 was recorded for employee compensated absences.

( in thousands of dollars)

Debt Types	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
COPs	\$	\$	\$ 1,571	\$ 1,229	\$ 1,571	\$ 1,229
Notes payable			14		14	-
Capital leases	351	254			351	254
Comp. absences	543	593	183	214	726	807
Total debt	<u>\$ 894</u>	<u>\$ 847</u>	<u>\$ 1,768</u>	<u>\$ 1,443</u>	<u>\$ 2,662</u>	<u>\$ 2,290</u>

More detailed information about the City's long-term debt is presented in Note 7 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The City's property taxes are received in January and April whereas sales taxes are received on a monthly basis requiring the City to maintain a reserve in order to meet cash-flow needs of the General Fund. Property tax values have risen therefore, so has the property taxes in lieu of vehicle license fees. Sales taxes have also continued to increase for the City. The City will maintain its conservative approach and anticipate a modest growth in General Fund revenues in the next fiscal year. The City will continue to preserve existing reserves in order to meet personnel expenditures impacting the General Fund in future fiscal years as well as future infrastructure/capital project costs.

Personnel costs will increase for next fiscal year due to step increases for all employee groups, a 3% cost of living increase, and increases due to the Memorandum of Understandings entered into with the bargaining groups in 2015. Health benefits continue to rise as well as employer contributions to CalPERS for retirement benefits for employees.

The City is a member of a public entity risk pool (see notes to these financial statements). The City will again see a 9% increase in the self-insured pooling. This is an overall increase to property and auto premiums as well as liability and workers compensation premiums.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The City participates in the CalPERS retirement program for its employees. Changes that have affected the City's employers rates include CalPERS changing the calculation smoothing to a 30 year amortization period and adopting new demographic assumptions which include a 20 year projected improvement in mortality. These marked changes affected rates starting in the 2014-2015 fiscal year. Most recently, CalPERS is phasing down the discount rate to 7% which will effect employer contributions in future fiscal years starting in FY 2018-2019. Below is the employee rate, employer's normal cost rate, and unfunded accrued liability (UAL) by fiscal year:

	<b>2.7% @ 55 Miscellaneous</b>			<b>3% @ 50 Safety</b>		
	<b>Employer</b>			<b>Employer</b>		
	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>
<b>2016</b>	8.00%	11.992%	\$617,819	9.00%	20.230%	\$612,959
<b>2017</b>	8.00%	12.429%	\$680,906	9.00%	21.230%	\$680,220
<b>2018</b>	8.00%	12.47%	\$768,224	9.00%	21.418%	\$773,265

	<b>2.0% @ 60 Miscellaneous</b>			<b>3% @ 55 Safety</b>		
	<b>Employer</b>			<b>Employer</b>		
	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>
<b>2016</b>	8.00%	7.510%	\$0	9.00%	17.295%	\$0
<b>2017</b>	8.00%	7.809%	\$0	9.00%	18.301%	\$0
<b>2018</b>	8.00%	7.850%	\$171	9.00%	18.487%	\$0

	<b>2.0% @ 62 Miscellaneous</b>			<b>2.7% @ 57 Safety</b>		
	<b>Employer</b>			<b>Employer</b>		
	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>	<b>Employee</b>	<b>Normal Cost</b>	<b>UAL</b>
<b>2016</b>	6.50%	6.730%	\$0	12.25%	12.250%	\$0
<b>2017</b>	6.50%	6.930%	\$53	12.25%	12.821%	\$21
<b>2018</b>	6.50%	6.908%	\$163	12.25%	12.729%	\$51

The City is currently undergoing an actuarial study to continue to be in compliance with Governmental Accounting Standards Board (GASB) pronouncement 43 & 45 to determine the unfunded liability for other post employment benefits (OPEB). The City complied with GASB by currently funding the retiree health benefits on a yearly basis and paid \$712,489 for retirement health benefits and sent another \$500,516 for future retirement health benefits to the California Employers' Retiree Benefit Trust (CERBT) in order to comply with the City's annual required contribution (ARC).

Starting in fiscal year 2011-2012 the water, wastewater, and solid waste rates were increased for a total of five years. These rate changes complied with Prop 218 and were approved by the City Council. The five year plan concluded in the 2015-2016 fiscal year. The City will need to conduct further rate studies in the coming fiscal years to determine if the current water, wastewater, and solid waste rates will require adjusting in the future.

In FY 2017-2018, the City will be conducting an impact fee rate study as well as a comprehensive fee study to determine if the current fees in place are cost effective or if there is a need of an increase to meet future demands on the City.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of the City with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

City of Los Banos  
Finance Department  
520 J Street  
Los Banos, CA 93635.  
(209) 827-7000

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## BASIC FINANCIAL STATEMENTS

**CITY OF LOS BANOS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 30,274,084	\$ 31,260,152	\$ 61,534,236
Restricted cash and investments with fiscal agent	-	482,806	482,806
Restricted cash and investments	-	12,313,640	12,313,640
Receivables:			
Accounts receivable	312,163	1,462,626	1,774,789
Taxes receivable	1,752,516	-	1,752,516
Interest receivable	42,118	57,073	99,191
Intergovernmental receivables	716,548	10,118	726,666
Loans receivable	3,396,613	-	3,396,613
Internal balances	(770,039)	770,039	-
Inventories	-	29,554	29,554
Prepaid items	2,158	5,744	7,902
Net OPEB asset	171,412	-	171,412
Capital assets, not being depreciated:			
Land	7,121,007	8,067,666	15,188,673
Construction in progress	190,236	1,975,170	2,165,406
Capital assets, being depreciated:			
Building and structures	22,083,557	10,040,692	32,124,249
Machinery and equipment	15,248,935	8,862,546	24,111,481
Infrastructure	129,628,622	56,365,511	185,994,133
Less: accumulated depreciation	(96,204,794)	(37,175,912)	(133,380,706)
<b>Total assets</b>	<b>113,965,136</b>	<b>94,527,425</b>	<b>208,492,561</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	7,112,689	1,838,703	8,951,392
<b>Total deferred outflows of resources</b>	<b>7,112,689</b>	<b>1,838,703</b>	<b>8,951,392</b>
<b>LIABILITIES</b>			
Accounts payable	1,203,056	859,012	2,062,068
Interest payable	-	4,751	4,751
Deposits	39,947	490,055	530,002
Compensated absences:			
Due within one year	549,363	177,565	726,928
Due in more than one year	43,807	36,855	80,662
Long-term debt:			
Due within one year	102,548	425,000	527,548
Due in more than one year	151,202	804,477	955,679
Net pension liability	15,295,886	4,698,277	19,994,163
Landfill closure and postclosure care payable	-	5,253,467	5,253,467
<b>Total liabilities</b>	<b>17,385,809</b>	<b>12,749,459</b>	<b>30,135,268</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
(Continued)

	Governmental Activities	Business-Type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	<u>1,157,845</u>	<u>183,122</u>	<u>1,340,967</u>
Total deferred inflows of resources	<u>1,157,845</u>	<u>183,122</u>	<u>1,340,967</u>
<b>NET POSITION</b>			
Net investment in capital assets	77,813,813	46,906,196	124,720,009
Restricted for:			
Debt service	-	482,806	482,806
Public safety	3,131,395	-	3,131,395
Highways and streets	3,288,618	-	3,288,618
Parks and recreation	471,407	-	471,407
Development projects	12,182,482	-	12,182,482
Capital projects	-	12,313,640	12,313,640
Economic development	100,228	-	100,228
Retiree benefits	<u>171,412</u>	<u>-</u>	<u>171,412</u>
Total restricted	19,345,542	12,796,446	32,141,988
Unrestricted	<u>5,374,816</u>	<u>23,730,905</u>	<u>29,105,721</u>
Total net position	<u>\$ 102,534,171</u>	<u>\$ 83,433,547</u>	<u>\$ 185,967,718</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,186,905	\$ 556,823	\$ -	\$ 304,410	\$ (325,672)	\$ -	\$ (325,672)
Public safety	12,473,523	2,644,757	2,765,083	808,028	(6,255,655)	-	(6,255,655)
Highways and streets	6,222,855	144,220	863,657	1,823,890	(3,391,088)	-	(3,391,088)
Parks and recreation	4,735,095	2,133,637	-	1,817,550	(783,908)	-	(783,908)
Economic development	681,828	114,133	179,967	-	(387,728)	-	(387,728)
Interest on long-term debt	11,232	-	-	-	(11,232)	-	(11,232)
Total governmental activities	<u>25,311,438</u>	<u>5,593,570</u>	<u>3,808,707</u>	<u>4,753,878</u>	<u>(11,155,283)</u>	<u>-</u>	<u>(11,155,283)</u>
Business-type activities:							
Water	4,356,044	6,232,472	-	-	-	1,876,428	1,876,428
Wastewater	4,197,226	6,885,234	-	-	-	2,688,008	2,688,008
Airport	330,699	203,229	10,000	-	-	(117,470)	(117,470)
Solid waste	<u>6,282,604</u>	<u>7,373,039</u>	<u>24,588</u>	<u>-</u>	<u>-</u>	<u>1,115,023</u>	<u>1,115,023</u>
Total business-type activities	<u>15,166,573</u>	<u>20,693,974</u>	<u>34,588</u>	<u>-</u>	<u>-</u>	<u>5,561,989</u>	<u>5,561,989</u>
<b>Total primary government</b>	<b>\$ 40,478,011</b>	<b>\$ 26,287,544</b>	<b>\$ 3,843,295</b>	<b>\$ 4,753,878</b>	<b>(11,155,283)</b>	<b>5,561,989</b>	<b>(5,593,294)</b>
General revenues:							
Taxes:							
Property taxes					5,704,220	8,454	5,712,674
Sales taxes					4,012,401	-	4,012,401
Transient taxes and other taxes					595,119	-	595,119
Franchise taxes					546,061	-	546,061
Use of money and property					1,145,645	334,106	1,479,751
Motor vehicle in-lieu					17,632	-	17,632
Gain on sale of capital assets					20,337	9,437	29,774
Miscellaneous					60,052	122,108	182,160
Transfers					<u>(5,696)</u>	<u>5,696</u>	<u>-</u>
Total general revenues, transfers and extraordinary item					<u>12,095,771</u>	<u>479,801</u>	<u>12,575,572</u>
Change in net position					940,488	6,041,790	6,982,278
Net position - beginning					<u>101,593,683</u>	<u>77,391,757</u>	<u>178,985,440</u>
Net position - ending					<u>\$ 102,534,171</u>	<u>\$ 83,433,547</u>	<u>\$ 185,967,718</u>

The notes to the basic financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

The funds described below were determined to be Major Funds by the City in fiscal year 2017. Individual nonmajor funds may be found in the Combining Financial Statements and Schedules.

### **GENERAL FUND**

This fund is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with government, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services, and State grants.

### **IMPACT FEES SPECIAL REVENUE FUND**

This fund accounts for fees collected from developers to cover the anticipated costs of improvement that will be necessary as a result of the impact the development has on the City.

### **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME GRANTS SPECIAL REVENUE FUND**

This fund accounts for certain designated projects paid for with Community Development Block Grant (CDBG) and Home Federal program monies received from the State, along with repayments of CDBG loans.

### **PUBLIC SAFETY SPECIAL REVENUE FUND**

This fund accounts for a half-cent sales tax approved by local citizens in November 2004 by 77.9%. This measure passed is to be used for 911 services, Police, and Fire Protection. These funds are split 50/50 with the Police and Fire Departments. These funds also account for revenues received for public safety grants, impact fees and community facility districts.

### **CAPITAL GRANTS CAPITAL PROJECTS FUND**

This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**CITY OF LOS BANOS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue Funds				Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants		
<b>ASSETS</b>							
Cash and investments	\$ 12,530,154	\$ 11,368,756	\$ 44,225	\$ 2,719,196	\$ 145,660	\$ 3,144,987	\$ 29,952,978
Accounts receivable	196,379	-	2,793	110,258	1,994	152	311,576
Taxes receivable	1,128,401	-	-	406,008	-	218,107	1,752,516
Interest receivable	16,895	16,002	102	3,675	193	4,756	41,623
Intergovernmental receivables	48,280	-	107,668	542	-	560,058	716,548
Prepaid items	248	-	-	1,910	-	-	2,158
Advances to other funds	-	820,074	-	-	-	-	820,074
Loans receivable	-	-	3,396,613	-	-	-	3,396,613
<b>Total assets</b>	<b>\$ 13,920,357</b>	<b>\$ 12,204,832</b>	<b>\$ 3,551,401</b>	<b>\$ 3,241,589</b>	<b>\$ 147,847</b>	<b>\$ 3,928,060</b>	<b>\$ 36,994,086</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 801,739	\$ 22,350	\$ 54,560	\$ 110,194	\$ 475	\$ 168,035	\$ 1,157,353
Deposits	39,947	-	-	-	-	-	39,947
Advances from other funds	795,000	-	-	-	820,074	-	1,615,074
<b>Total liabilities</b>	<b>1,636,686</b>	<b>22,350</b>	<b>54,560</b>	<b>110,194</b>	<b>820,549</b>	<b>168,035</b>	<b>2,812,374</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - loans	-	-	3,396,613	-	-	-	3,396,613
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>3,396,613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,396,613</b>
<b>FUND BALANCES</b>							
Nonspendable	248	-	-	-	-	-	248
Restricted	-	12,182,482	100,228	3,131,395	-	3,760,025	19,174,130
Assigned	3,266,323	-	-	-	-	-	3,266,323
Unassigned	9,017,100	-	-	-	(672,702)	-	8,344,398
<b>Total fund balances</b>	<b>12,283,671</b>	<b>12,182,482</b>	<b>100,228</b>	<b>3,131,395</b>	<b>(672,702)</b>	<b>3,760,025</b>	<b>30,785,099</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,920,357</b>	<b>\$ 12,204,832</b>	<b>\$ 3,551,401</b>	<b>\$ 3,241,589</b>	<b>\$ 147,847</b>	<b>\$ 3,928,060</b>	<b>\$ 36,994,086</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 30,785,099
Capital assets used in governmental activities are not current assets or financial resources and, therefore, were not reported in the governmental funds.	77,782,590
Pension related deferrals are reported as deferred outflows and inflows of resources on the statement of net position.	5,659,046
Internal service funds are not governmental funds; however, they are used by management to charge the costs of certain activities, such as insurance, central services, and maintenance to individual governmental funds. The net current assets of the internal service funds are therefore included in governmental activities in the following line items of the statement of net position:	
Cash and investments	321,106
Interest receivable	494
Accounts receivable	587
Net OPEB asset	171,412
Capital assets, net of accumulated depreciation	284,973
Deferred outflows from pensions	328,935
Accounts payable and other current liabilities	(45,705)
Capital lease	(206,340)
Compensated absences	(27,103)
Net pension liability	(853,711)
Deferred inflows from pensions	(33,137)
Internal balances	24,964
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,396,613
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability	(14,442,175)
Compensated absences	(566,067)
Long-term debt	<u>(47,410)</u>
Net position of governmental activities	<u>\$ 102,534,171</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds				Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants		
<b>REVENUES</b>							
Taxes:							
Property	\$ 5,675,697	\$ -	\$ -	\$ 828,996	\$ -	\$ -	\$ 6,504,693
Sales	4,012,401	-	-	2,294,044	-	151,670	6,458,115
Franchise	546,061	-	-	-	-	-	546,061
Other	595,119	-	-	-	-	-	595,119
Licenses and permits	1,123,244	-	-	-	-	-	1,123,244
Intergovernmental	200,288	-	107,668	298,643	-	1,412,592	2,019,191
Charges for services	1,487,060	4,180,161	72,299	18,263	-	1,944,653	7,702,436
Fines	64,129	-	-	-	-	-	64,129
Use of property and money	1,022,766	48,860	533	12,178	42,678	18,630	1,145,645
Miscellaneous	158,404	-	54,337	59,817	7,453	457	280,468
<b>Total revenues</b>	<b>14,885,169</b>	<b>4,229,021</b>	<b>234,837</b>	<b>3,511,941</b>	<b>50,131</b>	<b>3,528,002</b>	<b>26,439,101</b>
<b>EXPENDITURES</b>							
Current:							
General government	1,115,188	1,910	-	-	-	-	1,117,098
Public safety	10,600,432	19,392	160,142	2,643,841	-	-	13,423,807
Highways and streets	67,564	-	-	-	-	1,515,717	1,583,281
Parks and recreation	1,156,661	578,615	-	-	21,061	1,790,606	3,546,943
Economic development	553,467	-	77,362	-	-	-	630,829
Debt service:							
Principal	13,263	-	-	-	-	-	13,263
Interest and fiscal charges	11,232	-	-	-	-	-	11,232
Capital outlay:							
General government	6,645	21,600	-	-	-	-	28,245
Public safety	927,504	16,845	-	247,635	-	-	1,191,984
Parks and recreation	27,645	7,500	-	-	-	30,525	65,670
Economic development	3,348	-	-	-	-	-	3,348
<b>Total expenditures</b>	<b>14,482,949</b>	<b>645,862</b>	<b>237,504</b>	<b>2,891,476</b>	<b>21,061</b>	<b>3,336,848</b>	<b>21,615,700</b>
Excess (deficiency) of revenues over (under) expenditures	402,220	3,583,159	(2,667)	620,465	29,070	191,154	4,823,401
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from sale of capital assets	17,984	-	-	2,353	-	-	20,337
Transfers in	7,659	-	-	119,334	-	-	126,993
Transfers out	(122,529)	(2,500)	(7,659)	-	-	-	(132,688)
<b>Total other financing sources (uses)</b>	<b>(96,886)</b>	<b>(2,500)</b>	<b>(7,659)</b>	<b>121,687</b>	<b>-</b>	<b>-</b>	<b>14,642</b>
Net change in fund balances	305,334	3,580,659	(10,326)	742,152	29,070	191,154	4,838,043
Fund balances - beginning	11,978,337	8,601,823	110,554	2,389,243	(701,772)	3,568,871	25,947,056
Fund balances - ending	\$ 12,283,671	\$ 12,182,482	\$ 100,228	\$ 3,131,395	\$ (672,702)	\$ 3,760,025	\$ 30,785,099

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 4,838,043
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are capitalized and allocated over their estimated useful lives, and reported as depreciation expense.</p>	
The capital outlay expenditures are, therefore, added back to fund balance.	1,509,310
Depreciation expense is deducted from the fund balance. Depreciation expense is net of internal service fund depreciation of \$115,940 which has already been allocated to internal service funds.	(6,728,343)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(27,607)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	13,263
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,608,644
Some amounts included in the statement of activities do not provide (or require) the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund (net change).	
Deferred loans	(201,817)
Compensated absences	(46,678)
Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of net revenue (expense) of these internal service funds arising out of the transactions with governmental funds is reported with governmental activities because they service those activities.	
Change in net position - Internal Service Fund	<u>(24,327)</u>
Change in net position of governmental activities	<u>\$ 940,488</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 5,388,037	\$ 5,603,251	\$ 5,675,697	\$ 72,446
Sales	4,050,760	4,050,760	4,012,401	(38,359)
Franchise	549,123	549,123	546,061	(3,062)
Other	462,450	522,450	595,119	72,669
Licenses and permits	927,050	1,157,850	1,123,244	(34,606)
Intergovernmental	76,600	176,805	200,288	23,483
Charges for services	1,232,932	1,403,318	1,487,060	83,742
Fines	35,000	35,000	64,129	29,129
Use of property and money	982,794	1,002,294	1,022,766	20,472
Miscellaneous	72,414	141,059	158,404	17,345
Total revenues	<u>13,777,160</u>	<u>14,641,910</u>	<u>14,885,169</u>	<u>243,259</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	1,124,024	1,132,957	1,093,560	39,397
Contingency	50,000	50,000	21,628	28,372
Total general government	<u>1,174,024</u>	<u>1,182,957</u>	<u>1,115,188</u>	<u>67,769</u>
Public safety:				
Police	8,267,099	8,327,615	7,946,418	381,197
Fire	1,498,545	1,536,440	1,524,342	12,098
Building	679,212	860,504	881,736	(21,232)
Code enforcement	289,777	289,777	247,936	41,841
Total public safety	<u>10,734,633</u>	<u>11,014,336</u>	<u>10,600,432</u>	<u>413,904</u>
Highways and streets:				
Engineering	97,470	97,470	67,564	29,906
Streets	-	-	-	-
Total highway and streets	<u>97,470</u>	<u>97,470</u>	<u>67,564</u>	<u>29,906</u>
Parks and recreation:				
Recreation	322,217	331,817	306,390	25,427
Maintenance	680,898	700,898	662,022	38,876
Senior citizens	20,097	20,097	18,762	1,335
Community center	185,913	185,913	169,487	16,426
Total parks and recreation	<u>1,209,125</u>	<u>1,238,725</u>	<u>1,156,661</u>	<u>82,064</u>
Economic development:				
Community development	497,606	765,822	553,467	212,355
Total economic development	<u>497,606</u>	<u>765,822</u>	<u>553,467</u>	<u>212,355</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017  
(Continued)**

	Budgeted Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Debt service:				
Principal	-	-	13,263	(13,263)
Interest and fiscal charges	8,800	8,800	11,232	(2,432)
Capital outlay	1,063,662	1,215,053	965,142	249,911
Total expenditures	14,785,320	15,523,163	14,482,949	1,040,214
Excess (deficiency) of revenues over (under) expenditures	(1,008,160)	(881,253)	402,220	1,283,473
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	7,518	17,984	10,466
Transfers in	9,622	9,622	7,659	(1,963)
Transfers out	(170,839)	(194,797)	(122,529)	72,268
Total other financing sources (uses)	(161,217)	(177,657)	(96,886)	80,771
Net change in fund balances	(1,169,377)	(1,058,910)	305,334	1,364,244
Fund balance - beginning	11,978,337	11,978,337	11,978,337	-
Fund balance - ending	\$ 10,808,960	\$ 10,919,427	\$ 12,283,671	\$ 1,364,244

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
IMPACT FEES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Charges for services	\$ 2,673,640	\$ 4,036,399	\$ 4,180,161	\$ 143,762
Use of property and money	<u>30,450</u>	<u>30,450</u>	<u>48,860</u>	<u>18,410</u>
Total revenues	<u>2,704,090</u>	<u>4,066,849</u>	<u>4,229,021</u>	<u>162,172</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	<u>10,000</u>	<u>8,400</u>	<u>1,910</u>	<u>6,490</u>
Total general government	<u>10,000</u>	<u>8,400</u>	<u>1,910</u>	<u>6,490</u>
Public safety:				
Police	<u>10,000</u>	<u>10,000</u>	<u>9,673</u>	<u>327</u>
Fire	<u>10,000</u>	<u>10,000</u>	<u>9,719</u>	<u>281</u>
Total public safety	<u>20,000</u>	<u>20,000</u>	<u>19,392</u>	<u>608</u>
Highways and streets:				
Streets	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total highways and streets	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Parks and recreation:				
Park development	<u>-</u>	<u>1,049,631</u>	<u>578,615</u>	<u>471,016</u>
Total parks and recreation	<u>-</u>	<u>1,049,631</u>	<u>578,615</u>	<u>471,016</u>
Capital outlay	<u>594,240</u>	<u>444,100</u>	<u>45,945</u>	<u>398,155</u>
Total expenditures	<u>629,240</u>	<u>1,527,131</u>	<u>645,862</u>	<u>881,269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,074,850</u>	<u>2,539,718</u>	<u>3,583,159</u>	<u>1,043,441</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
Net change in fund balances	2,074,850	2,537,218	3,580,659	1,043,441
Fund balance - beginning	<u>8,601,823</u>	<u>8,601,823</u>	<u>8,601,823</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,676,673</u>	<u>\$ 11,139,041</u>	<u>\$ 12,182,482</u>	<u>\$ 1,043,441</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME GRANTS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Intergovernmental	\$ -	\$ 122,000	\$ 107,668	\$ (14,332)
Charges for services	60,000	60,000	72,299	12,299
Use of property and money	575	575	533	(42)
Miscellaneous	10,572	10,572	54,337	43,765
Total revenues	71,147	193,147	234,837	41,690
<b>EXPENDITURES</b>				
Current:				
Public safety				
Code enforcement	-	174,000	160,142	13,858
Total public safety	-	174,000	160,142	13,858
Economic development	70,000	72,339	77,362	(5,023)
Total expenditures	70,000	246,339	237,504	8,835
Excess (deficiency) of revenues over (under) expenditures	1,147	(53,192)	(2,667)	50,525
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(9,622)	(9,622)	(7,659)	1,963
Total other financing sources (uses)	(9,622)	(9,622)	(7,659)	1,963
Net change in fund balances	(8,475)	(62,814)	(10,326)	52,488
Fund balance - beginning	110,554	110,554	110,554	-
Fund balance - ending	\$ 102,079	\$ 47,740	\$ 100,228	\$ 52,488

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
PUBLIC SAFETY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 824,448	\$ 824,448	\$ 828,996	\$ 4,548
Sales	2,304,600	2,304,600	2,294,044	(10,556)
Intergovernmental	162,644	300,668	298,643	(2,025)
Charges for services	15,750	15,750	18,263	2,513
Use of property and money	4,700	4,700	12,178	7,478
Miscellaneous	-	54,674	59,817	5,143
Total revenues	<u>3,312,142</u>	<u>3,504,840</u>	<u>3,511,941</u>	<u>7,101</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Police	1,347,728	1,319,698	1,158,375	161,323
Fire	<u>1,441,132</u>	<u>1,482,079</u>	<u>1,485,466</u>	<u>(3,387)</u>
Total public safety	<u>2,788,860</u>	<u>2,801,777</u>	<u>2,643,841</u>	<u>157,936</u>
Capital outlay	<u>272,588</u>	<u>409,560</u>	<u>247,635</u>	<u>161,925</u>
Total expenditures	<u>3,061,448</u>	<u>3,211,337</u>	<u>2,891,476</u>	<u>319,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,694</u>	<u>293,503</u>	<u>620,465</u>	<u>326,962</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	1,235	2,353	1,118
Transfers in	<u>170,839</u>	<u>197,297</u>	<u>119,334</u>	<u>(77,963)</u>
Total other financing sources (uses)	<u>170,839</u>	<u>198,532</u>	<u>121,687</u>	<u>(76,845)</u>
Net change in fund balances	421,533	492,035	742,152	250,117
Fund balance - beginning	<u>2,389,243</u>	<u>2,389,243</u>	<u>2,389,243</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,810,776</u>	<u>\$ 2,881,278</u>	<u>\$ 3,131,395</u>	<u>\$ 250,117</u>

The notes to the basic financial statements are an integral part of this statement.

## **MAJOR PROPRIETARY FUNDS**

Proprietary funds account for the City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds as major funds in fiscal year 2017.

### **WATER**

Accounts for activities associated with the acquisition or construction of water facilities and production, distribution, and transmission of potable water to users.

### **WASTEWATER**

Accounts for activities associated with the acquisition or construction, and operation and maintenance of wastewater facilities for drainage, treatment, and disposal of sanitary wastewater.

### **AIRPORT**

Accounts for activities associated with the operations and capital improvements of the City's municipal airport.

### **SOLID WASTE FUND**

Accounts for activities associated with the collection and disposal of refuse throughout the City.

**CITY OF LOS BANOS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service
	Water	Wastewater	Airport	Solid Waste		Fund
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and investments	\$ 17,896,094	\$ 7,524,851	\$ 441,287	\$ 5,397,920	\$ 31,260,152	\$ 321,106
Restricted cash and investments with fiscal agent	-	482,806	-	-	482,806	-
Restricted cash and investments	6,234,849	6,078,791	-	-	12,313,640	-
Interest receivable	31,550	17,862	579	7,082	57,073	494
Accounts receivable	426,007	458,146	25,394	553,079	1,462,626	587
Intergovernmental receivables	-	-	-	10,118	10,118	-
Inventories	4,375	-	25,179	-	29,554	-
Prepaid items	248	5,248	-	248	5,744	-
<b>Total current assets</b>	<u>24,593,123</u>	<u>14,567,704</u>	<u>492,439</u>	<u>5,968,447</u>	<u>45,621,713</u>	<u>322,187</u>
<b>Noncurrent assets:</b>						
Net OPEB asset	-	-	-	-	-	171,412
Advances to other funds	795,000	-	-	-	795,000	-
<b>Capital assets:</b>						
Land	760,822	7,306,844	-	-	8,067,666	-
Construction in progress	193,653	1,715,515	60,752	5,250	1,975,170	-
Buildings and improvements	318,155	9,034,927	655,452	32,158	10,040,692	5,976
Machinery and equipment	4,359,438	2,923,424	414,522	1,165,162	8,862,546	1,141,172
Infrastructure	27,822,077	25,784,273	2,739,243	19,918	56,365,511	-
Less: accumulated depreciation	<u>(14,343,395)</u>	<u>(19,365,779)</u>	<u>(2,588,717)</u>	<u>(878,021)</u>	<u>(37,175,912)</u>	<u>(862,175)</u>
<b>Total noncurrent assets</b>	<u>19,905,750</u>	<u>27,399,204</u>	<u>1,281,252</u>	<u>344,467</u>	<u>48,930,673</u>	<u>456,385</u>
<b>Total assets</b>	<u>44,498,873</u>	<u>41,966,908</u>	<u>1,773,691</u>	<u>6,312,914</u>	<u>94,552,386</u>	<u>778,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows from pensions	<u>684,703</u>	<u>694,008</u>	<u>-</u>	<u>459,992</u>	<u>1,838,703</u>	<u>328,935</u>
<b>Total deferred outflows of resources</b>	<u>684,703</u>	<u>694,008</u>	<u>-</u>	<u>459,992</u>	<u>1,838,703</u>	<u>328,935</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**  
(Continued)

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste		
(Continued)						
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	156,691	308,700	4,145	389,485	859,021	45,705
Interest payable	-	4,751	-	-	4,751	-
Deposits	481,475	5,000	3,580	-	490,055	-
Current portion of certificates of participation	-	425,000	-	-	425,000	-
Current portion of capital leases	-	-	-	-	-	88,683
Current portion of compensated absences	65,458	63,310	-	48,797	177,565	24,119
Total current liabilities	<u>703,624</u>	<u>806,761</u>	<u>7,725</u>	<u>438,282</u>	<u>1,956,392</u>	<u>158,507</u>
Noncurrent liabilities:						
Certificates of participation bonds payable	-	804,477	-	-	804,477	-
Capital leases	-	-	-	-	-	117,657
Compensated absences	14,788	8,787	-	13,280	36,855	2,984
Net pension liability	1,733,741	1,779,614	-	1,184,922	4,698,277	853,711
Landfill closure and postclosure care payable	-	-	-	5,253,467	5,253,467	-
Total noncurrent liabilities	<u>1,748,529</u>	<u>2,592,878</u>	<u>-</u>	<u>6,451,669</u>	<u>10,793,076</u>	<u>974,352</u>
Total liabilities	<u>2,452,153</u>	<u>3,399,639</u>	<u>7,725</u>	<u>6,889,951</u>	<u>12,749,468</u>	<u>1,132,859</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	67,731	69,261	-	46,130	183,122	33,137
Total deferred inflows of resources	<u>67,731</u>	<u>69,261</u>	<u>-</u>	<u>46,130</u>	<u>183,122</u>	<u>33,137</u>
NET POSITION						
Net investment in capital assets	19,110,750	26,169,727	1,281,252	344,467	46,906,196	284,973
Restricted for debt service	-	482,806	-	-	482,806	-
Restricted for capital projects	6,234,849	6,078,791	-	-	12,313,640	-
Restricted for retiree benefits	-	-	-	-	-	171,412
Unrestricted	17,318,093	6,460,692	484,714	(507,642)	23,755,857	(514,874)
Total net position	<u>\$ 42,663,692</u>	<u>\$ 39,192,016</u>	<u>\$ 1,765,966</u>	<u>\$ (163,175)</u>	83,458,499	<u>\$ (58,489)</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time					(24,952)	
Net position of business-type activities (page 16)					<u>\$ 83,433,547</u>	

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
Operating revenues:						
Water charges	\$ 6,232,472	\$ -	\$ -	\$ -	\$ 6,232,472	\$ -
Wastewater charges	-	6,885,234	-	-	6,885,234	-
Solid waste charges	-	-	-	7,373,039	7,373,039	-
Airport	-	-	295,781	-	295,781	-
Interdepartmental charges	-	-	-	-	-	2,626,246
Miscellaneous	118,209	37,077	-	1,372	156,658	3,042
Total operating revenues	<u>6,350,681</u>	<u>6,922,311</u>	<u>295,781</u>	<u>7,374,411</u>	<u>20,943,184</u>	<u>2,629,288</u>
Operating expenses:						
Personnel services	1,513,452	1,543,125	10,174	1,107,251	4,174,002	1,885,655
Contractual services	141,637	261,067	16,444	4,108,133	4,527,281	56,004
Utilities	633,730	174,986	168,881	51,357	1,028,954	247,368
Repairs and maintenance	580,204	688,701	19,011	686,107	1,974,023	305,361
Insurance	50,411	43,108	11,016	28,432	132,967	11,840
Other supplies and expenses	318,443	346,951	1,391	125,543	792,328	32,209
Depreciation	1,006,899	992,634	93,725	73,721	2,166,979	115,940
Total operating expenses	<u>4,244,776</u>	<u>4,050,572</u>	<u>320,642</u>	<u>6,180,544</u>	<u>14,796,534</u>	<u>2,654,377</u>
Operating income (loss)	<u>2,105,905</u>	<u>2,871,739</u>	<u>(24,861)</u>	<u>1,193,867</u>	<u>6,146,650</u>	<u>(25,089)</u>
Nonoperating revenues (expenses):						
Investment earnings	115,285	67,216	1,964	22,539	207,004	4,865
Interest and fiscal charges	-	(129,710)	(807)	-	(130,517)	(13,120)
Intergovernmental revenue	-	-	10,000	24,588	34,588	-
Property tax revenue	-	-	8,454	-	8,454	-
Gain (loss) on sale of assets	(101,129)	(12,800)	(9,250)	1,163	(122,016)	-
Landfill closure/postclosure expense	-	-	-	(99,052)	(99,052)	-
Total nonoperating revenues (expenses)	<u>14,156</u>	<u>(75,294)</u>	<u>10,361</u>	<u>(50,762)</u>	<u>(101,539)</u>	<u>(8,255)</u>
Income (loss) before capital contributions and transfers	<u>2,120,061</u>	<u>2,796,445</u>	<u>(14,500)</u>	<u>1,143,105</u>	<u>6,045,111</u>	<u>(33,344)</u>
Transfers in	5,696	-	-	-	5,696	-
Change in net position	2,125,757	2,796,445	(14,500)	1,143,105	6,050,807	(33,344)
Net position - beginning	40,537,935	36,395,571	1,780,466	(1,306,280)		(25,145)
Net position - ending	<u>\$ 42,663,692</u>	<u>\$ 39,192,016</u>	<u>\$ 1,765,966</u>	<u>\$ (163,175)</u>		<u>\$ (58,489)</u>
Adjustments for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>(9,017)</u>	
Changes in net position of business-type activities (page 18)					<u>\$ 6,041,790</u>	

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service
	Water	Wastewater	Airport	Solid Waste	Total	Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 6,176,854	\$ 6,848,389	\$ 295,966	\$ 7,347,353	\$ 20,668,562	\$ -
Receipts from interfund services provided	-	-	-	-	-	2,626,190
Payments to suppliers	(1,676,802)	(1,289,978)	(222,238)	(5,011,691)	(8,200,709)	(651,585)
Payments to or on behalf of employees for services	(1,611,986)	(1,556,556)	(10,174)	(1,092,859)	(4,271,575)	(1,830,240)
Receipts from other operating revenues	118,209	37,077	-	1,372	156,658	3,042
Net cash provided (used) by operating activities	<u>3,006,275</u>	<u>4,038,932</u>	<u>63,554</u>	<u>1,244,175</u>	<u>8,352,936</u>	<u>147,407</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	5,696	-	-	-	5,696	-
Advances to other funds	85,000	-	-	-	85,000	-
Property taxes and grants received	-	-	18,454	14,470	32,924	-
Landfill closure/postclosure liability	-	-	-	(77,872)	(77,872)	-
Net cash provided (used) by noncapital financing activities	<u>90,696</u>	<u>-</u>	<u>18,454</u>	<u>(63,402)</u>	<u>45,748</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal payments on long-term debt	-	(341,319)	(14,347)	-	(355,666)	(84,199)
Acquisition of capital assets	(640,116)	(2,319,306)	(10,000)	(62,701)	(3,032,123)	(27,395)
Proceeds from the sale of assets	8,272	-	-	1,163	9,435	-
Interest paid	-	(131,097)	(807)	-	(131,904)	(13,120)
Net cash provided (used) by capital and related financing activities	<u>(631,844)</u>	<u>(2,791,722)</u>	<u>(25,154)</u>	<u>(61,538)</u>	<u>(3,510,258)</u>	<u>(124,714)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Cash received from interest and land rentals	103,360	60,544	1,733	19,320	184,957	4,750
Purchase and redemption of investments, net	(1,026,532)	(1,301,890)	-	-	(2,328,422)	-
Net cash provided (used) by investing activities	<u>(923,172)</u>	<u>(1,241,346)</u>	<u>1,733</u>	<u>19,320</u>	<u>(2,143,465)</u>	<u>4,750</u>
Net increase (decrease) in cash and cash equivalents	1,541,955	5,864	58,587	1,138,555	2,744,961	27,443
Cash and cash equivalents - beginning	<u>16,354,139</u>	<u>7,518,987</u>	<u>382,700</u>	<u>4,259,365</u>	<u>28,515,191</u>	<u>293,663</u>
Cash and cash equivalents - ending	<u>\$ 17,896,094</u>	<u>\$ 7,524,851</u>	<u>\$ 441,287</u>	<u>\$ 5,397,920</u>	<u>\$ 31,260,152</u>	<u>\$ 321,106</u>

**Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities**

Operating income (loss)	\$ 2,105,905	\$ 2,871,739	\$ (24,861)	\$ 1,193,867	\$ 6,146,650	\$ (25,089)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,006,899	992,634	93,725	73,721	2,166,979	115,939
Pension expense	240,667	358,151	-	256,920	855,738	211,057
(Increase) decrease in:						
Accounts receivable	(82,188)	(36,845)	185	(25,646)	(144,494)	(55)
Inventories	1,157	-	6,140	-	7,297	-
Prepaid items	79	844	-	1,432	2,355	-
Net OPEB asset	-	-	-	-	-	25,146
Deferred outflows of resources for pensions	(277,618)	(304,977)	-	(207,221)	(789,816)	(154,509)
Increase (decrease) in:						
Accounts payable and other liabilities	46,387	223,991	(11,635)	(13,551)	245,192	1,197
Customer deposits	26,570	-	-	(40)	26,530	-
Compensated absences	17,587	3,964	-	9,977	31,528	3,800
Deferred inflows of resources for pensions	(79,170)	(70,569)	-	(45,284)	(195,023)	(30,079)
Net cash provided (used) by operating activities	<u>\$ 3,006,275</u>	<u>\$ 4,038,932</u>	<u>\$ 63,554</u>	<u>\$ 1,244,175</u>	<u>\$ 8,352,936</u>	<u>\$ 147,407</u>

The notes to the basic financial statements are an integral part of this statement.

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## **FIDUCIARY FUND**

### **AGENCY FUNDS**

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**CITY OF LOS BANOS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 9,011
Accounts receivable	<u>465</u>
Total assets	<u>9,476</u>
<b>LIABILITIES</b>	
Due to others	<u>9,476</u>
Total liabilities	<u>\$ 9,476</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Los Banos (the City) was incorporated as a general law city on May 8, 1907. The City operates under the Council-Manager form of government consisting of five elected council members, including the Mayor and a City Manager appointed by the City Council. The City provides the following services as authorized: public safety (police and fire), sanitation (solid waste disposal, sanitary, wastewater, and storm water utilities), water utility, community and economic development, streets, parks and recreation, and general administrative services.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. Significant accounting policies are summarized below:

**A. Description of the Financial Reporting Entity**

As required by generally accepted accounting principles, the financial statements present the City of Los Banos as the primary government. The City does not have any component units.

**B. Basis of Presentation**

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

**Government-Wide Financial Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall City government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** – The General Fund is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with government, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services and State Grants.

**Impact Fees Special Revenue Fund** – This fund accounts for fees collected from developers to cover the anticipated costs of improvement that will be necessary as a result of the impact the development has on the City.

**Community Development Block Grant (CDBG) and Home Grants Special Revenue Fund** – This fund accounts for certain designated projects paid for with Community Development Block Grant (CDBG) and Home Federal program monies received from the State, along with repayments of CDBG loans.

**Public Safety Special Revenue Fund** – This fund accounts for a half-cent sales tax approved by local citizens in November 2004 by 77.9%. This measure was passed to be used for 911 services, Police, and Fire protection. These funds are split 50/50 with the Police and Fire Departments. These funds also account for revenues received for public safety grants, impact fees and community facility districts.

**Capital Grants Fund** – This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reported all of its enterprise funds as major funds in the accompanying financial statements:

**Water Fund** – Accounts for activities associated with the acquisition or construction of water facilities and production, distribution, and transmission of potable water to users.

**Wastewater Fund** – Accounts for activities associated with the acquisition or construction, operation and maintenance of wastewater facilities for drainage, and treatment and disposal of sanitary wastewater.

**Airport Fund** – Accounts for activities associated with the operations and capital improvements of the City's municipal airport.

**Solid Waste Fund** – Accounts for activities associated with the collection and disposal of refuse throughout the City.

The City also reports the following fund types:

**Internal Service Funds** – Account for financial transactions related to the City's fleet maintenance and repairs, information technology services, and retiree health programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

**Fiduciary Funds** – Agency Funds account for assets held by the City acting in an agent capacity. Those funds include the activities of the Neighborhood Stabilization Program (NSP). The financial activities of the fund are excluded from the government-wide financial statements because they are not directly or indirectly governed by the City Council, but are presented in the separate Fiduciary Fund financial statements.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time the liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues other than grant reimbursements reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. The City considers all grant reimbursement revenues reported in the governmental funds to be available if the revenues are collected within 180 days. Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual at both the City-wide and Fund level are property, sales and franchise taxes, current service charges, and interest revenue. Fines and licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenues from entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's business-type activities and various other functions of the government. Elimination of these charges would distort the direct cost 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 *nonoperating* 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 City's enterprise funds and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Property Tax Revenues**

Merced County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 31, and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds’ share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

**H. Compensated Absences**

City employees are granted vacation in varying amounts and sick leave at eight hours per month. In the event of termination, an employee is reimbursed for accumulated vacation and compensatory time off leave at various rates as determined by the employee personnel manual. The value of accumulated vacation allowance is accrued as appropriated for all funds. With respect to obligations of the governmental fund types, the amounts are presented in the government-wide financial statements.

Compensated absences activity for the year ended June 30, 2017 was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$ 542,692	\$ 182,892	\$ 725,584
Additions	589,726	186,351	776,077
Payments	<u>(539,248)</u>	<u>(154,823)</u>	<u>(694,071)</u>
Ending balance	<u>\$ 593,170</u>	<u>\$ 214,420</u>	<u>\$ 807,590</u>
Current portion	<u>\$ 549,363</u>	<u>\$ 177,565</u>	<u>\$ 726,928</u>

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Inventory of Supplies and Prepaid Items**

Inventories are physically counted annually and valued at cost, on a first-in-first-out method, which approximates market value. Inventories consist of expendable supplies held on a consumption basis, wherein the cost is recorded as an expense at the time an item is consumed.

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

**J. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Los Banos' (City) California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING**

**A. Budgeting Procedures**

The City Council reviews and adopts an annual budget for the General, Special Revenue, Capital Projects and Enterprise Funds. The City Council holds public hearings and may modify the appropriations by general approval. Budgeted amounts may be transferred between line items within departments with the City Manager's approval. The legal level of expenditure control in the funds is considered to be at the department level. Operating appropriations lapse at the end of each fiscal year.

The budget is reported on the same basis as the fund types and on a basis consistent with accounting principles generally accepted in the United States of America. Additional appropriations or other changes during the fiscal year may be submitted by the department for Council review and approval.

**B. Excess of Expenditures Over Appropriations**

The following major funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2017:

<u>General Fund</u>		
Public safety		
Building	\$	21,232
Debt service:		
Principal		13,263
Interest and fiscal charges		2,432
 <u>CDBG and HOME Grants Special Revenue Funds</u>		
Economic development		5,023
 <u>Public Safety Special Revenue Funds</u>		
Public safety		
Fire		3,387

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING (Continued)**

**C. Deficit Fund Balance/Net Position**

The following funds contained a deficit fund balance or net position as of June 30, 2017. Future revenues are expected to offset these deficits.

Governmental Funds

Capital Grants Capital Projects	\$ 672,702
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Enterprise Funds

Solid Waste	163,175
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Internal Service Funds

Fleet Maintenance	129,833
Information Technology	301,167

**NOTE 3 – CASH AND INVESTMENTS**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except cash and investments held by trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City-managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in income for that fiscal year.

Except as described below, the City pools idle cash from all funds for the purpose of maximizing interest through investment activities. Pooled investments do not include certain bond proceeds. Investments are carried at fair value with the exception of money market investments and certain nonparticipating guaranteed investment contracts, which are carried at cost. The fair value of investments is based on published market prices and quotations from major investment brokers.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**A. Policies (Continued)**

The Local Agency Investment Fund (LAIF) is an external investment pool established under California State statutes. LAIF is not registered with the Securities and Exchange Commission. LAIF falls under the regulatory oversight of the State of California. Based on information obtained from the State of California, the investment in LAIF has been recorded at fair value.

Interest income on pooled investments is allocated on the basis of quarterly ending cash balances in the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Water Fund, Wastewater Fund, Airport Fund, and Solid Waste Fund as required by law or as directed by the City Council adopted budget. The remainder or interest income is credited to all funds, as required by California Government Code.

**B. Classifications**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the City debt instruments or Agency agreements.

Cash and investments available for operations	\$ 61,534,236
Restricted cash and investments with fiscal agents	482,806
Restricted cash and investments	<u>12,313,640</u>
Cash and investments in primary government	<u>74,330,682</u>
Fiduciary Fund:	
Cash	<u>9,011</u>
Total cash and investments	<u>\$ 74,339,693</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand and in bank	\$ 18,710,548
Investments	<u>55,629,145</u>
Total cash and investments	<u>\$ 74,339,693</u>

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expected to liquidate liabilities arising during the year.

Restricted cash and investments of \$12,796,446 are held in the Water and Wastewater Enterprise Funds for debt service and for capital projects for future infrastructure impacted by development.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**C. Investments Authorized by the California Government Code and the City’s Investment Policy**

The City’s Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City’s Investment Policy where the City’s Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Non-negotiable Certificates of Deposit	1 year	No limit	\$250,000
Bankers' Acceptances	180 days	No limit	No Limit
U.S. Treasury Bills and Notes	5 years	No limit	No Limit
U.S. Government Agency Securities	5 years	No limit	No Limit
U.S. Government Sponsored Securities	5 years	No limit	No Limit
Repurchase Agreements	N/A	No limit	\$1 Million
Commercial Paper	270 days	No limit	\$1 Million
State Local Agency Investment Fund	N/A	No limit	\$50 Million per Account
Money Market Mutual Funds	N/A	No limit	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	No limit	\$250,000

**D. Investments Authorized by Debt Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Bankers' Acceptances	360 days	A-1
U.S. Treasury Bills and Notes	None	N/A
State General Obligations	None	A
Municipal Obligations	None	Aaa/AAA
U.S. Government Agency Securities	3 years	AAA
U.S. Government Sponsored Securities	3 years	AAA
Federal Housing Administration Debentures	None	N/A
Repurchase Agreements	1 year	A
Commercial Paper	270 days	A-1+
State Local Agency Investment Fund	N/A	N/A
Money Market Fund	N/A	AAm
Defeasance Securities	N/A	N/A
Pre-funded Municipal Obligations	None	AAA
Investment Agreements	N/A	AA
Unsecured Certificates of Deposit	30 days	A-1
CalTrust	None	N/A

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**E. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

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

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	More than 36 Months	Total
<b><i>Held by City:</i></b>					
Corporate Bonds	\$ 1,486,484	\$ -	\$ -	\$ -	\$ 1,486,484
Agency Bonds	-	-	-	1,506,840	1,506,840
State Local Agency Investment Fund	43,026,452	-	-	-	43,026,452
Money Market Mutual Funds	1,659,072	-	-	-	1,659,072
Certificates of Deposit	615,304	1,423,991	493,939	4,934,257	7,467,491
<b><i>Held by Trustee:</i></b>					
Money Market Mutual Funds	482,806	-	-	-	482,806
Total investments	<u>\$ 47,270,118</u>	<u>\$ 1,423,991</u>	<u>\$ 493,939</u>	<u>\$ 6,441,097</u>	55,629,145
Cash on hand and in bank					<u>18,710,548</u>
Total cash and investments					<u>\$ 74,339,693</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investments in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pooled share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain State funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2017, these investments matured in an average of 194 days.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**F. Credit Risk**

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. The actual ratings as of June 30, 2017 were provided by Standard and Poor's investment rating system. The Local Agency Investment Fund was not rated as of June 30, 2017.

Investment Type	AAA	AA+	AA-	A+	A-	Total
<b>Held by City:</b>						
Corporate Bonds	\$ -	\$ -	\$ 500,267	\$ -	\$ 986,217	\$ 1,486,484
Agency Bonds	-	-	1,506,840	-	-	1,506,840
Money Market Mutual Funds	1,659,072	-	-	-	-	1,659,072
<b>Held by Trustee:</b>						
Money Market Mutual Funds	482,806	-	-	-	-	482,806
<b>Total</b>	<b>\$ 2,141,878</b>	<b>\$ -</b>	<b>\$ 2,007,107</b>	<b>\$ -</b>	<b>\$ 986,217</b>	<b>5,135,202</b>
<b>Not rated:</b>						
State Local Agency Investment Fund						43,026,452
Certificates of Deposit						7,467,491
Cash on hand and in banks						18,710,548
<b>Total</b>						<b>\$ 74,339,693</b>

**G. Concentration of Credit Risk**

The City's potential losses from credit risk are increased if a significant portion of its resources are invested in a single issuer. If the issuer did not make good on its obligation to the City, the impact could be potentially damaging. At June 30, 2017, the City did not have any investments in any one issuer, other than money market mutual funds and the Local Agency Investment Fund, that represent 5% or more of the total investments.

**H. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a city will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit.) The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2017, the carrying amount of the City's bank deposits was \$18,706,799. Bank balances before reconciling items were \$19,123,031 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**I. Investment Valuation**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
Corporate bonds	\$ 1,486,484	\$ -	\$ 1,486,484	\$ -
Agency bonds	1,506,840	-	1,506,840	-
Certificates of Deposit	<u>7,467,491</u>	<u>-</u>	<u>7,467,491</u>	<u>-</u>
Total debt securities	<u>\$ 10,460,815</u>	<u>\$ -</u>	<u>\$ 10,460,815</u>	<u>\$ -</u>

Certificates of deposit are valued based on the rates currently offered for deposits of similar remaining maturities. Corporate bonds are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred
General Fund	Public Safety Special Revenue Fund	\$ 92,603 (A)
General Fund	Public Safety Special Revenue Fund	273 (B)
CDBG and Home Grants Special Revenue Fund	General Fund	7,659 (C)
Impact Fees Special Revenue Fund	Public Safety Special Revenue Fund	2,500 (D)
General Fund	Public Safety Special Revenue Fund	23,958 (E)
General Fund	Water Fund	<u>5,696 (F)</u>
		<u>\$ 132,689</u>

- (A) Eliminate fund deficit
- (B) Close out Homeland Security Grant
- (C) Transfer program income to General Fund for administrative services
- (D) Fuel Tank project deposit on tank
- (E) Code Enforcement vehicle
- (F) Transfer receipt of fraud settlement

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

**B. Advances Between Funds**

At June 30, 2017, the following funds had long-term advances that were not expected to be repaid within one year.

<u>Funds Making Advances</u>	<u>Funds Receiving Advances</u>	<u>Amount</u>
Water Enterprise Fund	General Fund	\$ 795,000
Impact Fees Special Revenue Fund	Capital Grants Capital Projects Fund	<u>820,074</u>
		<u>\$ 1,615,074</u>

In July 2012, the Water Enterprise Fund provided an interfund loan to the General Fund in the amount of \$1,200,000 to pay off the City's 1993 Certificates of Participation and 2002 Lease Revenue Bonds early, thereby reducing future interest costs. The interfund advance bears an interest rate equivalent to the yield of the average quarterly investment portfolio or 1%, whichever is greater. The General Fund repaid \$85,000 in principal during the fiscal year ended June 30, 2017, and expects to repay the entire advance by fiscal year ending June 30, 2024.

The amount payable to the Impact Fee Special Revenue Fund relates to a capital loan made to the Capital Project Fund for the construction cost of the Child Development Center. The total cost for the facility was \$4,602,371. The City received funding (through federal and state grants) of \$3,533,061, leaving a deficit construction cost of \$1,069,310. Due to the fact that the site is located on a major park and thus part of the construction cost involved park improvements, the City loaned the amount needed to complete the project from the Impact Fees Fund. The loan carries no interest and is paid back from the net operational revenue generated by the Child Development Center. The outstanding balance of the loan at June 30, 2017 is \$820,074.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 – LOANS RECEIVABLE**

At June 30, 2017, the City had the following loans receivable:

	Outstanding Balance as of June 30, 2017
Residential Rehabilitation Program	\$ 1,491,344
Commercial Micro-Enterprise Program	37,605
First-Time Home Buyer Program	923,423
Neighborhood Stabilization Program	944,241
	\$ 3,396,613

**A. Residential Rehabilitation Program**

The City administers a Housing Rehabilitation Loan Program using the Housing and Community Development Act Funds. Under this program, residents with incomes below a certain level are eligible to receive low interest loans, secured by deeds of trust, for construction work on their homes. Federal grants are used to fund these loans. Upon approval of loans, the City disburses the funds, and arranges for and collects repayments. As of June 30, 2017, outstanding loans of this program amounted to \$1,491,344.

**B. Commercial Micro-Enterprise Program**

The City along with Merced County Economic Development Corporation (MCEDCO) administered a Micro-Enterprise Loan Program for technical assistance in development and implementation of small businesses. Under this program, business owners with incomes below a certain level are eligible to receive low interest loans, secured by deeds of trust, for capital or operations of their businesses. The Micro-Enterprise Program also encourages business owners to upgrade, renovate and improve their businesses. Upon approval of the loan, the City disburses the funds, and arranges for and collects repayments. As of June 30, 2017, outstanding loans of this program amounted to \$37,605.

**C. First-Time Home Buyer Program**

The City along with Merced County Association of Governments (MCAG) administered a First-Time Home Buyer Program using the Housing and Community Development Act Funds. Under this program, residents with incomes below a certain level are eligible to receive low or no interest loans, secured by deeds of trust, for the purchase of their first home. The First-Time Home Buyer Program encourages those that would not be able to receive a bank loan due to low income to be able to purchase their own home. Upon approval of the loan, the City disburses the funds, and arranges for and collects repayments. As of June 30, 2017, outstanding loans of this program amounted to \$923,423.

**D. Neighborhood Stabilization Program**

In fiscal year 2012-13, the City was awarded the Neighborhood Stabilization Program (NSP) grant from the State of California Housing and Community Development Department. The purpose of the NSP is to address the housing crisis occurring within the City by providing funds to purchase, rehabilitate, and resell vacant and foreclosed properties. The City entered into various loan agreements with residents, with zero interest and a maturity of 20/30 years. At June 30, 2017, loans outstanding totaled \$944,241.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS**

Capital assets, which include land, equipment, buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and proprietary fund financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Equipment, buildings, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Machinery and Equipment	3-20 years
Buildings, Structures and Improvements	25-50 years
Infrastructure	20-60 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**A. Governmental Activities**

Capital assets activity of the governmental activities for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 7,121,007	\$ -	\$ -	\$ -	\$ 7,121,007
Construction in progress	<u>210,157</u>	<u>135,440</u>	<u>(27,607)</u>	<u>(127,754)</u>	<u>190,236</u>
Total capital assets not being depreciated	<u>7,331,164</u>	<u>135,440</u>	<u>(27,607)</u>	<u>(127,754)</u>	<u>7,311,243</u>
Capital assets being depreciated:					
Buildings, structures and improvements	22,030,275	53,282	-	-	22,083,557
Machinery and equipment	14,362,641	1,327,983	(569,443)	127,754	15,248,935
Infrastructure	<u>129,608,622</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>129,628,622</u>
Total capital assets being depreciated	<u>166,001,538</u>	<u>1,401,265</u>	<u>(569,443)</u>	<u>127,754</u>	<u>166,961,114</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(5,770,033)	(639,053)	-	-	(6,409,086)
Machinery and equipment	(11,428,186)	(914,440)	569,443	-	(11,773,183)
Infrastructure	<u>(72,731,736)</u>	<u>(5,290,789)</u>	<u>-</u>	<u>-</u>	<u>(78,022,525)</u>
Total accumulated depreciation	<u>(89,929,955)</u>	<u>(6,844,282)</u>	<u>569,443</u>	<u>-</u>	<u>(96,204,794)</u>
Total capital assets being depreciated, net	<u>76,071,583</u>	<u>(5,443,017)</u>	<u>-</u>	<u>127,754</u>	<u>70,756,320</u>
Governmental activities capital assets, net	<u>\$ 83,402,747</u>	<u>\$ (5,307,577)</u>	<u>\$ (27,607)</u>	<u>\$ -</u>	<u>\$ 78,067,563</u>

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – CAPITAL ASSETS (Continued)**

**B. Business-Type Activities**

Capital assets activity of the business-type activities for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 8,067,666	\$ -	\$ -	\$ -	\$ 8,067,666
Construction in progress	2,014,862	2,515,536	(131,453)	(2,423,775)	1,975,170
Total capital assets not being depreciated	<u>10,082,528</u>	<u>2,515,536</u>	<u>(131,453)</u>	<u>(2,423,775)</u>	<u>10,042,836</u>
Capital assets being depreciated:					
Buildings, structures and improvements	10,040,692	-	-	-	10,040,692
Machinery and equipment	8,499,585	425,603	(62,642)	-	8,862,546
Infrastructure	53,850,752	90,984	-	2,423,775	56,365,511
Total capital assets being depreciated	<u>72,391,029</u>	<u>516,587</u>	<u>(62,642)</u>	<u>2,423,775</u>	<u>75,268,749</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(8,676,559)	(166,002)	-	-	(8,842,561)
Machinery and equipment	(5,420,387)	(458,103)	62,642	-	(5,815,848)
Infrastructure	(20,974,631)	(1,542,872)	-	-	(22,517,503)
Total accumulated depreciation	<u>(35,071,577)</u>	<u>(2,166,977)</u>	<u>62,642</u>	<u>-</u>	<u>(37,175,912)</u>
Total capital assets being depreciated, net	<u>37,319,452</u>	<u>(1,650,390)</u>	<u>-</u>	<u>2,423,775</u>	<u>38,092,837</u>
Business-type activities capital assets, net	<u>\$ 47,401,980</u>	<u>\$ 865,146</u>	<u>\$ (131,453)</u>	<u>\$ -</u>	<u>\$ 48,135,673</u>

**C. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

Governmental Activities:

General government	\$ 88,041
Public safety	510,204
Economic development	27,549
Parks and recreation	1,245,440
Highways and streets	4,857,108
Internal service fund	115,940
Total governmental activities	<u>\$ 6,844,282</u>

Business-type Activities:

Water	\$ 1,006,897
Wastewater	992,634
Airport	93,725
Solid Waste	73,721
Total business-type activities	<u>\$ 2,166,977</u>

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM DEBT**

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

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

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>						
<b>Capital Leases</b>						
Fleet Equipment Lease 5.20%, due 01/03/2019	\$ 234,114	\$ 127,967	\$ -	\$ 47,511	\$ 80,456	\$ 50,042
Fleet Equipment Lease 5.20%, due 07/11/2020	195,413	162,572	-	36,688	125,884	38,641
Fleet Equipment Lease 4.45%, due 09/05/2020	70,501	60,673	-	13,263	47,410	13,865
Total Governmental Activity Debt		<u>\$ 351,212</u>	<u>\$ -</u>	<u>\$ 97,462</u>	<u>\$ 253,750</u>	<u>\$ 102,548</u>
<b>Business-type Activities:</b>						
<b>Certificates of Participation</b>						
2003 Wastewater Revenue Bonds 2.5-4.4%, due 12/01/19	\$ 5,680,000	\$ 1,730,000	\$ -	\$ 405,000	\$ 1,325,000	\$ 425,000
Less: unamortized discounts		(159,204)	-	(63,681)	(95,523)	-
Total Certificates of Participation		<u>1,570,796</u>	<u>-</u>	<u>341,319</u>	<u>1,229,477</u>	<u>425,000</u>
<b>Note Payable</b>						
Department of Transportation 5.63%, due 6/28/17	300,000	14,347	-	14,347	-	-
Total Notes Payable		<u>14,347</u>	<u>-</u>	<u>14,347</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities Debt		<u>\$ 1,585,143</u>	<u>\$ -</u>	<u>\$ 355,666</u>	<u>\$ 1,229,477</u>	<u>\$ 425,000</u>

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**B. Fleet Equipment Lease**

During fiscal year 2013-14, the City entered into a lease agreement with Ford Motor Credit Company to lease five vehicles. The cost of the equipment was \$234,114, with an interest rate of 5.20% due in monthly installments ending in fiscal year 2018-19.

During fiscal year 2015-16, the City entered into a lease agreement with Ford Motor Credit Company to lease four vehicles. The cost of the equipment was \$195,413, with an interest rate of 5.20% due in monthly installments ending in fiscal year 2020-21.

During fiscal year 2015-16, the City entered into a lease agreement with Ford Motor Credit Company to lease a vehicle. The cost of the equipment was \$70,501, with an interest rate of 4.45% due in monthly installments ending in fiscal year 2020-21.

**C. 2003 Wastewater Revenue Certificates of Participation**

The 2003 Wastewater Revenue Refunding Certificates of Participation are serial certificates with annual maturities starting on December 1, 2004, in the amounts from \$275,000 to \$460,000. These Certificates bear interest rates from 2.50% to 4.40%, maturing December 1, 2019. Interest payments are due in semi-annual installments.

The City has pledged all future wastewater customer revenues to repay the Wastewater Revenue Bonds through 2020. The Wastewater Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$1,412,905. The Wastewater Enterprise Fund's principal and interest paid for the current year and total customer revenues were \$468,929 and \$6,885,234, respectively.

**D. Department of Transportation Note Payable**

In March 2002, the State of California Department of Transportation agreed to partially finance the construction of the Airport facility. Under the agreement, the City borrowed \$300,000 for the project. Repayments of the note were payable annually through June 2017.

**E. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt:

For the Years June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 102,548	\$ 10,465	\$ 425,000	\$ 48,085
2019	85,609	5,302	440,000	29,700
2020	58,020	1,949	460,000	10,120
2021	<u>7,573</u>	<u>43</u>	<u>-</u>	<u>-</u>
Subtotal	253,750	17,759	1,325,000	87,905
Less: deferred amounts	-	-	(95,523)	-
Total	<u>\$ 253,750</u>	<u>\$ 17,759</u>	<u>\$ 1,229,477</u>	<u>\$ 87,905</u>

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and Federal laws and regulations require the City to clean close its landfill site (due to subsurface hydrologic condition - the site operated under waste discharge requirements) when the landfill stopped accepting waste in 1991. The City received a clean closure extension until December 2017. However, the City has requested a review of the clean closure requirement by the State Water Resource Control Board and has asked to pursue alternative closure methods. Due to this request, the City's requirement to close the landfill is currently on hold until the State Water Resource Control Board finishes reviewing the City's request. Most of the costs associated with closure and postclosure care will be the construction cost associated with the clean closure process directly. The closure costs are ongoing with the start of the construction planning occurring once a final closure process has been approved by the State Water Resource Control Board. The City anticipates that the clean closure will not require substantial postclosure monitoring, and therefore anticipate minor additional costs related to postclosure care.

The City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,253,467 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and Federal laws and regulations to have financial assurance in place to finance closure and postclosure care. The City has chosen to setup a fully funded trust in order to meet this obligation.

Due to the closure extension, the City delayed funding the trust. The City has also requested an additional extension to pursue alternate cleaning methods. This request is currently under review by the State Water Resource Control Board and will delay the process until further notice. Once the final determination is made by the Board the City will be ready to immediately fund the trust and proceed with the closure process. At June 30, 2017, there are no assets held for these purposes. If there were assets, these would be reported as restricted assets on the Statement of Net Position. The City expects to fund the closure and postclosure costs from revenues of the solid waste collection operations, interest earnings on the accumulated assets held in trust, and internal financing if necessary.

**NOTE 9 – NET POSITION AND FUND BALANCES**

**A. Net Position**

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. In the government-wide financial statements, net position is classified in the following categories:

**Net investment in capital assets** – This category groups all capital assets netted by related debt into a component of net position.

**Restricted net position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. These restrictions principally include developer fees received for use on capital projects, debt service requirements, and grant-funding sources.

**Unrestricted net position** – This category presents the net position of assets that do not meet the definition of "net investment in capital assets" or "restricted net position".

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balances**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* fund balances represents balances set aside to indicate items that do not represent available spendable resources even though they are a component unit of assets. Fund balances are required to be maintained intact such as Permanent Funds, and assets not expected to be converted to cash such as prepaids, notes receivable, and land held for redevelopment are included.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation, which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the City Council which, may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the direction of the City Council or its designee. This category includes encumbrances and nonspendables when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of special revenue, capital projects and debt service funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 – NET POSITION AND FUND BALANCES (Continued)**

**B. Fund Balances (Continued)**

Detailed classifications of the City's fund balances as of June 30, 2017 are as follows:

Fund Balance Classifications	General Fund	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants	Other Governmental Funds	Total
<b>Nonspendable:</b>							
Items not in spendable form:							
Prepaid items	\$ 248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248
<b>Total nonspendable</b>	<b>248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248</b>
<b>Restricted for:</b>							
Public safety	-	-	-	3,131,395	-	-	3,131,395 (A)
Highways and streets	-	-	-	-	-	3,288,618	3,288,618 (B)
Parks and recreation	-	-	-	-	-	471,407	471,407
Development projects	-	12,182,482	-	-	-	-	12,182,482 (C)
Economic development	-	-	100,228	-	-	-	100,228
<b>Total restricted</b>	<b>-</b>	<b>12,182,482</b>	<b>100,228</b>	<b>3,131,395</b>	<b>-</b>	<b>3,760,025</b>	<b>19,174,130</b>
<b>Assigned for:</b>							
General government	1,388,226	-	-	-	-	-	1,388,226 (D)
Public safety	1,125,000	-	-	-	-	-	1,125,000 (E)
Development projects	753,097	-	-	-	-	-	753,097 (F)
<b>Total assigned</b>	<b>3,266,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,266,323</b>
<b>Unassigned:</b>	<b>9,017,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(672,702)</b>	<b>-</b>	<b>8,344,398</b>
<b>Total Fund Balances</b>	<b>\$ 12,283,671</b>	<b>\$ 12,182,482</b>	<b>\$ 100,228</b>	<b>\$ 3,131,395</b>	<b>\$ (672,702)</b>	<b>\$ 3,760,025</b>	<b>\$ 30,785,099</b>

- (A) Projects include a new Police facility and a Fire training tower.
- (B) Projects include various street improvements such as overlays throughout the City as needed and various park improvements such as playground equipment for the parks located in the assessment districts.
- (C) Projects include improvements to City Hall, improvements to the Community Center, traffic related improvements due to new development, Police and Fire equipment purchases and facility improvements.
- (D) Purchase land for future infrastructure and various one-time expenditures for equipment and capital improvements.
- (E) Acquisition of land for a new police facility and fire infrastructure ADA compliance.
- (F) Projects include relocation of the municipal airport, development of an industrial park and various other economic development projects.

**C. Minimum Fund Balance Policies**

The City's Budget and Fiscal Policy requires the City to strive to maintain 20-40% of the subsequent year's budgeted revenues for restricted fund balances in the special revenue funds and cash flow of 30% of General Fund expenditures for unassigned fund balance in the General Fund.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors seven rate plans (three miscellaneous and four safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 63	52 to 67
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.000%	6.500%
Required employer contribution rates	12.429%	7.809%	6.930%
	Safety 1st Tier	Safety 2nd Tier	Safety PEPRA
Hire Date	Prior to January 1, 2013	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 to 55	50 to 57
Monthly benefits, as a % of annual salary	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	21.230%	18.301%	12.821%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$1,361,200 for the fiscal year ended June 30, 2017.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 – PENSION PLAN (Continued)**

**A. General Information about the Pension Plan (Continued)**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the plan recognized as a part of pension expense for the year ended June 30, 2017 were \$2,438,630.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$19,994,163.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.2416%
Proportion - June 30, 2016	0.2311%
Change - Increase (Decrease)	-0.0105%

For the year ended June 30, 2017, the City recognized pension expense of \$1,009,350. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,720,626	\$ -
Changes of assumptions	-	847,443
Differences between actual and expected experience	21,271	97,250
Net difference between projected and actual earning on plan investments	4,274,646	-
Change in employer's proportion	1,233,559	396,274
Differences between the employer's actual contributions and the employer's proportionate share of contributions	701,290	-
Total	\$ 8,951,392	\$ 1,340,967

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$2,720,626 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	
2018	\$ 931,959
2019	870,697
2020	1,977,044
2021	1,110,099
2022	-
Thereafter	-

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.5% <sup>(2)</sup>
Mortality	Derived from CalPERS Membership Data for all Funds <sup>(3)</sup>

<sup>(1)</sup> Depending on age, service and type of employment

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

<sup>(3)</sup> The mortality Table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – PENSION PLAN (Continued)**

**D. Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1- 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 – PENSION PLAN (Continued)**

**D. Discount Rate (Continued)**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
\$ 29,580,138	\$ 19,994,163	\$ 12,097,751

**E. Pension Plan Fiduciary Net Position**

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**F. Payable to the Pension Plan**

The City did not have any outstanding contributions to the pension plan required for the year ended June 30, 2017.

**NOTE 11 – RISK MANAGEMENT**

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized as separate entities established under the Joint Exercise of Powers Act of the State of California. As separate entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each risk pool controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City’s responsibility.

The City participates with other public entities in a joint venture under a joint venture powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker’s compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City’s account for liability losses under \$1,000,000 and worker’s compensation losses under \$500,000. The CSJVRMA participates in excess pools, which provide general liability coverage from \$1,000,000 to \$29,000,000 and Workers Compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$50,000,000 to the statutory limit.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 – RISK MANAGEMENT (Continued)**

CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. seq. A Board of Directors governs the CSJVRMA, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The annual financial report may be obtained from the consortium’s executive office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

The City applies the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

**A. Eligibility and Benefits**

Recently hired and future employees are entitled only to statutory minimum employer contributions under Government Code Section 22892. Grandfathered employees are entitled to the following benefits:

	Dispatchers (Hired before 1/1/08)	Fire (Hired before 4/1/10)	General (Hired before 7/1/08)	Police (Hired before 4/1/10)
▪ Eligibility	50% at 10 years plus 5% per year to 100% at 20 years			
▪ Benefits Provided	Medical only			
▪ Required Service	<u>Age 50 w/10+ yrs of service</u> City pays all medical benefits up to HMO rates based on eligibility rate above  Note: No limitation to benefits for employees hired prior to 8/7/02	<u>Age 50 w/10+ yrs of service</u> City pays all medical benefits up to HMO rates based on eligibility rate above  Note: No limitation to benefits for employees hired prior to 8/7/02	<u>Age 50 w/10+ yrs of service</u> City pays all medical benefits up to HMO rates based on eligibility rate above  Note: No limitation to benefits for employees hired prior to 8/7/02	<u>Age 50 w/10+ yrs of service</u> City pays all medical benefits up to HMO rates based on eligibility rate above  Note: No limitation to benefits for employees hired prior to 8/7/02

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. At June 30, 2017, 62 retirees participated in the Plan.

**B. Funding Policy and Actuarial Assumptions**

The contributions requirements of the City are established by the City Council. Plan members are currently not required to contribute. The government is required to contribute at an actuarially determined rate. The current rate is \$1,197,742.

The annual required contribution (ARC) was determined as part of the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) investment rate of return on a pay as you go basis of 7.25%, (b) 2.75% payroll increase annually, (c) inflation rate of 2.75%, and (d) a healthcare trend increase of 4% annually. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets over a 15-year period with a 20% corridor around market value. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of value of reported amounts and assumptions about the probability of events far into the future.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)**

**B. Funding Policy and Actuarial Assumptions (Continued)**

Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a thirty-year closed amortization period.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement.

During fiscal year 2009-2010, the City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

During the fiscal year ended June 30, 2017, the City contributed \$500,516 to the CERBT trust and \$687,343 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded Net OPEB Liability, representing the difference between the ARC, amortization and contributions, as presented below:

	Governmental Activities
Annual required contribution (ARC)	\$ 1,197,742
Interest on net OPEB (asset)	(14,250)
Amortization on net OPEB (asset)	29,513
Annual OPEB cost	1,213,005
Contributions made:	
Contributions to CERBT	500,516
City's portion of current year premiums paid	687,343
	1,187,859
Increase in net OPEB obligation (asset)	25,146
Net OPEB obligation (asset) at June 30, 2016	(196,558)
Net OPEB obligation (asset) at June 30, 2017	\$ (171,412)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2015, amounted to \$20,545,808. The AAL is partially funded since assets have been transferred into CERBT. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 – POST EMPLOYMENT BENEFITS (Continued)**

**B. Funding Policy and Actuarial Assumptions (Continued)**

The Plan's annual required contribution and actual contributions for the year ended June 30 is as follows:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Asset
6/30/2015	1,072,495	1,075,756	100%	(212,616)
6/30/2016	1,214,251	1,198,193	99%	(196,558)
6/30/2017	1,213,005	1,187,859	98%	(171,412)

As of July 1, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(A-B)/C]
7/1/2015	4,434,805	20,545,808	(16,111,003)	22%	7,123,717	226%

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in several federal and state grant programs. These programs have been audited by the City's independent accountant in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 14 – CHANGE IN ESTIMATE**

During the fiscal year ending June 30, 2017, the City decreased its estimate for the amount of expected future closure/postclosure costs of the City's landfill. Based on recent historical experience as well as the fact that the City started clean closure construction planning in fiscal year 2014-15 and the City is planning to start the actual construction phase beginning in fiscal year 2017-18, the City revised the estimate for closure/postclosure care liability. During the fiscal year ending June 30, 2017, the City reduced the liability by \$77,872 in order to comply with GASB 18. As a result, of the items previously stated, the City then increased the closure/postclosure liability by \$99,052 and correspondingly increased nonoperating expenses by the same amount. After the decrease, closure/postclosure liability amounted to \$5,253,467 for the fiscal year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF LOS BANOS  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Entry Age Accrued Liability (a)	Actuarial Value of Assets (b)	Actuarial Underfunded (Overfunded) Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Underfunded (Overfunded) Liability as a % of Payroll [(b-a)/c]
7/1/2011	1,554,806	21,364,386	(19,809,580)	7%	8,188,260	242%
7/1/2013	2,953,334	17,987,242	(15,033,908)	16%	7,810,032	192%
7/1/2015	4,434,805	20,545,808	(16,111,003)	22%	7,123,717	226%

**CITY OF LOS BANOS  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST 10 FISCAL YEARS\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.2286%	0.2416%	23.1100%
Proportionate share of the net pension liability	\$ 14,362,655	\$ 16,582,007	\$ 19,994,163
Covered payroll	\$ 7,839,915	\$ 8,075,142	\$ 8,274,888
Proportionate share of the net pension liability as percentage of covered payroll	183.20%	205.35%	241.62%
Plan fiduciary net position as a percentage of the total pension liability	78.86%	75.82%	71.81%

**NOTES TO SCHEDULE**

**Changes in Benefit Terms** - None

**Changes in Assumptions** - None

\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF LOS BANOS  
SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST 10 YEARS\***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially required contribution (actuarially determined)	\$ 2,007,582	\$ 2,092,368	\$ 2,438,630	\$ 2,720,626
Contributions in relation to the actuarially determined contributions	<u>2,007,582</u>	<u>2,092,368</u>	<u>2,438,630</u>	<u>2,720,626</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,839,915	\$ 8,075,142	\$ 8,274,888	\$ 9,052,650
Contributions as a percentage of covered payroll	25.61%	25.91%	29.47%	30.05%

\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **STREETS AND ROADS**

These funds are used for the maintenance, repair, and improvements of the City's 123 miles of streets, 5 miles of alleys, 227 miles of curbs and gutters, and 216 miles of sidewalks. Street Services accomplishes a wide range of duties that include pavement management, concrete improvements, sidewalk maintenance, painting street and curb markings, traffic signs and signals, bridges, minor construction, flood control, and traffic surveys.

#### **ASSESSMENT DISTRICTS**

These funds are used for maintenance of sidewalks, landscaping, parks, street signs, street lights, trees, fences, storm drains and professional services in designated districts within the City that are then charged to the residents through the tax roll.

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2017**

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Streets and Roads</u>	<u>Assessment Districts</u>	
<b>ASSETS</b>			
Cash and investments	\$ 2,731,631	\$ 413,356	\$ 3,144,987
Accounts receivable	152	-	152
Taxes receivable	-	218,107	218,107
Interest receivable	3,351	1,405	4,756
Intergovernmental receivables	<u>560,058</u>	<u>-</u>	<u>560,058</u>
 Total assets	 <u>\$ 3,295,192</u>	 <u>\$ 632,868</u>	 <u>\$ 3,928,060</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 6,574</u>	<u>\$ 161,461</u>	<u>\$ 168,035</u>
 Total liabilities	 <u>6,574</u>	 <u>161,461</u>	 <u>168,035</u>
<b>Fund balances:</b>			
Restricted	<u>3,288,618</u>	<u>471,407</u>	<u>3,760,025</u>
 Total fund balances (deficits)	 <u>3,288,618</u>	 <u>471,407</u>	 <u>3,760,025</u>
 Total liabilities and fund balances	 <u>\$ 3,295,192</u>	 <u>\$ 632,868</u>	 <u>\$ 3,928,060</u>

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Streets and Roads	Assessment Districts	
<b>REVENUES</b>			
Taxes:			
Sales	\$ 151,670	\$ -	\$ 151,670
Intergovernmental	1,412,592	-	1,412,592
Charges for services	-	1,944,653	1,944,653
Use of property and money	12,904	5,726	18,630
Miscellaneous	360	97	457
Total revenues	1,577,526	1,950,476	3,528,002
<b>EXPENDITURES</b>			
Current:			
Highways and streets	1,515,717	-	1,515,717
Parks and recreation	-	1,790,606	1,790,606
Capital outlay:			
Parks and recreation	-	30,525	30,525
Total expenditures	1,515,717	1,821,131	3,336,848
Excess (deficiency) of revenues over (under) expenditures	61,809	129,345	191,154
Net change in fund balances	61,809	129,345	191,154
Fund balances - beginning	3,226,809	342,062	3,568,871
Fund balances - ending	\$ 3,288,618	\$ 471,407	\$ 3,760,025

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Streets and Roads		
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Sales	\$ -	\$ 151,670	\$ 151,670
Intergovernmental	1,503,089	1,412,592	(90,497)
Charges for services	-	-	-
Use of property and money	12,000	12,904	904
Miscellaneous	<u>429</u>	<u>360</u>	<u>(69)</u>
Total revenues	<u>1,515,518</u>	<u>1,577,526</u>	<u>62,008</u>
<b>EXPENDITURES</b>			
Current:			
Highways and streets	1,774,541	1,515,717	258,824
Parks and recreation	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,774,541</u>	<u>1,515,717</u>	<u>258,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(259,023)</u>	<u>61,809</u>	<u>320,832</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(259,023)	61,809	320,832
Fund balances - beginning	<u>3,226,809</u>	<u>3,226,809</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,967,786</u>	<u>\$ 3,288,618</u>	<u>\$ 320,832</u>

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

Assessment Districts			Totals		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 151,670	\$ 151,670
-	-	-	1,503,089	1,412,592	(90,497)
1,948,126	1,944,653	(3,473)	1,948,126	1,944,653	(3,473)
2,580	5,726	3,146	14,580	18,630	4,050
<u>-</u>	<u>97</u>	<u>97</u>	<u>429</u>	<u>457</u>	<u>28</u>
<u>1,950,706</u>	<u>1,950,476</u>	<u>(230)</u>	<u>3,466,224</u>	<u>3,528,002</u>	<u>61,778</u>
-	-	-	1,774,541	1,515,717	258,824
1,992,654	1,790,606	202,048	1,992,654	1,790,606	202,048
<u>41,021</u>	<u>30,525</u>	<u>10,496</u>	<u>41,021</u>	<u>30,525</u>	<u>10,496</u>
<u>2,033,675</u>	<u>1,821,131</u>	<u>212,544</u>	<u>3,808,216</u>	<u>3,336,848</u>	<u>471,368</u>
<u>(82,969)</u>	<u>129,345</u>	<u>212,314</u>	<u>(341,992)</u>	<u>191,154</u>	<u>533,146</u>
(82,969)	129,345	212,314	(341,992)	191,154	533,146
<u>342,062</u>	<u>342,062</u>	<u>-</u>	<u>3,568,871</u>	<u>3,568,871</u>	<u>-</u>
<u>\$ 259,093</u>	<u>\$ 471,407</u>	<u>\$ 212,314</u>	<u>\$ 3,226,879</u>	<u>\$ 3,760,025</u>	<u>\$ 533,146</u>

**CITY OF LOS BANOS  
CAPITAL PROJECTS FUNDS  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Capital Projects Fund - Capital Grants</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes:			
Use of property and money	\$ 42,000	\$ 42,678	\$ 678
Miscellaneous	<u>8,000</u>	<u>7,453</u>	<u>(547)</u>
Total revenues	<u>50,000</u>	<u>50,131</u>	<u>131</u>
<b>EXPENDITURES</b>			
Current:			
Parks and recreation	<u>21,983</u>	<u>21,061</u>	<u>922</u>
Total expenditures	<u>21,983</u>	<u>21,061</u>	<u>922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,017</u>	<u>29,070</u>	<u>1,053</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	28,017	29,070	1,053
Fund balances - beginning	<u>(701,772)</u>	<u>(701,772)</u>	<u>-</u>
Fund balances - ending	<u>\$ (673,755)</u>	<u>\$ (672,702)</u>	<u>\$ 1,053</u>

## **INTERNAL SERVICE FUNDS**

### **FLEET MAINTENANCE**

This fund is used for the maintenance, service, and repair of the City's fleet.

### **INFORMATION TECHNOLOGY**

This fund is used to support, maintain, and enhance the City's information technology hardware, software and communications infrastructure.

### **RETIREE'S HEALTH BENEFITS**

This fund is used to charge the departments for retiree health benefits.

**CITY OF LOS BANOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 83,426	\$ 36,843	\$ 200,837	\$ 321,106
Interest receivable	189	43	262	494
Accounts receivable	<u>-</u>	<u>587</u>	<u>-</u>	<u>587</u>
Total current assets	<u>83,615</u>	<u>37,473</u>	<u>201,099</u>	<u>322,187</u>
Noncurrent assets:				
Net OPEB asset	-	-	171,412	171,412
Capital assets:				
Buildings and improvements	5,976	-	-	5,976
Machinery and equipment	757,386	383,786	-	1,141,172
Less: accumulated depreciation	<u>(565,019)</u>	<u>(297,156)</u>	<u>-</u>	<u>(862,175)</u>
Total noncurrent assets	<u>198,343</u>	<u>86,630</u>	<u>171,412</u>	<u>456,385</u>
Total assets	<u>281,958</u>	<u>124,103</u>	<u>372,511</u>	<u>778,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	<u>93,642</u>	<u>235,293</u>	<u>-</u>	<u>328,935</u>
Total deferred outflows of resources	<u>93,642</u>	<u>235,293</u>	<u>-</u>	<u>328,935</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	38,811	6,894	-	45,705
Current portion of capital leases	88,683	-	-	88,683
Compensated absences	<u>5,424</u>	<u>18,695</u>	<u>-</u>	<u>24,119</u>
Total current liabilities	<u>132,918</u>	<u>25,589</u>	<u>-</u>	<u>158,507</u>
Noncurrent liabilities:				
Capital leases	117,657	-	-	117,657
Compensated absences	1,932	1,052	-	2,984
Net pension liability	<u>243,481</u>	<u>610,230</u>	<u>-</u>	<u>853,711</u>
Total long-term liabilities	<u>363,070</u>	<u>611,282</u>	<u>-</u>	<u>974,352</u>
Total liabilities	<u>495,988</u>	<u>636,871</u>	<u>-</u>	<u>1,132,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	<u>9,445</u>	<u>23,692</u>	<u>-</u>	<u>33,137</u>
Total deferred inflows of resources	<u>9,445</u>	<u>23,692</u>	<u>-</u>	<u>33,137</u>
<b>NET POSITION</b>				
Net investment in capital assets	198,343	86,630	-	284,973
Restricted for retiree benefits	-	-	171,412	171,412
Unrestricted	<u>(328,176)</u>	<u>(387,797)</u>	<u>201,099</u>	<u>(514,874)</u>
Total net position	<u>\$ (129,833)</u>	<u>\$ (301,167)</u>	<u>\$ 372,511</u>	<u>\$ (58,489)</u>

**CITY OF LOS BANOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
Operating revenues:				
Interdepartmental charges	\$ 952,292	\$ 476,188	\$ 1,197,766	\$ 2,626,246
Miscellaneous	<u>860</u>	<u>2,182</u>	<u>-</u>	<u>3,042</u>
Total operating revenues	<u>953,152</u>	<u>478,370</u>	<u>1,197,766</u>	<u>2,629,288</u>
Operating expenses:				
Personnel services	265,827	406,823	1,213,005	1,885,655
Contractual services	6,661	49,343	-	56,004
Utilities	247,097	271	-	247,368
Repairs and maintenance	303,588	1,773	-	305,361
Insurance	5,027	6,813	-	11,840
Other supplies and expenses	28,185	4,024	-	32,209
Depreciation	<u>91,314</u>	<u>24,626</u>	<u>-</u>	<u>115,940</u>
Total operating expenses	<u>947,699</u>	<u>493,673</u>	<u>1,213,005</u>	<u>2,654,377</u>
Operating income (loss)	<u>5,453</u>	<u>(15,303)</u>	<u>(15,239)</u>	<u>(25,089)</u>
Nonoperating revenues (expenses):				
Investment earnings	2,072	974	1,819	4,865
Interest and fiscal charges	<u>(13,120)</u>	<u>-</u>	<u>-</u>	<u>(13,120)</u>
Total nonoperating revenues (expenses)	<u>(11,048)</u>	<u>974</u>	<u>1,819</u>	<u>(8,255)</u>
Change in net position	(5,595)	(14,329)	(13,420)	(33,344)
Net position - beginning	<u>(124,238)</u>	<u>(286,838)</u>	<u>385,931</u>	<u>(25,145)</u>
Net position - ending	<u>\$ (129,833)</u>	<u>\$ (301,167)</u>	<u>\$ 372,511</u>	<u>\$ (58,489)</u>

**CITY OF LOS BANOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 952,291	\$ 476,133	\$ 1,197,766	\$ 2,626,190
Payments to suppliers	(589,730)	(61,855)	-	(651,585)
Payments to or on behalf of employees for services	(252,410)	(389,971)	(1,187,859)	(1,830,240)
Receipts from other operating revenue	<u>860</u>	<u>2,182</u>	<u>-</u>	<u>3,042</u>
Net cash provided (used) by operating activities	<u>111,011</u>	<u>26,489</u>	<u>9,907</u>	<u>147,407</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on long-term debt	(84,199)	-	-	(84,199)
Acquisition of capital assets	-	(27,395)	-	(27,395)
Interest paid	<u>(13,120)</u>	<u>-</u>	<u>-</u>	<u>(13,120)</u>
Net cash provided (used) by capital and related financing activities	<u>(97,319)</u>	<u>(27,395)</u>	<u>-</u>	<u>(124,714)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>2,059</u>	<u>963</u>	<u>1,728</u>	<u>4,750</u>
Net cash provided (used) by investing activities	<u>2,059</u>	<u>963</u>	<u>1,728</u>	<u>4,750</u>
Increase (decrease) in cash and cash equivalents	15,751	57	11,635	27,443
Cash and equivalents - July 1	<u>67,675</u>	<u>36,786</u>	<u>189,202</u>	<u>293,663</u>
Cash and equivalents - June 30	<u>\$ 83,426</u>	<u>\$ 36,843</u>	<u>\$ 200,837</u>	<u>\$ 321,106</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating income (loss)	\$ 5,453	\$ (15,303)	\$ (15,239)	\$ (25,089)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	91,313	24,626	-	115,939
Pension expense	63,129	147,928	-	211,057
(Increase) decrease in:				
Accounts receivable	-	(55)	-	(55)
Net OPEB asset/liability	-	-	25,146	25,146
Deferred outflows of resources for pensions	(44,536)	(109,973)	-	(154,509)
Increase (decrease) in:				
Accounts payable and other liabilities	828	369	-	1,197
Compensated absences	3,122	678	-	3,800
Deferred inflows of resources for pensions	<u>(8,298)</u>	<u>(21,781)</u>	<u>-</u>	<u>(30,079)</u>
Net cash provided (used) by operating activities	<u>\$ 111,011</u>	<u>\$ 26,489</u>	<u>\$ 9,907</u>	<u>\$ 147,407</u>

## **AGENCY FUND**

### **NSP IMPOUND FUND**

This fund is used for the collection of impound payments from ten Neighborhood Stabilization Program (NSP) homeowners and used to pay for their homeowners insurance and property taxes.

**CITY OF LOS BANOS  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<hr/>				
<u>NSP Impound Fund</u>				
<u>Assets</u>				
Restricted cash and investments	\$ 7,137	\$ 21,624	\$ 19,750	\$ 9,011
Accounts receivable	<u>1,756</u>	<u>(1,291)</u>	<u>-</u>	<u>465</u>
Total assets	<u>\$ 8,893</u>	<u>\$ 20,333</u>	<u>\$ 19,750</u>	<u>\$ 9,476</u>
<u>Liabilities</u>				
Due to others	<u>\$ 8,893</u>	<u>\$ 20,333</u>	<u>\$ 19,750</u>	<u>\$ 9,476</u>
Total liabilities	<u>\$ 8,893</u>	<u>\$ 20,333</u>	<u>\$ 19,750</u>	<u>\$ 9,476</u>

## STATISTICAL SECTION

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## STATISTICAL SECTION – OVERVIEW

This part of the City of Los Banos’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

### Contents

**Financial Trends:** These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

**Revenue Capacity:** These schedules contain information to help the reader assess the government’s most significant local revenue sources, sales and property taxes.

**Debt Capacity:** These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

**Demographic and Economic Information:** These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

**Operating Information:** These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the government provides and the activities it performs.

**CITY OF LOS BANOS  
NET POSITION BY COMPONENTS  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b><u>Governmental activities</u></b>										
Net investment in capital assets	\$ 76,706,901	\$ 76,666,275	\$ 85,183,899	\$ 83,345,450	\$ 90,435,796	\$ 87,022,967	\$ 83,335,435	\$ 74,482,065	\$ 83,051,535	\$ 77,813,813
Restricted	5,606,626	34,213,696	22,816,089	19,931,470	10,791,141	9,415,962	11,942,215	12,507,436	14,014,590	19,345,542
Unrestricted	<u>36,283,874</u>	<u>8,568,645</u>	<u>7,566,224</u>	<u>12,244,204</u>	<u>11,272,314</u>	<u>12,020,755</u>	<u>10,906,999</u>	<u>(639,257)</u>	<u>4,527,558</u>	<u>5,374,816</u>
Total governmental activities net position	<u>\$ 118,597,401</u>	<u>\$ 119,448,616</u>	<u>\$ 115,566,212</u>	<u>\$ 115,521,124</u>	<u>\$ 112,499,251</u>	<u>\$ 108,459,684</u>	<u>\$ 106,184,649</u>	<u>\$ 86,350,244</u>	<u>\$ 101,593,683</u>	<u>\$ 102,534,171</u>
<b><u>Business-type activities</u></b>										
Net investment in capital assets	\$ 41,483,309	\$ 42,007,838	\$ 42,203,158	\$ 41,988,815	\$ 42,580,463	\$ 42,539,669	\$ 46,049,921	\$ 45,206,093	\$ 45,816,837	\$ 46,906,196
Restricted	10,064,445	1,231,796	10,484,114	8,762,153	8,453,426	8,349,804	8,154,696	8,748,625	10,468,024	12,796,446
Unrestricted	<u>12,153,608</u>	<u>19,163,780</u>	<u>11,774,359</u>	<u>14,064,398</u>	<u>14,670,827</u>	<u>17,934,205</u>	<u>16,092,089</u>	<u>18,127,680</u>	<u>21,106,896</u>	<u>23,730,905</u>
Total business-type activities net position	<u>\$ 63,701,362</u>	<u>\$ 62,403,414</u>	<u>\$ 64,461,631</u>	<u>\$ 64,815,366</u>	<u>\$ 65,704,716</u>	<u>\$ 68,823,678</u>	<u>\$ 70,296,706</u>	<u>\$ 72,082,398</u>	<u>\$ 77,391,757</u>	<u>\$ 83,433,547</u>
<b><u>Primary government</u></b>										
Net investment in capital assets	\$ 118,190,210	\$ 118,674,113	\$ 127,387,057	\$ 125,334,265	\$ 133,024,845	\$ 129,562,636	\$ 129,385,356	\$ 119,688,158	\$ 128,868,372	\$ 124,720,009
Restricted	15,671,071	35,445,492	33,300,203	28,693,623	19,244,567	17,765,766	20,096,911	21,256,061	24,482,614	32,141,988
Unrestricted	<u>48,437,482</u>	<u>27,732,425</u>	<u>19,340,583</u>	<u>26,308,602</u>	<u>25,934,572</u>	<u>29,954,960</u>	<u>26,999,088</u>	<u>17,488,423</u>	<u>25,634,454</u>	<u>29,105,721</u>
Total primary government net position	<u>\$ 182,298,763</u>	<u>\$ 181,852,030</u>	<u>\$ 180,027,843</u>	<u>\$ 180,336,490</u>	<u>\$ 178,203,984</u>	<u>\$ 177,283,362</u>	<u>\$ 176,481,355</u>	<u>\$ 158,432,642</u>	<u>\$ 178,985,440</u>	<u>\$ 185,967,718</u>

Source: City of Los Banos Finance Department

**CITY OF LOS BANOS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,834,492	\$ 2,611,384	\$ 1,844,157	\$ 1,864,857	\$ 2,010,394	\$ 1,574,303	\$ 1,075,846	\$ 1,142,994	\$ 1,371,651	\$ 1,186,905
Public safety	10,912,579	11,897,709	11,116,070	10,969,903	10,886,906	11,001,775	11,462,611	11,382,513	9,687,489	12,473,523
Highways and streets	5,879,178	5,295,711	5,934,471	5,628,571	5,671,224	5,845,904	5,509,207	5,581,131	6,023,160	6,222,855
Parks and recreation	4,354,872	3,822,086	2,879,562	2,848,886	3,157,117	3,110,563	3,246,159	3,319,476	4,281,104	4,735,095
Redevelopment	3,090,131	3,808,607	6,545,659	1,487,704	1,727,676	-	-	-	-	-
Economic development	392,110	-	25,136	25,136	25,133	97,369	898,589	770,417	582,985	681,828
Contingency	92,267	-	-	-	-	-	-	-	-	-
Interest on long-term debt	2,086,928	1,662,142	1,710,107	1,640,803	367,517	62,042	11,251	10,451	11,594	11,232
Solid waste	355,996	-	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>31,998,553</b>	<b>29,097,639</b>	<b>30,055,162</b>	<b>24,465,860</b>	<b>23,845,967</b>	<b>21,691,956</b>	<b>22,203,663</b>	<b>22,206,982</b>	<b>21,957,983</b>	<b>25,311,438</b>
Business-type activities:										
Water	3,546,748	4,132,906	3,974,370	4,166,837	4,228,356	4,043,632	4,116,815	4,012,484	4,400,180	4,356,044
Wastewater	3,011,739	4,435,859	3,915,757	3,902,206	4,174,243	4,131,577	4,127,310	3,996,860	4,418,235	4,197,226
Airport	533,803	502,348	478,511	577,713	508,541	595,136	509,952	427,161	361,224	330,699
Solid waste	4,324,327	5,119,773	4,659,231	4,822,258	5,019,961	5,626,173	6,964,870	5,419,558	6,060,817	6,282,604
<b>Total business-type activities</b>	<b>11,416,617</b>	<b>14,190,886</b>	<b>13,027,869</b>	<b>13,469,014</b>	<b>13,931,101</b>	<b>14,396,518</b>	<b>15,718,947</b>	<b>13,856,063</b>	<b>15,240,456</b>	<b>15,166,573</b>
<b>Total primary government expenses</b>	<b>\$ 43,415,170</b>	<b>\$ 43,288,525</b>	<b>\$ 43,083,031</b>	<b>\$ 37,934,874</b>	<b>\$ 37,777,068</b>	<b>\$ 36,088,474</b>	<b>\$ 37,922,610</b>	<b>\$ 36,063,045</b>	<b>\$ 37,198,439</b>	<b>\$ 40,478,011</b>
<b>Program Revenue</b>										
Governmental activities:										
Charges for services	\$ 5,165,521	\$ 3,512,252	\$ 3,548,629	\$ 3,526,597	\$ 3,581,268	\$ 4,348,894	\$ 3,629,571	\$ 4,022,788	\$ 5,001,906	\$ 5,593,570
Operating grants and contributions	279,944	3,566,327	3,242,183	2,936,400	2,782,009	3,386,608	3,625,821	3,596,504	3,385,289	3,808,707
Capital grants and contributions	12,678,283	4,956,470	5,846,289	1,952,807	4,873,145	1,137,908	1,469,956	1,775,933	2,623,070	4,753,878
<b>Total governmental activities</b>	<b>18,123,748</b>	<b>12,035,049</b>	<b>12,637,101</b>	<b>8,415,804</b>	<b>11,236,422</b>	<b>8,873,410</b>	<b>8,725,348</b>	<b>9,395,225</b>	<b>11,010,265</b>	<b>14,156,155</b>
Business-type activities:										
Charges for services	14,096,908	13,579,350	14,629,989	13,346,234	14,390,214	16,074,638	16,802,170	17,823,033	19,539,564	20,693,974
Operating grants and contributions	45,853	21,122	82,930	161,247	90,611	22,455	24,737	15,334	24,812	34,588
Capital grants and contributions	2,939,924	90,759	-	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>17,082,685</b>	<b>13,691,231</b>	<b>14,712,919</b>	<b>13,507,481</b>	<b>14,480,825</b>	<b>16,097,093</b>	<b>16,826,907</b>	<b>17,838,367</b>	<b>19,564,376</b>	<b>20,728,562</b>
<b>Total primary government program revenue</b>	<b>\$ 35,206,433</b>	<b>\$ 25,726,280</b>	<b>\$ 27,350,020</b>	<b>\$ 21,923,285</b>	<b>\$ 25,717,247</b>	<b>\$ 24,970,503</b>	<b>\$ 25,552,255</b>	<b>\$ 27,233,592</b>	<b>\$ 30,574,641</b>	<b>\$ 34,884,717</b>

**CITY OF LOS BANOS  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Continued)**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Net (expense)/revenue:										
Governmental activities	\$ (13,874,805)	\$ (17,062,590)	\$ (17,418,061)	\$ (16,050,056)	\$ (12,609,545)	\$ (12,818,546)	\$ (13,478,315)	\$ (12,811,757)	\$ (10,947,718)	\$ (11,155,283)
Business-type activities	5,666,068	(499,655)	1,685,050	38,467	549,724	1,700,575	1,107,960	3,982,304	4,323,920	5,561,989
Total primary government (expenses) revenue, net	\$ (8,208,737)	\$ (17,562,245)	\$ (15,733,011)	\$ (16,011,589)	\$ (12,059,821)	\$ (11,117,971)	\$ (12,370,355)	\$ (8,829,453)	\$ (6,623,798)	\$ (5,593,294)
<b>General Revenues</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 12,901,473	\$ 11,680,089	\$ 9,027,831	\$ 9,363,711	\$ 7,427,582	\$ 4,946,843	\$ 5,676,238	\$ 6,031,996	\$ 5,578,732	\$ 5,704,220
Sales taxes	4,239,547	2,028,316	2,481,027	3,980,909	4,226,624	2,571,065	2,740,697	2,786,423	3,829,042	4,012,401
Other taxes	5,360,869	929,978	873,260	1,457,350	746,254	758,928	844,820	925,402	1,072,950	1,158,812
Use of money and property	408,859	1,749,064	1,254,479	831,036	140,885	1,024,908	1,150,414	1,092,444	1,205,110	1,145,645
Insurance recoveries	-	-	-	-	-	-	-	-	240,396	-
Developer contributions	-	-	-	-	-	-	-	-	1,975,532	-
Miscellaneous	-	-	-	-	-	-	146,716	(4,264,350)	243,265	80,389
Transfers	1,450,455	31,917	(100,940)	371,962	(2,953,656)	(522,782)	15,432	(6,762)	(5,124)	(5,696)
Extraordinary item	-	-	-	-	-	-	-	-	12,051,254	-
Total governmental activities	24,361,203	16,419,364	13,535,657	16,004,968	9,587,689	8,778,962	10,574,317	6,565,153	26,191,157	12,095,771
Business-type activities:										
Property taxes	-	16,063	10,815	2,374	2,412	2,390	4,598	4,493	7,626	8,454
Use of money and property	-	677,290	260,912	312,856	339,943	209,252	433,926	307,030	384,004	334,106
Developer contributions	-	-	-	-	-	-	-	-	427,312	-
Miscellaneous	1,706,354	2,790	500	38	(2,729)	1,206,745	66,655	99,360	161,373	131,545
Transfers (Note 4)	-	-	100,940	-	-	-	(15,432)	6,762	5,124	5,696
Total business-type activities	1,706,354	696,143	373,167	315,268	339,626	1,418,387	489,747	417,645	985,439	479,801
Total primary government general revenues	\$ 26,067,557	\$ 17,115,507	\$ 13,908,824	\$ 16,320,236	\$ 9,927,315	\$ 10,197,349	\$ 11,064,064	\$ 6,982,798	\$ 27,176,596	\$ 12,575,572
<b>Changes in Net Position</b>										
Governmental	\$ 10,486,398	\$ (643,226)	\$ (3,882,404)	\$ (45,088)	\$ (3,021,856)	\$ (4,039,584)	\$ (2,903,998)	\$ (6,246,604)	\$ 15,243,439	\$ 940,488
Business-type	7,372,422	196,488	2,058,217	353,735	889,350	3,118,962	1,597,707	4,399,949	5,309,359	6,041,790
Total primary government	\$ 17,858,820	\$ (446,738)	\$ (1,824,187)	\$ 308,647	\$ (2,132,506)	\$ (920,622)	\$ (1,306,291)	\$ (1,846,655)	\$ 20,552,798	\$ 6,982,278

Source: City of Los Banos Finance Department

**CITY OF LOS BANOS  
FUND BALANCES – GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011 (1)	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
General Fund:										
Reserved	\$ 1,834,780	\$ 322,046	\$ 2,252,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,069,261	3,968,264	3,305,998	-	-	-	-	-	-	-
Nonspendable	-	-	-	26,804	5,752	1,506	698	2,933	3,938	248
Restricted	-	-	-	59,102	283,826	-	-	-	-	-
Assigned	-	-	-	-	-	-	693,821	2,179,757	3,335,429	3,266,323
Unassigned	-	-	-	5,426,571	5,603,832	6,339,177	7,202,640	7,843,490	8,638,970	9,017,100
Total general funds (2)(3)	<u>\$ 4,904,041</u>	<u>\$ 4,290,310</u>	<u>\$ 5,558,351</u>	<u>\$ 5,512,477</u>	<u>\$ 5,893,410</u>	<u>\$ 6,340,683</u>	<u>\$ 7,897,159</u>	<u>\$ 10,026,180</u>	<u>\$ 11,978,337</u>	<u>\$ 12,283,671</u>
All other governmental funds:										
Reserved	\$ 2,094,304	\$ 16,323,331	\$ 4,137,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	15,281,116	13,998,862	14,426,214	-	-	-	-	-	-	-
Capital project funds	16,945,984	5,219,967	5,626,458	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	852,459	-
Restricted	-	-	-	20,850,874	12,898,904	12,237,064	11,732,860	12,294,820	13,818,032	19,174,130
Unassigned	-	-	-	755,211	(1,094,103)	(1,038,011)	(751,255)	(733,613)	(701,772)	(672,702)
Total all other governmental funds (4)(5)	<u>\$ 34,321,404</u>	<u>\$ 35,542,160</u>	<u>\$ 24,190,050</u>	<u>\$ 21,606,085</u>	<u>\$ 11,804,801</u>	<u>\$ 11,199,053</u>	<u>\$ 10,981,605</u>	<u>\$ 11,561,207</u>	<u>\$ 13,968,719</u>	<u>\$ 18,501,428</u>

Source: City of Los Banos Finance Department

**Notes:**

- (1) The City of Los Banos implemented GASB 54 in the fiscal year ended June 30, 2011.
- (2) Increase in fund balance for FY 2013-2014 due to one time revenue from the dissolution of the Los Banos Redevelopment Agency.
- (3) Increase in fund balance for FY 2014-2015 due to one time spike from the end of the State of California Triple Flip program and an increase in property tax.
- (4) Decrease in all other governmental funds for FY 2009-2010 due to expenditures related to construction of community center.
- (5) Decrease in all other governmental funds for FY 2011-2012 due to dissolution of Los Banos Redevelopment Agency.

**CITY OF LOS BANOS  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Revenues</b>										
Taxes:										
Property	\$ 12,901,473	\$ 12,319,475	\$ 9,715,042	\$ 9,363,711	\$ 7,427,582	\$ 5,642,221	\$ 6,262,533	\$ 6,863,634	\$ 6,316,878	\$ 6,504,693
Sales	4,226,125	3,645,256	4,174,239	3,980,909	4,226,624	4,463,919	4,671,192	5,026,830	6,094,290	6,458,115
Franchise	408,859	420,785	422,655	440,594	445,375	456,482	480,391	511,545	534,702	546,061
Motor vehicle	147,693	131,190	679,546	1,064,988	1,010,544	815,527	1,124,654	919,197	-	-
Other taxes	5,213,176	942,382	344,271	284,114	282,145	286,742	364,429	398,625	523,261	595,119
Licenses and permits	767,461	333,409	307,714	217,358	200,091	305,599	305,953	456,341	855,171	1,123,244
Intergovernmental	3,547,534	2,289,668	3,310,820	2,816,860	768,206	1,261,856	1,686,798	1,050,293	1,595,939	2,019,191
Charges for services	2,152,825	3,557,475	3,630,001	4,011,466	3,916,232	3,337,523	2,824,440	3,477,841	5,581,250	7,702,436
Fines	287,125	-	82,295	93,399	97,735	68,731	60,509	62,505	50,546	64,129
Use of property and money	2,035,712	2,265,389	1,411,870	1,293,039	1,237,070	1,069,142	1,150,414	1,092,444	1,205,110	1,145,645
Contributions and donations	7,860	4,619	59,059	1,820	2,055	-	-	-	-	-
Miscellaneous	395,021	348,349	169,708	273,658	199,061	66,593	141,901	98,708	250,317	280,468
<b>Total revenues</b>	<b>32,090,864</b>	<b>26,257,997</b>	<b>24,307,220</b>	<b>23,841,916</b>	<b>19,812,720</b>	<b>17,774,335</b>	<b>19,073,214</b>	<b>19,957,963</b>	<b>23,007,464</b>	<b>26,439,101</b>
<b>Expenditures</b>										
Current:										
General government	3,658,752	2,238,261	1,687,325	1,715,484	1,696,680	1,495,941	1,046,961	1,067,648	1,083,155	1,117,098
Public safety	10,438,432	11,301,041	10,245,666	10,286,114	10,253,039	10,255,576	10,912,197	11,167,699	12,202,688	13,423,807
Highways and streets	2,088,871	1,017,452	1,636,472	1,328,743	1,385,767	1,025,978	1,135,565	1,158,587	1,248,137	1,583,281
Parks and recreation	3,626,548	3,016,885	2,067,216	2,082,479	2,348,142	2,261,394	2,422,510	2,555,130	2,858,994	3,546,943
Economic development	369,326	-	-	-	-	67,515	700,675	550,212	503,184	630,829
Redevelopment	2,773,968	2,263,913	6,624,111	4,577,305	1,420,339	-	-	-	-	-
Contingency	92,267	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	575,229	577,663	1,969,465	804,075	645,000	1,405,000	-	-	9,828	13,263
Interest	1,987,159	1,691,218	1,680,963	1,611,864	834,188	62,042	11,251	10,451	11,594	11,232

**CITY OF LOS BANOS**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Continued)

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Capital outlay:										
General government	59,211	5,869	-	-	-	36,895	86,723	5,425	5,000	28,245
Public safety	1,775,153	317,831	40,936	260,745	307,962	427,961	468,591	349,660	477,051	1,191,984
Redevelopment	541,784	1,246,108	9,766,513	1,375,849	7,528	-	-	-	-	-
Highways and streets	1,856,127	1,833,585	1,055,488	1,478,973	246,028	1,034,416	934,291	254,298	199,387	-
Parks and recreation	3,041,964	371,219	52,276	54,045	-	112,161	35,150	200,162	372,016	65,670
Economic development	-	-	-	-	-	-	519	473	6,521	3,348
Total expenditures	<u>32,884,791</u>	<u>25,881,045</u>	<u>36,826,431</u>	<u>25,575,676</u>	<u>19,144,673</u>	<u>18,184,879</u>	<u>17,754,433</u>	<u>17,319,745</u>	<u>18,977,555</u>	<u>21,615,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(793,927)</u>	<u>376,952</u>	<u>(12,519,211)</u>	<u>(1,733,760)</u>	<u>668,047</u>	<u>(410,544)</u>	<u>1,318,781</u>	<u>2,638,218</u>	<u>4,029,909</u>	<u>4,823,401</u>
<b>Other Financing Sources (Uses)</b>										
Loss on property held for resale	-	-	-	-	(893,899)	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	-	70,501	-
Insurance recoveries	-	-	-	-	-	-	-	-	240,396	-
Transfer in	22,506,146	2,530,959	2,139,339	3,030,293	4,629,361	218,461	164,497	130,932	235,979	126,993
Transfer out	(23,978,860)	(2,530,959)	(2,240,279)	(2,658,331)	(4,652,302)	(741,243)	(149,065)	(137,694)	(241,102)	(132,688)
Proceeds from sale of capital assets	-	-	-	-	-	24,851	-	-	-	-
Sale of capital assets	6,263	3,673	-	-	-	-	4,815	83,243	17,910	20,337
Proceeds attributable to foreclosed property	117,296	-	-	-	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	750,000	-	-	-	-
Total other financing sources (uses)	<u>(1,349,155)</u>	<u>3,673</u>	<u>(100,940)</u>	<u>371,962</u>	<u>(916,840)</u>	<u>252,069</u>	<u>20,247</u>	<u>76,481</u>	<u>323,684</u>	<u>14,642</u>
<b>Extraordinary Items</b>										
Assets transferred to housing Successor Agency	-	-	-	-	(1,124,645)	-	-	-	-	-
Assets transferred to/liability assumed by Successor Agency	-	-	-	-	(8,046,913)	-	-	-	-	-
Total extraordinary items	-	-	-	-	<u>(9,171,558)</u>	-	-	-	-	-
Net changes in fund balances	<u>\$ (2,143,082)</u>	<u>\$ 380,625</u>	<u>\$ (12,620,151)</u>	<u>\$ (1,361,798)</u>	<u>\$ (9,420,351)</u>	<u>\$ (158,475)</u>	<u>\$ 1,339,028</u>	<u>\$ 2,714,699</u>	<u>\$ 4,353,593</u>	<u>\$ 4,838,043</u>
Debt service as a percentage of noncapital expenditures	10.01%	10.26%	14.09%	10.78%	7.96%	8.85%	0.07%	0.06%	0.12%	0.12%

Source: City of Los Banos Finance Department

**CITY OF LOS BANOS**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands)

Fiscal Year	Real Property		Personal Property	Utility	Total	Less Exemptions	Total Taxable Assessed Value	Total Direct Rate
	Land	Improvements	Personal					
2007-2008	\$ 825,707	\$ 2,200,538	\$ 47,544	\$ 2,149	\$ 3,075,938	\$ 53,881	\$ 3,022,057	1.00%
2008-2009	846,217	2,023,461	51,917	2,149	2,923,744	61,572	2,862,172	1.00%
2009-2010	439,964	1,385,997	55,642	2,149	1,883,752	69,417	1,814,335	1.00%
2010-2011	304,764	1,400,629	52,030	2,149	1,759,572	72,196	1,687,376	1.00%
2011-2012	317,257	1,445,927	51,882	2,429	1,817,495	73,779	1,743,716	1.00%
2012-2013	313,862	1,454,449	50,534	2,429	1,821,274	72,002	1,749,272	1.00%
2013-2014	338,088	1,530,444	50,653	2,429	1,921,614	77,042	1,844,572	1.00%
2014-2015	448,810	1,686,158	67,439	3,167	2,205,574	78,314	2,127,260	1.00%
2015-2016	543,391	1,738,793	67,619	3,163	2,352,966	82,650	2,270,316	1.00%
2016-2017	573,208	1,881,326	67,928	3,335	2,525,797	103,904	2,421,893	1.00%

**Source:** Merced County Assessor's Office  
Merced County Auditor-Controller's Office

**Notes:** Estimated value of taxable property not readily available in the State of California. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of actual property and is subject to the limitations of Proposition 13 passed in 1978.

**CITY OF LOS BANOS  
TAX REVENUE BY SOURCE – GENERAL FUND  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales and Use</u>	<u>Franchise</u>	<u>Motor Vehicle</u>	<u>Other</u>	<u>Total</u>
2007-2008	7,583,946 (1)	2,456,174	408,859	147,693	359,093	10,955,765
2008-2009	7,117,539	2,028,316	420,785	131,190	357,813	10,055,643
2009-2010	4,518,769 (2)	2,481,027	401,372	106,334	344,271	7,851,773
2010-2011	4,609,443	2,298,721	419,554	183,820	284,114	7,795,652
2011-2012	4,411,414	2,437,124	424,274	18,734	282,145	7,573,691
2012-2013	4,919,660	2,571,065	435,827	-	286,742	8,213,294
2013-2014	5,541,291	2,684,458	480,391	-	364,429	9,070,569
2014-2015	6,112,770 (3)	2,842,662	511,545	15,232	398,625	9,880,834
2015-2016	5,551,292	3,829,042 (4)	534,702	-	523,261	10,438,297
2016-2017	5,675,697	4,012,401	546,061	-	595,119	10,829,278

**Source:** City of Los Banos Finance Department

**Notes:**

- (1) Housing market and development increased, resulting in increased property tax.
- (2) Decrease in property tax due to economy and high foreclosure rates.
- (3) Increase in property tax due to Triple Flip ending; last admin fee settlement payment.
- (4) Sales tax increase due to increase in Triple Flip ending and true up payments.

**CITY OF LOS BANOS  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(rate per \$1,000 of assessed value)  
LAST SIX FISCAL YEARS**

Fiscal Year	City Direct Rates			Overlapping Rates		Total Rate
	City of Los Banos	County of Merced	Total District	Los Banos Unified School District Bond	Merced College Bond	
2011-2012	0.1750	0.8250	1.0000	0.1087	0.0264	0.1351
2012-2013	0.1750	0.8250	1.0000	0.0145	0.0251	0.0396
2013-2014	0.1953	0.8047	1.0000	0.0868	0.0250	0.1118
2014-2015	0.1953	0.8047	1.0000	0.0961	0.0234	0.1195
2015-2016	0.1953	0.8047	1.0000	0.1070	0.0214	0.1284
2016-2017	0.1953	0.8047	1.0000	0.1144	0.0207	0.1351

**Source:** Merced County Auditor-Controller-Tax Collector

**Notes:** In 1978, California voters passed Proposition 13 which sets the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies, including the City of Los Banos, for which the subject property resides within. The City of Los Banos's portion varies by several Tax Rate Areas (TRAs) within the City.

Information prior to 2012 is not available.

**CITY OF LOS BANOS  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND TEN YEARS AGO**

Owner	2016-2017			2006-2007		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
CALIFORNIA MILK PRODUCERS	\$ 32,013,102	1	1.32%	-		-
WAL-MART REAL ESTATE BUSINESS TRUST	27,846,878	2	1.15%	10,203,949	8	0.50%
TARGET CORP	21,593,638	3	0.89%	-		-
KAGOME USA INC	21,315,541	4	0.88%	14,244,707	3	0.70%
TREVINO PPIONEER LLC	14,585,383	5	0.60%	-		-
HOME DEPOT USA INC	12,357,320	6	0.51%	-		-
SOLOMON FRANK JR	11,821,447	7	0.49%	-		-
MCCORDUCK PROPERTIES LLC	11,132,542	8	0.46%	-		-
STONEFIELD HOME INC	10,825,729	9	0.45%	-		-
LOS BANOS II LLC	9,951,337	10	0.41%	-		-
LOS BANOS STONECREEK LP	-		-	20,077,646	1	0.98%
HOSTETLER INVESTMENTS LLC	-		-	15,327,361	2	0.75%
ANDERSON HOMES A CORP	-		-	14,137,957	4	0.69%
LOS BANOS DAIRYMEN ASSN A CORPORATION	-		-	13,941,233	5	0.68%
LARRY W & GEORGEANN M ANDERSON	-		-	12,619,003	6	0.62%
FARM CREDIT LEASING SERVICES CORP	-		-	12,437,540	7	0.61%
KB HOME SOUTH BAY INC.	-		-	8,946,371	9	0.44%
WESTERN INVESTMENT REAL ESTATE TRUST	-		-	8,729,083	10	0.43%
<b>Top 10 Assessed Values</b>	<b>\$ 173,442,917</b>		<b>7.16%</b>	<b>\$ 130,664,850</b>		<b>6.40%</b>
Total Assessed Value 2006-2007	\$ 2,047,152,000					
Total Assessed Value 2016-2017	\$ 2,421,709,816					

**Source:** Merced County Assessors Office

**CITY OF LOS BANOS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Fiscal Year	Current Tax Levies	Current Tax Collections	Percent of Current Taxes Collected <sup>(1)</sup>	Delinquent Tax Collections	Total Tax Collections
2007-2008	\$ 3,775,931	\$ 3,775,931	100%	-	\$ 3,775,931
2008-2009	3,293,827	3,293,827	100%	-	3,293,827
2009-2010	2,118,459	2,118,459	100%	-	2,118,459
2010-2011	1,946,307	1,946,307	100%	-	1,946,307
2011-2012	1,929,638	1,929,638	100%	-	1,929,638
2012-2013	2,129,214	2,129,214	100%	-	2,129,214
2013-2014	2,352,266	2,352,266	100%	-	2,352,266
2014-2015	2,861,634	2,861,634	100%	-	2,861,634
2015-2016	3,006,979	3,006,979	100%	-	3,006,979
2016-2017	3,197,238	3,197,238	100%	-	3,197,238

**Source:** Merced County Auditor-Controller

**Notes:** (1) Revenue and Taxation Code Sections 7401 through 4717 provide for an alternative method of distribution of tax levies and collections known as the Teeter Plan. Merced County distributes 100% of the current secured roll to the City of Los Banos.

**CITY OF LOS BANOS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Years	Governmental Activities <sup>(3)</sup>					Business-Type Activities				Total Primary Government	Population	Per Capita	Percent of Assessed Valuation <sup>(2)</sup>
	Lease Revenue Bond	Tax Allocation Bonds <sup>(1)</sup>	Capital Leases	COP's	Notes Payable	Bonds	Capital Leases	COP's	Notes Payable				
2007-2008	\$ 2,390,000	\$ 32,115,000	\$ 347,231	\$ 795,000	\$ 10,131	\$ -	\$ -	\$ 12,328,175	\$ 188,740	\$ 48,174,277	\$ 35,705	\$ 1,349	1.59%
2008-2009	2,320,000	30,673,271	495,737	750,000	-	-	-	11,620,765	170,574	46,030,347	36,198	1,272	1.61%
2009-2010	870,000	28,000,600	361,288	700,000	-	-	-	10,888,352	151,370	40,971,610	36,421	1,125	2.26%
2010-2011	845,000	27,502,929	115,803	645,000	-	-	-	10,130,942	131,128	39,370,802	36,525	1,078	2.33%
2011-2012	815,000	-	56,684	590,000	-	-	-	9,343,530	109,848	10,915,062	36,546	299	0.63%
2012-2013	-	-	-	-	-	-	-	8,521,119	87,530	8,608,649	37,017	233	0.49%
2013-2014	-	-	215,905	-	-	-	-	2,208,432	64,174	2,488,511	37,168	67	0.13%
2014-2015	-	-	173,077	-	-	-	-	1,897,114	39,780	2,109,971	38,670	55	0.10%
2015-2016	-	-	351,212	-	-	-	-	1,570,796	14,347	1,936,355	39,359	49	0.09%
2016-2017	-	-	253,750	-	-	-	-	1,229,477	-	1,483,227	39,993	37	0.06%

**Source:** California Municipal Statistics, City of Los Banos Finance Department

- Notes:**
- (1) Tax Allocation Bonds are zero in 2011-2012 due to the State dissolving the RDAs.
  - (2) See Assessed Value of Taxable Property schedule for Assessed Values.
  - (3) Governmental Activities are zero in Fiscal Year 2012-2013, due to City paying off the GF debt.

**CITY OF LOS BANOS  
RATIOS OF GENERAL FUND DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year	General Debt Outstanding			Total Assessed Property Value	Population	Percent of Actual Taxable Value of Property	Per Capita
	General Fund Debt Outstanding <sup>(2)</sup>	Redevelopment Bonds <sup>(1)</sup>	Total				
2007-2008	\$ 3,542,362	\$ 32,115,000	\$ 35,657,362	\$ 3,022,057,000	35,705	1.18%	\$ 999
2008-2009	3,565,737	30,673,271	34,239,008	2,862,172,000	36,198	1.20%	946
2009-2010	1,931,288	28,000,600	29,931,888	1,814,335,000	36,421	1.65%	822
2010-2011	1,605,803	27,502,929	29,108,732	1,687,376,000	36,525	1.73%	797
2011-2012	1,461,684	-	1,461,684	1,743,715,991	36,546	0.08%	40
2012-2013	-	-	-	1,749,273,122	37,017	0.00%	-
2013-2014	215,905	-	215,905	1,844,571,341	37,168	0.01%	6
2014-2015	173,077	-	173,077	2,127,260,281	38,670	0.01%	4
2015-2016	351,212	-	351,212	2,270,316,588	39,359	0.02%	9
2016-2017	253,750	-	253,750	2,421,709,816	39,993	0.01%	6

**Source:** California Municipal Statistics, City of Los Banos Finance Department.

**Notes:** (1) Tax Allocation Bonds are zero in 2011-2012 due to the State dissolving the RDAs.  
(2) General Fund debt paid off in 2013

**CITY OF LOS BANOS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

2016-2017 Assessed Valuation: \$ 2,421,709,816

	Total Debt 06/30/17	Percent Applicable <sup>(1)</sup>	City's Share of Debt 6/30/17
<b><u>Direct and Overlapping Tax and Assessment Debt</u></b>			
Merced Community College District School Facilities Improvement District No. 2	\$ 8,509,847	53.970%	\$ 4,592,764
Los Banos Unified School District	49,573,532	63.903%	<u>31,678,974</u>
<b>Total Overlapping Tax and Assessment Debt</b>			<u>36,271,738</u>
 <b><u>Direct and Overlapping General Fund Debt</u></b>			
Merced County Certificates of Participation	\$ 15,530,000	11.273%	1,750,697
Los Banos Unified School District Certificate of Participation	23,285,000	63.903%	14,879,814
City of Los Banos Capital Lease Obligations	253,751	100.000%	<u>253,750</u>
<b>Total Direct and Overlapping General Fund Debt</b>			<u>16,884,261</u>
 Overlapping Tax Increment Debt (Successor Agency)	 \$ 23,245,695	 99.302%	 23,083,440
Total Direct Debt			253,750
Total Overlapping Debt			<u>75,985,689</u>
 <b>Combined Total Debt</b>			 <u>\$ 76,239,439</u> <sup>(2)</sup>

Ratios to 2016-2017 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.50%
Total Direct Debt (\$253,751)	1.00%
Combined Total Debt	3.15%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$464,336,183):

Total Overlapping Tax Increment Debt	4.97%
--------------------------------------	-------

**Source:** California Municipal Statistics

**Notes:** (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable estimated value.  
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, and non-bonded capital lease obligations.

**CITY OF LOS BANOS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(Expressed in Thousands of Dollars)

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Assessed value	\$ 3,022,057	\$ 2,862,172	\$ 1,814,335	\$ 1,687,376	\$ 1,743,716	\$ 1,749,272	\$ 1,844,572	\$ 2,127,260	\$ 2,270,317	\$ 2,421,710
25% of full assessed value	755,514	715,543	453,584	421,844	435,929	437,318	461,143	531,815	567,579	605,428
Debt limit (15% of reduced assessed value)	113,327	107,331	68,038	63,277	65,389	65,598	69,171	79,772	85,137	90,814
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 113,327</u>	<u>\$ 107,331</u>	<u>\$ 68,038</u>	<u>\$ 63,277</u>	<u>\$ 65,389</u>	<u>\$ 65,598</u>	<u>\$ 69,171</u>	<u>\$ 79,772</u>	<u>\$ 85,137</u>	<u>\$ 90,814</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Source:** Assessed Valuation California Municipal Statistics

**Note:** We have no General Obligation Bonds

**CITY OF LOS BANOS  
PLEGDED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Water Revenue Bonds:</b>										
Water revenue	\$ 5,596,618	\$ 5,521,030	\$ 5,303,822	\$ 4,503,897	\$ 4,834,313	\$ 5,130,735	\$ 5,301,489	\$ 5,413,681	\$ 6,001,003	\$ 6,342,156
Less: operating expenses <sup>(3)</sup>	<u>(2,554,175)</u>	<u>(4,863,293)</u>	<u>(3,704,228)</u>	<u>(3,127,961)</u>	<u>(3,082,750)</u>	<u>(2,904,393)</u>	<u>(3,004,186)</u>	<u>(3,107,370)</u>	<u>(3,115,891)</u>	<u>(3,342,002)</u>
Net available revenue	<u>3,042,443</u>	<u>657,737</u>	<u>1,599,594</u>	<u>1,375,936</u>	<u>1,751,563</u>	<u>2,226,342</u>	<u>2,297,303</u>	<u>2,306,311</u>	<u>2,885,112</u>	<u>3,000,154</u>
Debt service <sup>(1)</sup>	<u>563,907</u>	<u>563,923</u>	<u>563,462</u>	<u>566,904</u>	<u>559,523</u>	<u>561,385</u>	<u>4,434,626</u>	-	-	-
Coverage ratio	5.40	1.17	2.84	2.43	3.13	3.97	0.52	N/A	N/A	N/A
<b>Wastewater Revenue Bonds:</b>										
Wastewater revenue <sup>(4)</sup>	4,431,239	3,295,789	4,140,798	3,075,645	3,844,014	4,549,108	4,989,878	5,565,988	6,184,581	6,930,523
Less: operating expenses <sup>(3)</sup>	<u>(1,677,213)</u>	<u>(3,040,440)</u>	<u>(3,534,678)</u>	<u>(2,540,594)</u>	<u>(2,605,734)</u>	<u>(2,705,074)</u>	<u>(2,773,005)</u>	<u>(2,752,898)</u>	<u>(2,832,174)</u>	<u>(3,077,148)</u>
Net available revenue	<u>2,754,026</u>	<u>255,349</u>	<u>606,120</u>	<u>535,051</u>	<u>1,238,280</u>	<u>1,844,034</u>	<u>2,216,873</u>	<u>2,813,090</u>	<u>3,352,407</u>	<u>3,853,375</u>
Debt service <sup>(2)</sup>	<u>776,065</u>	<u>823,867</u>	<u>654,017</u>	<u>814,101</u>	<u>817,148</u>	<u>810,501</u>	<u>2,379,577</u>	<u>470,309</u>	<u>470,115</u>	<u>468,929</u>
Coverage ratio	3.55	0.31	0.93	0.66	1.52	2.28	0.93	5.98	7.13	8.22

**Source:** City of Los Banos Finance Department

(1) 2002 Water COP called in Fiscal Year 2013-2014

(2) 1997 Wastewater COP called in Fiscal Year 2013-2014

(3) Depreciation, Compensated Absences and Charge Outs not included in Operating Expenses

(4) Revenue includes Ag Farming Income

**CITY OF LOS BANOS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Calendar Year	City of Los Banos					Merced County				
	Population <sup>(1)</sup>	Labor Force <sup>(2)</sup>	Employment	Unemployment		Population <sup>(1)</sup>	Labor Force <sup>(2)</sup>	Employment	Unemployment	
				Rate <sup>(2)</sup>	Numbers				Rate <sup>(2)</sup>	Numbers
2008	35,705	12,500	10,900	12.7%	1,600	255,250	102,200	89,200	12.6%	12,900
2009	36,198	13,200	10,800	17.6%	2,300	256,450	105,400	87,900	16.6%	17,500
2010	36,421	15,800	12,900	18.3%	2,900	258,495	113,600	93,200	18.0%	20,400
2011	36,525	15,900	13,100	18.0%	2,900	257,984	114,700	94,500	17.6%	20,200
2012	36,546	16,000	13,300	16.7%	2,700	258,736	115,200	96,400	16.3%	18,800
2013	37,017	15,900	13,500	14.8%	2,400	262,478	114,900	98,200	14.5%	16,700
2014	37,168	15,800	13,800	13.1%	2,100	264,922	115,000	100,200	12.8%	14,700
2015	38,670	15,800	14,000	11.6%	1,800	266,134	115,100	102,000	11.4%	13,100
2016	39,359	15,900	14,100	11.0%	1,800	271,579	115,500	103,000	10.7%	12,400
2017	39,993	15,789	14,178	10.3%	1,633	274,665	114,578	103,022	10.1%	10,676

**Source:** (1) California State Department of Finance  
(2) State of California Employment Development Department (City of Los Banos)

**CITY OF LOS BANOS  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND SEVEN YEARS AGO**

Employer	2016-2017			2009-2010*		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Los Banos Unified School District	1,120	1	7.90%	850	1	8.10%
Wal-Mart	325	2	2.29%	130	3	1.24%
Memorial Hospital	208	3	1.47%	217	2	2.07%
City of Los Banos	186	4	1.31%	210	5	2.00%
Kagome	178	5	1.26%	100	7	-
Target	150	6	1.06%	-	-	-
Home Depot	118	7	0.83%	125	6	1.19%
Central California Irrigation	76	8	0.54%	-	-	-
APEX	73	9	0.51%	-	-	-
Food 4 Less	70	10	0.49%	-	-	-
Lowes	-	-	-	175	4	1.67%
Kmart	-	-	-	85	9	0.81%
California Dairies	-	-	-	70	10	0.67%
Save Mart	-	-	-	85	8	0.81%
<b>Total</b>	<b>2,504</b>		<b>17.66%</b>	<b>2,047</b>		<b>18.56%</b>

**Source:** (1) City of Los Banos Finance Department

**Note:** \*We only have records starting with FY 2009-2010

**CITY OF LOS BANOS  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

FUNCTION/PROGRAM	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
General Government:										
Administration	8.60	5.60	5.30	4.88	4.88	5.21	5.18	5.35	5.35	5.68
Community and Economic	5.50	4.50	3.00	3.00	2.00	2.00	2.00	2.00	2.00	3.00
Water Admin	3.42	4.44	4.54	3.78	3.79	4.33	4.34	4.27	4.27	4.60
Waterwaste Admin	3.35	4.35	4.45	3.70	3.70	4.33	4.25	4.19	4.19	4.52
Solid Waste Admin	3.38	4.36	4.46	3.05	3.70	4.21	4.22	4.17	4.17	4.49
Police:										
Sworn	47.00	48.00	38.00	40.00	39.00	39.00	39.00	39.00	39.00	40.00
Non-Sworn	32.00	26.00	20.00	20.00	19.00	20.00	19.50	19.50	20.50	23.50
Code Enforcement	1.00	1.00	1.50	0.50	1.20	1.50	2.50	2.50	2.50	2.50
Fire:										
Sworn	17.15	17.15	15.25	15.25	15.20	15.90	15.90	15.90	15.90	15.90
Non-Sworn	1.50	1.50	1.50	1.50	1.50	1.50	1.00	1.00	2.00	2.00
Building Sworn	1.85	1.85	0.75	0.75	0.75	0.10	0.10	0.10	0.10	0.10
Building Non-Sworn	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Works:										
Engineering	3.00	2.35	1.10	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Water	12.72	11.70	11.55	11.55	11.30	11.35	10.85	11.19	11.19	11.76
Wastewater	8.63	11.20	10.95	10.95	10.70	10.70	10.26	10.59	10.59	10.90
Solid Waste	6.45	6.05	6.00	6.00	6.00	6.00	6.00	6.33	6.33	7.65
Streets	11.35	9.00	8.80	8.80	7.80	7.80	7.80	7.80	8.80	11.05
Maintenance	7.30	9.30	8.20	7.20	7.15	7.15	7.15	7.15	7.15	9.40
Recreation	4.00	4.19	1.19	1.19	1.13	1.16	1.19	1.19	1.19	1.19
Airport	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fleet	2.20	2.21	1.21	1.20	1.20	1.21	2.21	2.22	2.22	2.21
Redevelopment	3.25	4.25	4.25	5.15	4.45	0.00	0.00	0.00	0.00	0.00
Information Technology	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	188.00	183.00	155.00	152.00	148.00	147.00	147.00	148.00	151.00	164.00

Source: City of Los Banos Finance Department

**CITY OF LOS BANOS  
OPERATING INFORMATION, OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

FUNCTION/PROGRAM	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Police:</b>										
Jail Bookings	3,551	3,235	2,581	2,467	1,912	1,179	1,151	1,610	1,724	1,905
Traffic Collisions	322	323	342	435	349	358	407	421	546	631
Parking Citations	1,786	1,703	1,519	1,902	1,234	1,380	1,102	654	966	889
Moving Citations	4,763	4,517	3,105	3,555	3,308	2,513	3,017	2,929	3,803	2,919
<b>Fire:</b>										
Fire Calls	563	691	628	206	654	628	699	677	914	973
Medical Calls	1,190	1,164	1,268	1,190	1,430	1,406	1,557	1,664	1,793	1,737
Inspections	9,388	4,474	2,161	471	300	606	676	720	751	732
<b>Public Works</b>										
<b>Streets:</b>										
Street Surfacing (Miles)	3.46	-	-	-	-	-	0.14	0.55	0.52	1.04
<b>Parks and Recreation:</b>										
Rec. Youth Program Enrollments <sup>(1)(4)</sup>	1,821	1,799	1,105	1,079	1,108	1,198	1,158	1,240	1,202	1,266
<b>Water:</b>										
Water Delivered (millions)	2,919	3,549	3,017	2,689	2,515	2,737	2,765	2,389	2,169	2,158
Connections	12,277	11,054	10,681	10,996	10,894	10,967	10,871	10,816	11,369	11,648
<b>Sewer:</b>										
Average Daily Flow (mgd)	3.56	3.22	2.97	2.92	2.90	2.86	2.90	2.93	2.90	2.80
Connections	10,310	9,931	10,361	10,617	10,737	10,854	10,699	10,640	11,077	11,294
<b>Solid Waste:</b>										
<b>Street Sweeping,</b>										
Miles per Year <sup>(2)</sup>	21,024	20,820	20,178	22,298	22,920	21,697	23,704	22,576	22,386	21,225
Green Waste Pick-ups	9,015	7,366	9,744	9,961	10,087	10,154	11,163	10,193	10,491	10,546
Recycling Pick-ups <sup>(3)</sup>	8,722	6,704	9,655	9,969	10,067	10,245	11,059	10,205	10,600	10,535

**Source:** Various City Departments

**Notes:** (1) In FY 2009-2010 the City no longer offered the Aquatics program.  
(2) Street Sweeping went from bi-monthly to weekly in 2007.  
(3) Recycling Program began in 2008.  
(4) In FY 2014-2015 the City offered British Soccer

**CITY OF LOS BANOS  
OPERATING INFORMATION, CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

FUNCTION/PROGRAM	Fiscal Years									
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	22	16	16	16	17	18	15	14
Motorcycle Units	2	2	2	2	2	2	2	2	2	2
<b>Fire:</b>										
Stations	2	2	2	2	2	2	2	2	2	2
Service Units	15	15	15	15	15	15	14	13	14	16
<b>Public Works</b>										
<b>Streets:</b>										
Miles	102.7	107.6	108.9	109.85	109.85	109.85	110	123	123	123
<b>Parks and Recreation:</b>										
Acreage	223	233	233	233	233	233	233	233	233	233
Playgrounds	31	33	33	33	33	33	33	33	33	33
Baseball/Softball Diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/Football Fields	6	6	6	6	6	6	6	6	6	6
Basketball Courts	13	13	13	13	13	13	13	13	13	13
<b>Water:</b>										
Water Mains (miles)	155	165	170	170	170	170	170	172	172	172
Fire Hydrants	1,505	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Storage Capacity (gallons)	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
<b>Sewer:</b>										
Sanitary Sewers (miles)	126	130	130	130	130	130	130	130	130	130
<b>Solid Waste:</b>										
Street Sweepers	2	2	2	2	2	2	2	2	2	2

**Source:** Various City Departments