



# City of Los Banos

At the Crossroads of California

[www.losbanos.org](http://www.losbanos.org)

## AGENDA

### CITY COUNCIL MEETING

CITY HALL COUNCIL CHAMBERS  
520 J Street  
Los Banos, California

**JANUARY 20, 2016**

*If you require special assistance to attend or participate in this meeting, please call the City Clerk's Office @ (209) 827-7000 at least 48 hours prior to the meeting.*

*The City of Los Banos complies with the Americans with Disabilities Act (ADA) of 1990.*

*Si requiere asistencia especial para atender o participar en esta junta por favor llame a la oficina de la Secretaria de la ciudad al (209) 827-7000 a lo menos de 48 horas previas de la junta.*

*La Ciudad de Los Banos cumple con la Acta de Americanos con Desehabilidad (ADA) de 1990.*

*Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be made available for public inspection at the meeting and in the City Clerk's office located at City Hall, 520 J Street, Los Banos, California during normal business hours. In addition, such writings and documents may be posted on the City's website at [www.losbanos.org](http://www.losbanos.org).*

*Cualquier escritura o los documentos proporcionaron a una mayoría del Ayuntamiento respecto a cualquier artículo en este orden del día será hecho disponible para la inspección pública en la reunión y en la oficina de la Secretaría de la ciudad en City Hall, 520 J Street, Los Banos, California durante horas de oficina normales. Además, tales escrituras y los documentos pueden ser anunciados en el website de la ciudad en [www.losbanos.org](http://www.losbanos.org).*

1. CALL TO ORDER. **7:00 PM**
2. PLEDGE OF ALLEGIANCE.
3. ROLL CALL: (City Council Members)  
Faria \_\_\_\_, Lewis \_\_\_\_, Silveira \_\_\_\_, Stonegrove \_\_\_\_, Villalta \_\_\_\_
4. CONSIDERATION OF APPROVAL OF AGENDA.
5. REORGANIZATION OF CITY COUNCIL – SELECTION OF MAYOR PRO TEM.

*Recommendation: Selection made by the consensus of the City Council.*

6. PUBLIC FORUM. (Members of the public may address the City Council Members on any item of public interest that is within the jurisdiction of the City Council; includes agenda and non-agenda items. No action will be taken on non-agenda items. Speakers are limited to a five (5) minute presentation. Detailed guidelines are posted on the Council Chamber informational table.)
  
7. CONSIDERATION OF APPROVAL OF CONSENT AGENDA. (Items on the Consent Agenda are considered to be routine and will be voted on in one motion unless removed from the Consent Agenda by a City Council Member.)
  - A. Check Register for #157344 – #157486 in the Amount of \$974,237.03.  
*Recommendation: Approve the check register as submitted.*
  
  - B. Minutes for the January 7, 2015 Adjourned City Council Meeting.  
*Recommendation: Approve the minutes as submitted.*
  
  - C. Minutes for the January 12, 2015 Special City Council Meeting.  
*Recommendation: Approve the minutes as submitted.*
  
  - D. City Council Resolution No. 5719 – Approving and Accepting Parcel Map No. 2015-02, 160 West Santa Barbara Street, APN 081-180-004, Village Green Subdivision.  
*Recommendation: Adopt the resolution as submitted.*
  
  - E. City Council Resolution No. 5720 – Adopting a Revised Budget for the 2015/2016 Fiscal Year as it Pertains to Expenditures in the Special Revenue Fund – Fire Augmentation Professional Services Account.  
*Recommendation: Adopt the resolution as submitted.*
  
  - F. City Council Resolution No. 5721 – Authorizing the Release of Unclaimed Checks Pursuant to California Government Code Section 50055 to the City of Los Banos.  
*Recommendation: Adopt the resolution as submitted.*
  
  - G. City Council Resolution No. 5722 – Approving an Amendment to Division 5-K – Workers’ Compensation Reporting Policy of the City’s Policy & Procedures Manual.  
*Recommendation: Adopt the resolution as submitted.*
  
8. CONSIDERATION OF THE ADOPTION OF CITY COUNCIL RESOLUTION NO. 5723 – ACCEPTING THE 2014-2015 FISCAL YEAR AUDIT REPORTS CONSISTING OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR), THE GOVERNMENT AUDITING STANDARDS REPORT, AND THE

TRANSPORTATION DEVELOPMENT ACT PROGRAM FINANCIAL STATEMENTS.

*Recommendation: Receive staff report and adopt the resolution as submitted.*

9. PUBLIC HEARING. (If you challenge the proposed action as described herein in court, you may be limited to raising only those issues you or someone else raised at the public hearing described herein or in written correspondence delivered to the City at, or prior to, the public hearing.)

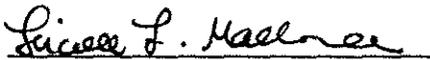
A. Public Hearing – To Receive Public Comment and Consideration of an Ordinance Imposing an Express Ban on Marijuana Cultivation, Marijuana Processing, Marijuana Delivery, and Marijuana Dispensaries in the City of Los Banos.

- 1) Ordinance No. 1142 – Imposing an Express Ban on Marijuana Cultivation, Marijuana Processing, Marijuana Delivery, and Marijuana Dispensaries in the City of Los Banos. **(Second Reading & Adoption)**

*Recommendation: Receive staff report, open public hearing, receive public comment, close the public hearing, waive the second reading and adopt the ordinance as submitted.*

10. ADVISEMENT OF PUBLIC NOTICES. (No Report)
11. CITY MANAGER REPORT.
12. CITY COUNCIL MEMBER REPORTS.
- A. Tom Faria
- B. Deborah Lewis
- C. Scott Silveira
- D. Elizabeth Stonegrove
- E. Mayor Mike Villalta
14. CLOSED SESSION – Public Employee Employment, City Manager, Pursuant to Government Code Section 54957.
15. ADJOURNMENT.

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted on the City Hall bulletin board not less than 72 hours prior to the meeting.

  
Lucille L. Mallonee, City Clerk

Dated this 14<sup>th</sup> day of January 2016

CK # 157344 - 157486

01/20/2016

\$974,237.03

# Bank Reconciliation

## Checks by Date

User: sorozco  
 Printed: 01/12/2016 - 10:47AM  
 Cleared and Not Cleared Checks  
 Print Void Checks



City of  
**Los Banos**  
 At the Crossroads of California

Check No	Check Date	Name	Module	Void	Amount
157344	12/30/2015	Aramark Uniform Ser Inc	AP		502.10
157345	12/30/2015	AT&T	AP		33.73
157346	12/30/2015	Auto Zone Commercial	AP		194.39
157347	12/30/2015	BJ's Consumers Choice	AP		68.00
157348	12/30/2015	Brinks Inc.	AP		528.13
157349	12/30/2015	Giselle Bueno	AP		600.00
157350	12/30/2015	California Dairies Inc	AP		170.54
157351	12/30/2015	Cemex, Inc	AP		331.36
157352	12/30/2015	Chevron Usa Inc	AP		178.90
157353	12/30/2015	Comcast	AP		97.11
157354	12/30/2015	Comcast	AP		109.96
157355	12/30/2015	Copy Shipping Solutions	AP		21.73
157356	12/30/2015	Federal Express	AP		5.90
157357	12/30/2015	Ferrellgas, Inc.	AP		18.69
157358	12/30/2015	Gouveia Engineering Inc.	AP		1,170.75
157359	12/30/2015	Home Depot	AP		4,835.98
157360	12/30/2015	Johnnie's Cleaners	AP		112.75
157361	12/30/2015	Kully Supply, Inc.	AP		181.46
157362	12/30/2015	Los Banos Express Oil & Lube	AP		40.45
157363	12/30/2015	Marfab Inc	AP		79.76
157364	12/30/2015	Merced County Environmental Health	AP		2,608.00
157365	12/30/2015	Montgomery Menezes	AP		500.00
157366	12/30/2015	Napa Auto Parts	AP		20.50
157367	12/30/2015	Normac Inc	AP		632.02
157368	12/30/2015	The Office City	AP		184.27
157369	12/30/2015	Pacific Water Resources	AP		274.83
157370	12/30/2015	Pitney Bowes Inc	AP		453.60
157371	12/30/2015	People of the Cross	AP		600.00
157372	12/30/2015	Ronny's Landscaping	AP		900.00
157373	12/30/2015	SESAC, Inc.	AP		755.00
157374	12/30/2015	Safe T Lite	AP		1,718.55
157375	12/30/2015	Angel H. Saucedo	AP		350.00
157376	12/30/2015	Sorensens True Value	AP		433.48
157377	12/30/2015	US Bank Corp Pymt System	AP		12,670.72
157378	12/30/2015	Baljinder Singh	AP		14.48
157379	12/30/2015	UC Construction	AP		67.42
157380	12/30/2015	UC Construction	AP		67.42
157381	12/30/2015	Home Sweet Home Property Management	AP		80.81
157382	12/30/2015	Carlos and Catrina Tamayo	AP		13.49
157383	12/30/2015	Anna & Andrew Rea	AP		13.49
157384	12/30/2015	Verizon Wireless	AP		185.40
157385	12/30/2015	Walmart	AP		578.84
157386	12/30/2015	Young's Automotive	AP		265.50
157387	12/30/2015	Liebert Cassidy Whitmore	AP		171.50

Check No	Check Date	Name	Module	Void	Amount
157388	12/30/2015	Los Banos Volunteer	AP		2,000.00
157389	12/30/2015	Gerald "Obie" O'Brien	AP		77.14
157390	12/30/2015	Scott Savage	AP		373.75
157391	12/30/2015	Law Offices of William A Vaughn	AP		9,000.00
157413	1/5/2016	Aflac-Customer Service	AP		95.81
157414	1/5/2016	Aflac-Customer Service	AP		143.95
157415	1/5/2016	Aflac-Customer Service	AP		41.26
157416	1/5/2016	Aflac-Customer Service	AP		48.36
157417	1/5/2016	Bank of America	AP		94,161.26
157418	1/5/2016	Bank of America	AP		11,870.31
157419	1/5/2016	Bank of America	AP		2,462.41
157420	1/5/2016	In Shape Health Clubs Inc	AP		532.00
157421	1/5/2016	Los Banos Police Assn	AP		1,998.00
157422	1/5/2016	MassMutual	AP		1,342.59
157423	1/5/2016	MassMutual	AP		5,160.00
157424	1/5/2016	Nationwide Retirement Solutions	AP		1,420.00
157425	1/5/2016	Professional Fire Fighter	AP		585.00
157426	1/5/2016	State Disbursement Unit	AP		1,161.00
157427	1/5/2016	Vantagepont Transfer Agents - 306797	AP		590.43
157428	1/5/2016	Vantagepoint Transfer Agents - 705827	AP		25.00
157429	1/5/2016	Vantagepoint Transfer Agents - 801838	AP		2,150.00
157430	1/6/2016	Westamerica Bank - Cafeteria Plan	AP		186,330.91
157431	1/8/2016	Alhambra	AP		153.43
157432	1/8/2016	Alert-O-Lite, Inc.	AP		2,437.33
157433	1/8/2016	Anderson Pump Company Inc	AP		29,242.47
157434	1/8/2016	Aramark Uniform Ser Inc	AP		911.41
157435	1/8/2016	AT&T	AP		299.36
157436	1/8/2016	Dorothy June Baker	AP		44.99
157437	1/8/2016	BlueTarp Financial, Inc.	AP		47.00
157438	1/8/2016	BSK Associates	AP		462.00
157439	1/8/2016	Central Valley Concrete	AP		368.19
157440	1/8/2016	CSJVRMA	AP		240,460.00
157441	1/8/2016	Copy Shipping Solutions	AP		4.86
157442	1/8/2016	LN Curtis & Sons	AP		2,504.32
157443	1/8/2016	Dell Marketing L P	AP		3,147.29
157444	1/8/2016	Farmer Brothers Coffee	AP		90.64
157445	1/8/2016	Fast Track Car Wash	AP		10.50
157446	1/8/2016	Greenwood Chevrolet	AP		38.25
157447	1/8/2016	Holt of California	AP		359.75
157448	1/8/2016	Jerry Witt	AP		4,023.00
157449	1/8/2016	Los Banos Express Oil & Lube	AP		171.82
157450	1/8/2016	Matson Alarm Co Inc	AP		186.00
157451	1/8/2016	McNamara Sports Inc	AP		5,516.54
157452	1/8/2016	Merced Chevrolet Inc.	AP		780.44
157453	1/8/2016	Merced County Environmental Health	AP		1,421.00
157454	1/8/2016	Merced County Regional Waste Management Authority	AP		1,898.79
157455	1/8/2016	Merced County Regional Waste Management Authority	AP		67,341.79
157456	1/8/2016	Merced County Regional Waste Management Authority	AP		7,630.26
157457	1/8/2016	Merced County Weights & Measures	AP		142.20
157458	1/8/2016	Mobley Enterprises Inc.	AP		1,075.00
157459	1/8/2016	Napa Auto Parts	AP		13.49
157460	1/8/2016	New Pig Corporation	AP		728.65
157461	1/8/2016	The Office City	AP		175.68
157462	1/8/2016	OSE	AP		433.65
157463	1/8/2016	O'Reilly Auto Parts	AP		677.92
157464	1/8/2016	P G & E Company	AP		88,760.10
157465	1/8/2016	Pitney Bowes Inc	AP		141.35

Check No	Check Date	Name	Module	Void	Amount
157466	1/8/2016	American Future Systems, Inc.	AP		330.00
157467	1/8/2016	Provost and Pritchard Engineering, Inc.	AP		8,902.80
157468	1/8/2016	Protech Security & Electronics, Inc.	AP		25.38
157469	1/8/2016	Ronny's Landscaping	AP		42,965.14
157470	1/8/2016	Lisa Romero	AP		600.00
157471	1/8/2016	Hector Silva	AP		350.00
157472	1/8/2016	Sorensens True Value	AP		440.63
157473	1/8/2016	Summit Uniforms Inc	AP		64.16
157474	1/8/2016	Toscano Upholstery	AP		26.00
157475	1/8/2016	Westside Water Conditioning	AP		20.00
157476	1/8/2016	Windecker Inc	AP		575.18
157477	1/8/2016	Young's Automotive	AP		2,592.13
157478	1/8/2016	Bank of America	AP		25.81
157479	1/8/2016	Timothy D. Bowen	AP		936.00
157480	1/8/2016	City of Los Banos Escrow Account	AP		1,624.30
157481	1/8/2016	Dept of Housing & Community Development State NSP	AP		16,281.00
157482	1/8/2016	Joshua Houtekamer	AP		345.00
157483	1/8/2016	Michael Lewis	AP		140.39
157484	1/8/2016	PERS - Public Employees	AP		79,952.63
157485	1/8/2016	Pinnacle Medical Group	AP		40.00
157486	1/8/2016	U.S. Bank Equipment Finance	AP		1,890.82

Break in check sequence due to the following:  
Check # 157392 - 157412 (Payroll)

Total Void Check Count:	0
Total Void Check Amount:	0
Total Valid Check Count:	122
Total Valid Check Amount:	974,237.03
Total Check Count:	122
Total Check Amount:	974,237.03

**CITY OF LOS BANOS**  
**ADJOURNED CITY COUNCIL MEETING MINUTES**  
**JANUARY 7, 2016**

*ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the City Council. For greater detail of this meeting refer to the electronic media (CD and/or audio) kept as a permanent record.*

**CALL TO ORDER:** Mayor Villalta called the City Council Meeting to order at the hour of 5:01 P.M.

**PLEDGE OF ALLEGIANCE:** The pledge of allegiance was led by Police Chief Brizzee.

**ROLL CALL – MEMBERS OF THE CITY COUNCIL PRESENT:** Council Members Tom Faria, Deborah Lewis, Scott Silveira, Elizabeth Stonegrove, Mayor Michael Villalta; Absent: None.

**STAFF MEMBERS PRESENT:** City Clerk/Human Resources Director Mallonee, City Attorney Vaughn, City Treasurer/Accountant I Brazil, Police Chief Brizzee, Finance Director Williams, Fire Chief Marrison, Information Technology Director Spalding.

**CONSIDERATION OF APPROVAL OF AGENDA:** Motion by Faria, seconded by Lewis to approve the agenda as submitted. The motion carried by the affirmative action of all City Council Members present.

**PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE CITY COUNCIL MEMBERS ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE CITY; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. DETAILED GUIDELINES ARE POSTED ON THE COUNCIL CHAMBER INFORMATIONAL TABLE.** Mayor Villalta opened the public forum. No one came forward to speak and the public forum was closed.

**CONSIDERATION OF THE SELECTION OF AN EXECUTIVE SEARCH FIRM FOR THE CITY MANAGER RECRUITMENT. (CONTINUED FROM JANUARY 6, 2016 MEETING)** City Attorney Vaughn presented the staff report.

Motion by Faria, seconded by Lewis to select Ralph Andersen & Associates as the Executive Search Firm for the City Manager Recruitment. The motion carried by the affirmative action of all City Council Members present.

**CLOSED SESSION – PUBLIC EMPLOYMENT – CITY MANAGER, PURSUANT TO GOVERNMENT CODE SECTION 54957 (CONTINUED FROM JANUARY 6, 2016 MEETING).** Direction given to staff.

**ADJOURNMENT.** The meeting was adjourned at the hour of 6:27 P.M.

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk

**CITY OF LOS BANOS**  
**SPECIAL CITY COUNCIL MEETING MINUTES**  
**JANUARY 12, 2016**

*ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the City Council. For greater detail of this meeting refer to the electronic media (CD and/or audio) kept as a permanent record.*

**CALL TO ORDER:** Mayor Villalta called the City Council Meeting to order at the hour of 5:04 P.M.

**PLEDGE OF ALLEGIANCE:** The pledge of allegiance was led by Fire Chief Marrison.

**ROLL CALL – MEMBERS OF THE CITY COUNCIL PRESENT:** Council Members Tom Faria, Deborah Lewis, Scott Silveira, Elizabeth Stonegrove, Mayor Michael Villalta; Absent: None.

**STAFF MEMBERS PRESENT:** City Clerk/Human Resources Director Mallonee, City Attorney Vaughn, City Treasurer/Accountant I Brazil, Finance Director Williams, Fire Chief Marrison, Senior Planner Elms, Public Works Director/City Engineer Fachin, Information Technology Director Spalding.

**CONSIDERATION OF APPROVAL OF AGENDA:** Motion by Faria, seconded by Silveira to approve the agenda as submitted. The motion carried by the affirmative action of all City Council Members present.

**PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE CITY COUNCIL MEMBERS ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE CITY; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. DETAILED GUIDELINES ARE POSTED ON THE COUNCIL CHAMBER INFORMATIONAL TABLE.** Mayor Villalta opened the public forum. No one came forward to speak and the public forum was closed.

**CLOSED SESSION – PUBLIC EMPLOYEE EMPLOYMENT – INTERIM CITY MANAGER, PURSUANT TO GOVERNMENT CODE SECTION 54957.** No reportable action.

**ADJOURNMENT.** Motion by Silveira, seconded by Faria to adjourn to 5:00 PM, Thursday, January 14, 2016 in the ~~City Hall Council Chambers, 520 J Street~~ Police Annex, 535 J Street, Los Banos, California, to Hold a Closed Session – Public Employee Employment, Interim City Manager, Pursuant to Government Code Section 54957. The motion carried by the affirmative action of all City Council Members present.

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk



# City of Los Banos

*At the Crossroads of California*

## **Agenda Staff Report**

**TO:** Mayor & City Council Members

**FROM:** Mark Fachin, P.E., Public Works Director/City Engineer

**DATE:** January 20, 2016

**SUBJECT:** Parcel Map No. 2015-02

**TYPE OF REPORT:** Consent Item

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### **Recommendation:**

Staff recommends that the City Council make the appropriate findings and adopt a Resolution to accept and approve Parcel Map No. 2015-02.

### **Background:**

The Parcel Map project area is located at 160 West Santa Barbara Street within the Village Green Subdivision, more specifically identified as Assessor's Parcel Number (APN) 081-180-004. The applicant is Trevino Pioneer, LLC. The Parcel Map project area consists of a 0.38± acre lot which is proposed to be subdivided into two (2) separate lots. (Lot A being 0.19± acres and Lot B being 0.19± acres). The parcel area was previously owned by the City and was intended to be used as a neighborhood park within the Village Green subdivision. The City Council found and determined that the property was not needed for neighborhood park purposes and conveyed the property to Trevino Pioneer, LLC by Quitclaim Deed, in 2015. Trevino Pioneer, LLC, is successor in interest to the Village Green Subdivision.

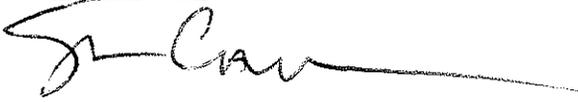
### **Discussion:**

The property owner wishes to split the parcel into two (2) separate lots to maximize marketability. Staff has reviewed the request and finds the submitted Parcel Map to be acceptable.

### **Fiscal Impact:**

All applicable City fees relating to this Parcel Map recordation have been paid by the developer.

**Reviewed by:**

A handwritten signature in black ink, appearing to read "Steve Carrigan", written over a horizontal line.

Steve Carrigan, City Manager

**Attachments:**

Resolution

Exhibit A, Parcel Map No. 2015-02

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LOS BANOS APPROVING AND  
ACCEPTING PARCEL MAP NO. 2015-02**

WHEREAS, there has been submitted to the City Council of the City of Los Banos Parcel Map No. 2015-02, which is a map of 0.38 acres that will be subdivided into 2 separate lots , 0.19± acres, each; and

WHEREAS, the City Engineer has approved said parcel map, and all plan check fees have been paid in full. The City has received all necessary financial security, and the referenced parcel map has been to the City Council of the City of Los Banos for approval.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Los Banos that it does hereby approve and accept Parcel Map No. 2015-02 for the real property shown in "Exhibit A" and authorize recording based upon the following findings:

1. That this Parcel Map is in substantial compliance with City Zoning Ordinances; and
2. That all required processing and plan check fees have been paid; and
3. That all bonds outstanding to Merced County will be deposited prior to recordation of said map.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 20<sup>th</sup> day of January 2016, by Council Member \_\_\_\_\_ who moved its adoption, which motion was duly seconded by Council Member \_\_\_\_\_ and the Resolution adopted by the following vote:

AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk

**OWNER'S STATEMENT**

WE, THE UNDERSIGNED, DO HEREBY STATE THAT WE ARE THE OWNERS OR HAVE SOME RIGHT, TITLE OR INTEREST OF RECORD IN THE LAND SHOWN ON THIS MAP AND WE CONSENT TO THE PREPARATION AND RECORDATION OF THIS MAP.

OWNER: TREVINO PIONEER, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY.

PRINT NAME \_\_\_\_\_ DATE \_\_\_\_\_

TITLE \_\_\_\_\_

**NOTARY STATEMENT**

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA }  
COUNTY OF \_\_\_\_\_ }

ON \_\_\_\_\_ BEFORE ME, \_\_\_\_\_ A NOTARY PUBLIC,  
(DATE)

PERSONALLY APPEARED \_\_\_\_\_  
(NAME OF SIGNER)

WHO PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHOSE NAME(S) IS/ARE SUBSCRIBED TO THE WITHIN INSTRUMENT AND ACKNOWLEDGED TO ME THAT HE/SHE/THEY EXECUTED THE SAME IN HIS/HER/THEIR AUTHORIZED CAPACITIES, AND THAT BY HIS/HER/THEIR SIGNATURE(S) ON THE INSTRUMENT THE PERSON(S), OR THE ENTITY UPON BEHALF OF WHICH THE PERSON(S) ACTED, EXECUTED THE INSTRUMENT.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING PARAGRAPH IS TRUE AND CORRECT.

WITNESS MY HAND, \_\_\_\_\_, NOTARY PUBLIC

PRINT NAME: \_\_\_\_\_

COMMISSION EXPIRES: \_\_\_\_\_

PRINCIPAL OFFICE LOCATION (COUNTY): \_\_\_\_\_

**RIGHT TO FARM STATEMENT**

THE PROPERTY DESCRIBED ON THE FINAL MAP IS IN THE VICINITY OF LAND UTILIZED FOR AGRICULTURAL PURPOSES, AND RESIDENTS OF THIS PROPERTY MAY BE SUBJECT TO INCONVENIENCE OR DISCOMFORT ARISING FROM THE USE OF AGRICULTURAL CHEMICALS, INCLUDING BUT NOT LIMITED TO, PESTICIDES AND FERTILIZERS; AND FROM THE PURSUIT OF AGRICULTURAL OPERATIONS INCLUDING BUT NOT LIMITED TO, ANIMAL HUSBANDRY, PLOWING, SPRAYING, AND BURNING WHICH OCCASIONALLY MAY GENERATE DUST, SMOKE, NOISE, NUISANCE INSECTS, AND ODOORS.

THE COUNTY OF MERCED HAS ESTABLISHED AGRICULTURE AS A PRIORITY USE IN AGRICULTURAL ZONES WHICH ARE OUTSIDE OF AN ESTABLISHED SPECIFIC URBAN DEVELOPMENT PLAN (SUDP) BOUNDARY, RURAL RESIDENTIAL CENTER (RRC) BOUNDARY, HIGHWAY INTERCHANGE CENTER (HIC) BOUNDARY, OR AGRICULTURAL SERVICE CENTER (ASC) BOUNDARY, AND RESIDENTS OF PROPERTY IN THE VICINITY OF SUCH AGRICULTURAL ZONES SHOULD BE PREPARED TO ACCEPT INCONVENIENCE OR DISCOMFORT FROM NORMAL, NECESSARY AGRICULTURAL OPERATIONS.

**PARCEL MAP**

CITY OF LOS BANOS

BEING A SUBDIVISION OF LOT A AS SHOWN ON TRACT NO. 98-03 "VILLAGE GREEN" FILED FOR RECORD IN VOL. 77 OF OFFICIAL PLATS, AT PAGES 28-31, MERCED COUNTY RECORDS

CITY OF LOS BANOS  
MERCED COUNTY, CALIFORNIA  
MARCH 2015 SCALE 1" = 20'



1165 Scenic Drive, Suite B  
Modesto, CA 95350  
Ph 209.571.1765 odellengineering.com

**PLANNING COMMISSION STATEMENT**

I, STACY SOUZA ELMS, SENIOR PLANNER FOR THE CITY OF LOS BANOS PLANNING COMMISSION, DO HEREBY STATE THAT THE CITY PLANNING COMMISSION HAS APPROVED THIS PARCEL MAP No. 2015-02 ON THE \_\_\_\_\_ DAY OF 201\_\_\_\_, AND THAT THE SUBDIVISION SHOWN HEREON IS SUBSTANTIALLY THE SAME AS THAT SHOWN ON THE TENTATIVE MAP.

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

STACY SOUZA ELMS, SENIOR PLANNER  
CITY OF LOS BANOS

**CITY CLERK'S STATEMENT**

I, LUCILLE L. MALLONEE, CITY CLERK OF THE CITY OF LOS BANOS, STATE OF CALIFORNIA, DO HEREBY STATE THAT AT THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF LOS BANOS, STATE OF CALIFORNIA, HELD ON THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_, THE ACCOMPANYING PARCEL MAP WAS APPROVED.

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

LUCILLE L. MALLONEE, CITY CLERK  
CITY OF LOS BANOS

**EASEMENTS AND RESERVATIONS OF RECORD**

PURSUANT TO §66436(a)(3)(A)(i) OF THE SUBDIVISION MAP ACT, THE SIGNATURES OF THE FOLLOWING PARTIES HAVE BEEN OMITTED:

- 1) EASEMENT FOR DITCHES, CANALS AND APPURTENANT STRUCTURES GRANTED TO SAN JOAQUIN AND KINGS RIVER CANAL & IRRIGATION COMPANY IN A DEED RECORDED NOVEMBER 21, 1879 IN BOOK P OF DEEDS AT PAGE 280, OFFICIAL RECORDS.

**SURVEYOR'S STATEMENT**

THIS MAP WAS PREPARED BY ME OR UNDER MY DIRECTION AND IS BASED UPON A FIELD SURVEY IN CONFORMANCE WITH THE REQUIREMENTS OF THE SUBDIVISION MAP ACT AND LOCAL ORDINANCE AT THE REQUEST OF TREVINO PIONEER LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, IN SEPTEMBER 2015. I HEREBY STATE THAT THIS PARCEL MAP SUBSTANTIALLY CONFORMS TO THE CONDITIONALLY APPROVED TENTATIVE MAP. I FURTHER STATE THAT ALL MONUMENTS SHOWN HEREON WILL BE OF THE CHARACTER AND OCCUPY THE POSITIONS INDICATED BEFORE MARCH 2017, AND THAT SAID MONUMENTS WILL BE SUFFICIENT TO ENABLE THIS SURVEY TO BE RETRACED.

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

DYLAN CRAWFORD, P.L.S. 7788



**CITY ENGINEER'S STATEMENT**

I HEREBY STATE THAT I HAVE EXAMINED THIS PARCEL MAP, THAT THE SUBDIVISION SHOWN HEREON IS SUBSTANTIALLY THE SAME AS IT APPEARED ON THE TENTATIVE MAP AND ANY APPROVED ALTERATIONS THEREOF AND THAT IT IS IN COMPLIANCE WITH THE PROVISIONS OF THE SUBDIVISION MAP ACT, DIVISION 2 (COMMENCING WITH SECTION 68410) OF TITLE 7 OF THE GOVERNMENT CODE AND ANY APPLICABLE LOCAL ORDINANCES OF THE CITY OF LOS BANOS AND MERCED COUNTY, APPLICABLE AT THE TIME OF APPROVAL OF THE TENTATIVE MAP HAVE BEEN COMPLIED WITH.

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

MARK DAVID FACHIN, R.C.E. 34614  
CITY ENGINEER

**CITY SURVEYOR'S STATEMENT**

I HEREBY STATE THAT AT THE REQUEST OF THE CITY ENGINEER FOR THE CITY OF LOS BANOS, I HAVE EXAMINED THIS PARCEL MAP AND THAT I AM SATISFIED THAT THIS MAP IS TECHNICALLY CORRECT AND COMPLIES WITH APPLICABLE PROVISIONS OF THE SUBDIVISION MAP ACT.

DATED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_.

RYAN J. SCHLESS, PLS 8366  
REVIEWING CITY SURVEYOR

**RECORDER'S STATEMENT**

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 201\_\_\_\_, AT \_\_\_\_\_ M. IN \_\_\_\_\_

VOLUME \_\_\_\_\_ OF PARCEL MAPS, AT PAGE(S) \_\_\_\_\_, AT THE REQUEST OF

FIDELITY NATIONAL TITLE COMPANY.

FEES: \$ \_\_\_\_\_

NO. \_\_\_\_\_

BARBARA J. LEVEY \_\_\_\_\_ BY: \_\_\_\_\_  
COUNTY RECORDER OF ASSISTANT / DEPUTY RECORDER  
MERCED COUNTY, CALIFORNIA

# PARCEL MAP

CITY OF LOS BANOS

BEING A SUBDIVISION OF LOT A AS SHOWN ON TRACT NO. 98-03 "VILLAGE GREEN" FILED FOR RECORD IN VOL. 77 OF OFFICIAL PLATS, AT PAGES 28-31, MERCED COUNTY RECORDS

CITY OF LOS BANOS  
MERCED COUNTY, CALIFORNIA  
MARCH 2015 SCALE 1" = 20'



1165 Scenic Drive, Suite B  
Modesto, CA 95350  
Ph 209.571.1765 odel@engineering.com

## NOTES

ALL DISTANCES SHOWN HEREON ARE GROUND DISTANCES, UNLESS OTHERWISE NOTED.

ALL DISTANCES ARE MEASURED UNLESS OTHERWISE NOTED.

## ABBREVIATIONS

FD	FOUND
IP	IRON PIPE-DIAMETER NOTED
PCL	PARCEL
PM	PARCEL MAP
M	MEASURED

## REFERENCED RECORD DOCUMENTS

MERCED COUNTY RECORDS

(R1) MAP OF TRACT #98-03, VILLAGE GREEN, BOOK 77 OF MAPS, PAGE 28-31.

## LEGEND

- FOUND 3/4" IRON PIPE W/ PLASTIC PLUG "LS 7788"
- SET 3/4" IRON PIPE W/ PLUG "LS 7788" REFERENCE NOTED
- ⊙ FOUND MONUMENT OF RECORD IN WELL, CHARACTER AND REFERENCE NOTED

ADJACENT PROPERTY LINE/RIGHT-OF-WAY LINE

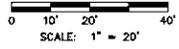
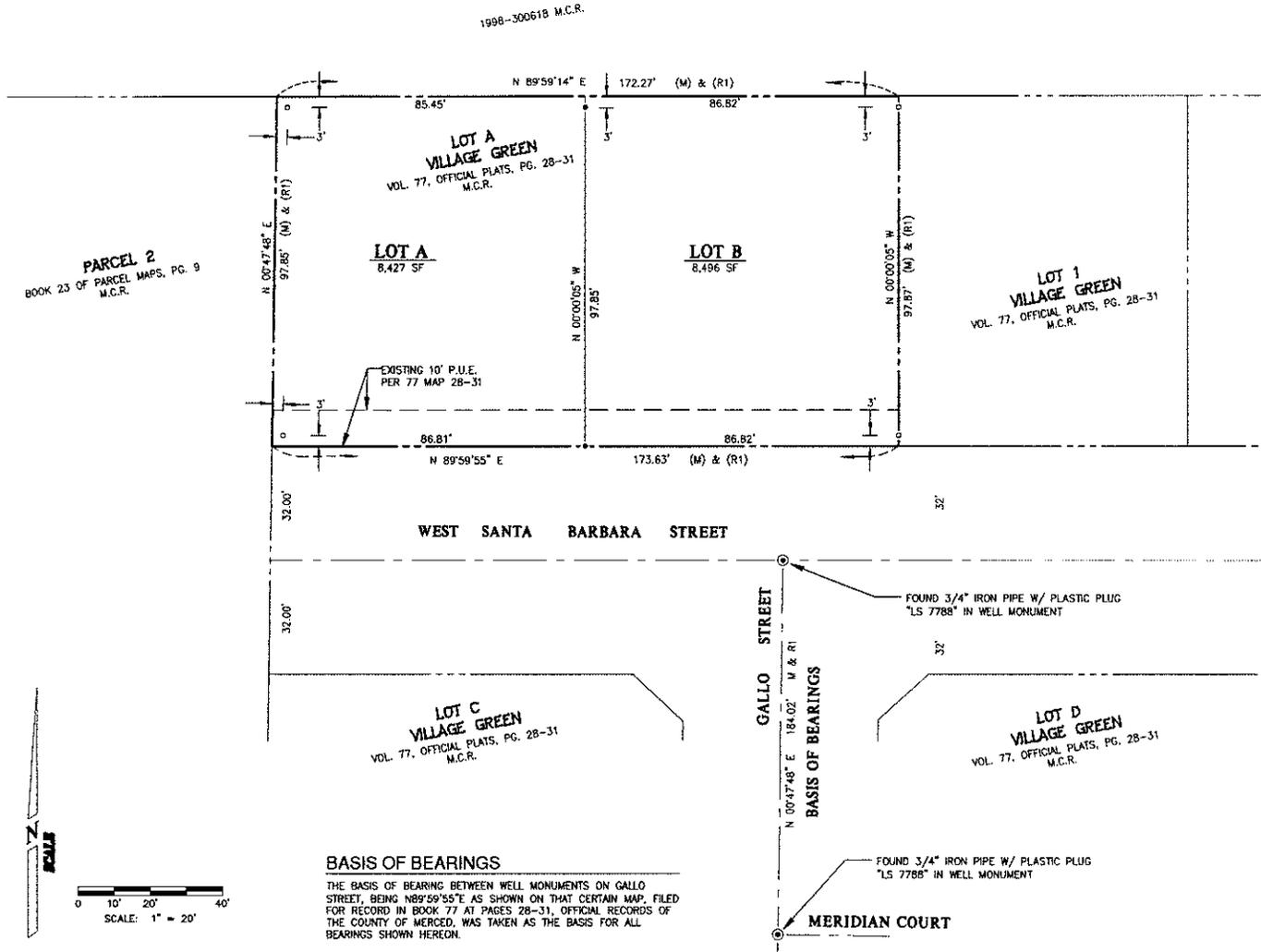
BOUNDARY TIE LINE

CENTER LINE

EASEMENT LINE

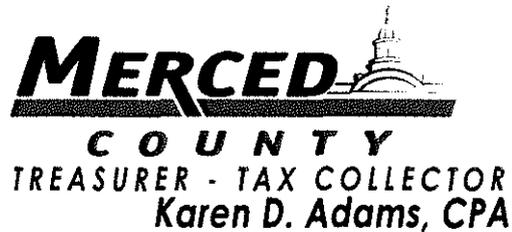
BOUNDARY LINE

SHEET 2 of 2



**BASIS OF BEARINGS**

THE BASIS OF BEARING BETWEEN WELL MONUMENTS ON GALLO STREET, BEING N89°59'55"E AS SHOWN ON THAT CERTAIN MAP, FILED FOR RECORD IN BOOK 77 AT PAGES 28-31, OFFICIAL RECORDS OF THE COUNTY OF MERCED, WAS TAKEN AS THE BASIS FOR ALL BEARINGS SHOWN HEREON.



**Karen D. Adams, CPA**  
*Treasurer-Tax Collector*

2222 "M" Street  
Merced, CA 95340  
(209) 385-7592  
(209) 725-3905 (Fax)  
<http://www.mercedtaxcollector.org>

DATE: December 16, 2015

TO: MERCED COUNTY RECORDER

FROM: TARAH HERNANDEZ  
CHIEF DEPUTY TAX COLLECTOR

NAME: Parcel Map for: Trevino Pioneer LLC  
APN: 081-180-004-000  
MS: City of Los Banos

Taxes for 2015-2016 have been paid in full and there are no prior year taxes due for the above-mentioned assessment number(s).

As of this date, records are now in order to record the final map.

If the final map is not recorded by December 31, 2015 a bond/surety payment will be required for the upcoming fiscal year per lien date of January 1<sup>st</sup>.

cc:  
Diane Robinson, Fidelity National Title  
Merced County Planning  
Merced County Assessor

**COMMITTED TO EXCELLENCE**



City of  
**Los Banos**  
*At the Crossroads of California*

## **Agenda Staff Report**

**TO:** Mayor Villalta & City Council Members

**FROM:** Sonya Williams, Finance Director

**DATE:** January 20, 2016

**SUBJECT:** Budget Adjustment

**TYPE OF REPORT:** Consent Agenda

---

**Recommendation:**

Staff recommends that the City Council adopt a resolution to revise the budget for the 2015-2016 Fiscal Year as it pertains to changes in expenditures.

**Background:**

The City Council may amend the budget by resolution, adjusting the overall appropriation levels in each fund at any time during the fiscal year if funds are available. Increased appropriations are likely to be recommended to either solve a current year problem, or address a critical service need. It is important to note that Staff continuously researches, calculates, and refines the fiscal impacts associated with the current year's budget.

**Discussion:**

Staff recommends that Council increase the Special Revenue Fund – Fire Augmentation budgeted expenditures by \$10,000 for Professional Services 238-422-100-231. The increase in expenditures is to pay for unexpected legal expenses.

**Fiscal Impact:**

The fiscal impact to the Special Revenue Fund – Fire Augmentation expenditures is \$10,000.

**Attachments:**

Resolution – Adopting a Revised Budget for 2015-16 Fiscal Year

**Reviewed by:**

Steve Carrigan, City Manager

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY OF LOS BANOS ADOPTING A  
REVISED BUDGET FOR THE 2015-2016 FISCAL YEAR AS IT  
PERTAINS TO EXPENDITURES**

WHEREAS, the City Council of the City of Los Banos has been presented an amendment to the 2015-2016 Fiscal Year budget; and

WHEREAS, the City Council of the City of Los Banos may adjust the overall appropriation levels in each fund at any time during the Fiscal Year by action to amend the budget; and

WHEREAS, the proposed budget increase is \$10,000 to expenditures in the Special Revenue Fund – Fire Augmentation for Professional Services account (238-422-100-231); and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos hereby amends the 2015-2016 Fiscal Year Budget to include an increase of \$10,000 in expenditures (238-422-100-231).

The foregoing resolution was introduced at a regular meeting of the Los Banos City Council held on the 20<sup>th</sup> day of January 2016, by Council Member \_\_\_\_\_ who moved for its adoption, which motion was duly seconded by Council Member \_\_\_\_\_, and the Resolution was adopted by the following vote:

AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk



City of  
**Los Banos**  
*At the Crossroads of California*

**Agenda Staff Report**

**TO:** Mayor & City Council Members  
**FROM:** Rosemarie Souto, Accountant I *rsouto*  
**DATE:** January 20, 2016  
**SUBJECT:** Authorizing the Release of Unclaimed Checks Pursuant to California Government Code Section 50055 to the City of Los Banos  
**TYPE OF REPORT:** Consent Agenda

---

**Recommendation:**

That the City Council Authorize the release of attached unclaimed checks to the City of Los Banos.

**Background:**

Section 50055 of the California Government Code allows for unclaimed checks of less than fifteen dollars (\$15.00) held over one (1) year to become the property of the local agency.

Staff has reviewed all outstanding checks and has determined that the checks on the attached list meets this criteria.

**Fiscal Impact:**

This will increase the Funds upon which the original checks were drawn, in the amount of \$269.03.

**Reviewed by:**

  
\_\_\_\_\_  
Sonya Williams, Finance Director

  
\_\_\_\_\_  
Steve Carrigan, City Manager

**Attachments:**

Resolution - Release of Unclaimed Checks  
Exhibit A - List of Unclaimed Checks

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LOS BANOS AUTHORIZING THE  
RELEASE OF UNCLAIMED CHECKS PURSUANT  
TO CALIFORNIA GOVERNMENT CODE  
SECTION 50055 TO THE CITY OF LOS BANOS**

WHEREAS, Section 50055 of the California Government Code allows any unclaimed checks of less than fifteen dollars (\$15.00) held over one (1) year to become the property of the local agency; and

WHEREAS, Staff has reviewed all unclaimed checks and had determined that the checks on the attached list meets this criteria.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos does hereby transfer the unclaimed checks on the attached list in the total amount of \$269.03 to the City of Los Banos Funds upon which the original checks were drawn in accordance with Section 50055 of the California Government Code.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 20 day of January 2016, by Council Member \_\_\_\_\_ who moved its adoption, which motion was duly seconded by Council Member \_\_\_\_\_ and the Resolution adopted by the following vote:

AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk

Exhibit A  
Unclaimed Checks To Be Released to The City of Los Banos

<u>Check Date</u>	<u>Check Number</u>	<u>Amount</u>	<u>Payee</u>
1/10/2014	145438	\$2.07	Kaushal Sharma
1/31/2014	145842	\$1.51	Gilberto Cordero
3/7/2014	146457	\$12.38	Danny Fimbrez, Jr.
3/7/2014	146464	\$9.79	Diego Martinez
3/7/2014	146467	\$9.79	Jessica and David Duran
3/7/2014	146470	\$3.91	Jesus Jimenez-Gamis
4/11/2014	146997	\$12.00	Eduardo Solis
5/9/2014	147440	\$14.95	Cesar Beltran-Lopez
5/16/2014	147579	\$8.08	Artheia Garrett
5/16/2014	147598	\$4.64	Angelica Cermeno Garcia
5/23/2014	147695	\$12.00	Rey Reyna Jr.
5/23/2014	147719	\$3.36	Fazal Faizi
6/27/2014	148213	\$7.05	Jacey Menezes
7/3/2014	148381	\$12.00	Miriam rivas
7/3/2014	148449	\$13.19	Salvador and Buenafe Abitago
7/3/2014	148492	\$5.89	Humberto Arcia Soriano
7/11/2014	148566	\$13.67	Daniel Iniquez
8/7/2014	148886	\$12.00	David Darren cole II
8/8/2014	148969	\$6.00	Natividad Parra
8/8/2014	148984	\$12.38	Ciara Cantu
9/5/2014	149483	\$12.69	Katie Garcia
9/19/2014	149684	\$1.78	Christina Carrillo
9/19/2014	149691	\$2.58	Berj or Dorena Mossekian
9/19/2014	149692	\$6.50	Jaime Gordon
10/17/2014	150015	\$13.95	Ed Vierra
10/17/2014	150107	\$12.69	Octavio Lopez
10/31/2014	150298	\$4.38	Benito Bravo Gil
10/31/2014	150307	\$5.91	Rafael Cornejo Jr.
11/4/2014	150367	\$11.00	Matthew Wright
11/7/2014	150430	\$12.69	Amber Posa
12/5/2014	150837	\$5.48	Juan Ramos
12/19/2014	151078	\$2.72	Trung Tran
		<u>\$269.03</u>	



City of  
**Los Banos**  
*At the Crossroads of California*

**Agenda Staff Report**

**TO:** Mayor & City Council Members

**FROM:** Lucy Mallonee, MMC   
City Clerk/Human Resources Director

**DATE:** January 20, 2016

**SUBJECT:** Amending Divisions 5-K – Workers' Compensation Reporting Policy

**TYPE OF REPORT:** Consent Agenda

---

**Recommendation:**

That the Council adopt a resolution amending Division 5-K of the City's Policy & Procedures Manual.

**Discussion:**

Staff recently became aware that the wording in Division 5-K – Workers' Compensation Reporting Policy had not been updated to reflect the new company (AMC Connect) being utilized for the reporting of work injuries. All City departments have been properly reporting injuries to AMC Connect since July of 2015.

**Fiscal Impact:**

None.

**Reviewed by:**



Steve Carrigan, City Manager

**Attachment:**

Resolution

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LOS BANOS APPROVING AN  
AMENDMENT TO DIVISION 5-K – WORKERS'  
COMPENSATION REPORTING POLICY OF THE  
CITY'S POLICY & PROCEDURES MANUAL**

WHEREAS, the City Council of the City of Los Banos has received a request that Division 5-K – Workers' Compensation Reporting Policy, of the City of Los Banos Policy & Procedures Manual, be amended to reflect changes associated with the company utilized for reporting work injuries; and

WHEREAS, the City Council has reviewed said request and approves the amendment to Division 5K – Workers' Compensation Reporting Policy, of the City of Los Banos Policy & Procedures Manual and shall read as attached on "Exhibit A"; and

NOW, THEREFORE, BE IT RESOLVED THAT the foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 20<sup>th</sup> day of January 2016, by Council Member \_\_\_\_\_ who moved its adoption, which motion was duly seconded by Council Member \_\_\_\_\_ and the Resolution adopted by the following vote:

AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk

**DIVISION 5-K  
WORKERS' COMPENSATION REPORTING POLICY**

**SEC. 5001K PURPOSE**

The purpose of this Division is to ensure compliance with reporting requirements for Workers' Compensation Claims.

**SEC. 5002K EMPLOYEE RESPONSIBILITY**

Employees shall report any job related injury, illness, or lost time or medical treatment due to a job related injury or illness, to their immediate supervisor at the earliest time practical after such injury, illness, lost time, or medical treatment becomes known to the employee. Failure to report in a timely manner could result in delay or loss of benefits.

**SEC. 5003K SUPERVISORS RESPONSIBILITY**

Immediately, or as soon as practical, after being notified of a job related illness, injury, lost time, or medical treatment due to a job related illness or injury, the employee's supervisor shall;

- A. Immediately call ~~Company Nurse~~ Allied Managed Care, Inc. (AMC Connect) at ~~(888844) 770-0926~~ 691-4111; ~~the City's identification code is CSJ26.~~ If possible, the injured employee should be available during this call. The Nurse will gather information over the phone and help the employee access appropriate medical treatment.
- B. Complete the "Employer" section of the "Workers' Compensation Claim Form" (DWC 1). The employee must complete the "Employee" section of the DWC 1 Form. If the employee is unable to complete the "Employee" section of the form, the Supervisor may complete the section on the employee's behalf (if possible with assistance of the employee). In all cases such form shall be completed and the "Notice of Potential Eligibility" given to the employee by the Supervisor no later than twenty-four (24) hours after the job related injury, illness, lost time, or medical treatment due to job related injury or illness becomes known to the Supervisor.
- C. Once the Employee and Employer Sections of the DWC 1 Form have been completed, the Supervisor shall; a) provide the employee with the Employee Temporary Receipt copy of the form, and b) forward the original completed form to the Human Resources ~~Division~~ Department.
- D. In those cases where there is insufficient information to complete the "Employer" section of the form, the Supervisor or Department shall give the partially completed Employee's Temporary Receipt to the employee at the time of the reported injury and forward the original completed form to the Human Resources ~~Division~~ Department after the employer's section is completed.

- E. In those cases where the job related injury, illness, lost time, or medical treatment due to a job related illness or injury is reported by telephone or through a third party, the "Employer" portion of the DWC 1 form shall be completed as thoroughly as possible and every reasonable effort shall be made to ensure that the original form is delivered to the employee within twenty-four (24) hours after notification of the injury. A copy of the DWC 1 form should be forwarded to the Human Resources Division and should be noted when/how the form was delivered to the employee. When the required twenty-four (24) hour delivery period cannot be met, the Supervisor or Department shall complete a memo explaining the reasons why delivery could not be made (within the required time period) and submit same to the Human Resources Division.
- F. In addition to completing the DWC 1 Form, the Supervisor shall complete and forward to the Human Resources ~~Division~~ Department a Supervisor's Report of Injury.

#### SEC. 5004K CITY RESPONSIBILITY

- A. In those cases where no claim for medical treatment or lost time from work is made by the employee filing the Workers' Compensation Claim Form, the Human Resources ~~Division~~ Department shall forward the Employee Claim Form marked "First Aid Only" to the City's Workers' Compensation Claims Administrator within five (5) calendar days of the employee reporting the injury to the employer.
- B. In those cases where medical treatment is received or time off work does occur, the Human Resources ~~Division~~ Department shall complete the State of California Employers Report of Occupational Injury or Illness and forward same (along with other appropriate forms) to the City's Workers' Compensation Claims Administrator within five (5) calendar days of the employee reporting the injury to the employer.

#### SEC. 5005K CONCLUDING COMMENTS (IMPORTANT)

In order to ensure expeditious and appropriate handling of job related injuries and illnesses, it is absolutely essential that employees report all such occurrences in a timely manner. Any questions regarding this matter should be directed to the employee's Supervisor or the Human Resources ~~Division~~ Department.



City of  
**Los Banos**  
*At the Crossroads of California*

**Agenda Staff Report**

**TO:** Mayor Villalta & City Council Members

**FROM:** Sonya Williams, Finance Director

**DATE:** January 20, 2016

**SUBJECT:** 2014-2015 Fiscal Year Audit Reports

**TYPE OF REPORT:** Non Consent Agenda

---

**Recommendation:**

Adopt a Resolution accepting the 2014-2015 Comprehensive Annual Financial Report (CAFR), the Government Auditing Standards Report, and the Transportation Development Act Program Financial Statements prepared by Price Paige & Company, our independent auditors.

**Background:**

Annually the City has a financial audit performed by an independent, certified public accounting firm. For 2014-2015, the City again received an unqualified opinion, which indicates that the auditor believes the Financial Statements present a fair picture of the financial position of the City, as opposed to a qualified opinion, in which the auditor "qualifies" or limits his opinion for specific reasons, such as lack of capital asset accounting, significant internal control deficiencies or non-compliance with other Government Accounting Standards Board (GASB) requirements.

After being awarded the Certificate of Achievement for Excellence in Financial Reporting for the 2013-2014 CAFR, the City once again chose to submit the CAFR to the Government Finance Officers Association (GFOA). The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

Reports submitted to the CAFR program are reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee (SRC), which comprises individuals with expertise in public-sector financial reporting and includes financial statement preparers, independent auditors, academics, and other finance professionals. Award results are still pending.

**Overview:**

The primary purpose of the CAFR is to allow readers to assess the financial condition of the City at the end of each year and demonstrate whether its financial condition has improved or deteriorated in relation to the prior year. A condensed presentation of the City's net assets are shown below:

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
Current & other assets	\$ 24,407	\$ 26,623	\$ 31,739	\$ 36,451	\$ 56,146	\$ 63,074
Capital assets	83,551	74,655	48,323	47,143	131,874	121,798
Total assets	107,958	\$ 101,278	80,062	83,594	188,020	\$ 184,872
Deferred outflows of resources	-	2,144	-	477	-	2,621
Long-term debt outstanding	216	12,230	8,501	9,610	8,717	21,840
Other liabilities	1,558	1,454	1,264	1,721	2,822	3,175
Total liabilities	1,774	13,684	9,765	11,331	11,539	25,015
Deferred inflows of resources	-	3,387	-	657	-	4,044
Net position						
Net investment in capital assets	83,335	74,482	46,050	45,206	129,385	119,688
Restricted	11,942	12,507	8,155	8,749	20,097	21,256
Unrestricted	10,907	(639)	16,092	18,127	26,999	17,488
Total net position	\$ 106,184	86,350	\$ 70,297	72,082	\$ 176,481	158,432

The Independent Auditor's Report states that the audit did not identify any deficiencies considered to be material misstatements. There are no findings to report.

The State of California created a local transportation fund for each County, funded by one-quarter of a cent of the State sales tax. The program was created to pay for reconstruction of roads. The City is required to prepare separate Financial Statements specific to the program.

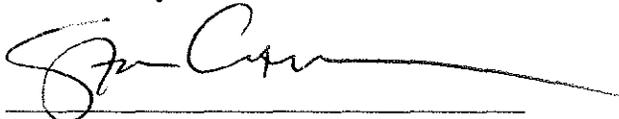
Fausto Hinojosa a Managing Partner with Price Paige & Company will be presenting the Audit Reports and will be present to answer any questions.

The CAFR for the Fiscal Year Ending June 30, 2015 is available for review in the Finance Department located at City Hall and on the City's website, [www.losbanos.org](http://www.losbanos.org).

**Fiscal Impact:**

None.

Reviewed by:



Steve Carrigan  
City Manager

**Attachments:**

- Resolution
- Comprehensive Annual Financial Statements (CAFR)
- Government Auditing Standards Report
- Transportation Development Act Program Financial Statements

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS BANOS ACCEPTING THE 2014-2015 FISCAL YEAR AUDIT REPORTS CONSISTING OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, THE GOVERNMENT AUDITING STANDARDS REPORT, AND THE TRANSPORTATION DEVELOPMENT ACT PROGRAM FINANCIAL STATEMENTS.**

WHEREAS, the City of Los Banos is required to undergo an annual fiscal audit performed by an independent auditor; and

WHEREAS, the auditing firm of Price Paige & Company has completed the 2014-2015 Fiscal Year audit and all related reports and presented their findings to the Los Banos City Council;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos hereby accepts the 2014-2015 Fiscal Year Audit Reports consisting of the Comprehensive Annual Financial Report (CAFR), the Government Auditing Standards Report, and the Transportation Development Act Program Financial Statements.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 20<sup>th</sup> day of January 2016, by Council Member \_\_\_\_\_ who moved for its adoption, which motion was duly seconded by Council Member \_\_\_\_\_, and the Resolution was adopted by the following vote:

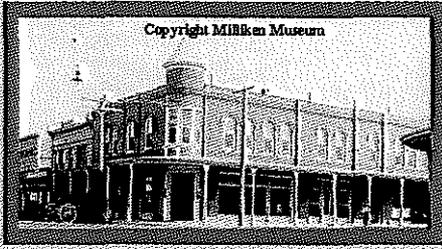
AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_  
Lucille L. Mallonee, City Clerk



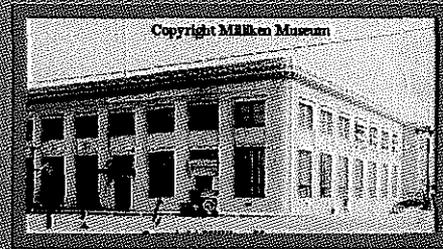
Copyright Milliken Museum

Bank of Los Banos Pre 1900s



Copyright Milliken Museum

Tram Depot Early 1900s



Copyright Milliken Museum

Park of Italy

# City of Los Banos California



Copyright Milliken Museum

I Street Looking West from 7th St.

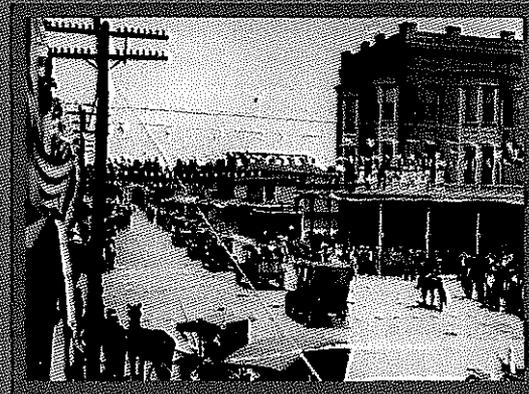


City Hall - Built in 1920



Copyright Milliken Museum

Miller & Lux Department Store 1895



Intersection of 6th & J St in 1915

## Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2015

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, 2015**

**Prepared by**

**FINANCE DEPARTMENT**

**CITY OF LOS BANOS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30 2015**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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City of  
**Los Banos**  
*At the heart of a different life*

City Hall  
520 J Street  
Los Banos, CA 93635

Phone: (209) 827-7000  
Fax: (209) 827-7010  
[www.losbanos.org](http://www.losbanos.org)

December 31, 2015

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

**SUBJECT: Comprehensive Annual Financial Report – June 30, 2015**

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, 2015. 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, 2015, 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 unqualified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2015, 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 Single Audit Act as amended in 1996 by the United States Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non Profit Organizations. 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 of OMB A-133.

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 37,145, 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**

The local economy has presented significant challenges for the City during the past several years while experiencing one of the most severe national recessions in history. The City's forward thinking leadership, strategic financial planning, cost-cutting measures, and careful allocation of resources enabled it to successfully weather this economic challenge.

The City is experiencing a slow recovery and has seen an increase to property values and sales tax revenues. This gives an indication that the economy is moving in the right direction. California's economic recovery continues to lag behind the nation, with respect to unemployment. While California has experienced some job growth, its current unemployment rate is still at 5.8%. The City is trying to gain traction as it experiences an unemployment rate of 9.3%, with Merced County at 9.1%. This unemployment rate decline displays a good indication that there may be some job growth as it is essential in the recovery to our economy. The City entered 2014 with optimism as it had seen a slight increase in construction and retail sales.

Additionally, many unknowns remain as we anticipate the impacts of the current drought conditions on the local agriculture labor market.

The City continues to experience empty commercial buildings, most recently the closure of K-Mart. There is also an approximate 1,000 empty residential lots; however, the City is starting to see potential interest from developers in constructing these lots. In addition, the City will benefit from the following construction projects: a Prime Shine Car Wash, a Sleep Train Mattress Center, and a 99 Cent Only Store. These projects play a key role in combating the City's recovery to a better economic health.

### **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% reserve to safeguard the City and improve its ability to respond to emergency needs. The current year budget provides a 65% operating reserve in the General Fund. This policy provides increased protection against the uncertain dynamics associated with changes in the local economy.

The City remains focused on managing expenditures and monitoring revenues while keeping restoration in mind. It is with diligence and tenacity that the City strives to meet future goals of economic expansion and fiscal sustainability. The City will also focus on maintaining public safety needs and invest in the maintenance and replacement of aging infrastructure.

### **Major Achievements and Initiatives**

With the financial challenges we've faced, the City has been protective managing operational reserves throughout the current economic downturn. Steps taken to deal with the financial challenges began in January 2009 with employees paying their Employee portion of CalPERS retirement. In addition, employees began contributing 2.5% of salary toward their benefit package. A reformation of pension costs and benefits were also put in place for future savings. Step increases were frozen and cost of living adjustments were not given. A hiring freeze was put in place for positions that were not part of the City's Core Services. While the City has remained focused in managing its fiscal sustainability; one of its goals is to be able to reinvest in its employees.

In November 2004, Los Banos' Measure P for 911, Fire protection, and Police was approved by 77.9% of the local voters. This measure provides a .5% sales tax for public safety in the City. In November 2009, the Voters approved Measure A to redirect the building allocation of Measure P to be used for personnel. Measure A has allowed the City to transfer eight Public Safety positions out of the General Fund. In the November 2013 election, voters approved Measure K which extended Measure A's expenditure plan for seven additional years. This will continue to

alleviate shortfalls the General Fund may face, but ultimately the City's main goal is for the General Fund to be able to fund and sustain its original positions.

The City has faced challenges but with the City's leadership and resourceful staff it has conquered those challenges and has developed strategies to create efficiencies and realize savings. This has enabled the organization to stay afloat during the economic downturn without severely impacting public services to the community.

### **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. In 2012 the City entered into an internal refinancing of General Fund bonds in order to receive a better return on investment.

### **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, 2014. This was the first 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.

I would like to extend my thanks and appreciation to the City Council for their interest in and suggestions to the financial reporting of the City. The preparation of this CAFR could not have been accomplished without the efforts and dedication of the staff of the City's Finance Department. I extend my appreciation to the staff and other personnel from various departments, agencies and authorities who assisted in the preparation of this report.

Respectfully submitted,



Sonya Williams  
Finance Director



Steve Carrigan  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Los Banos  
California**

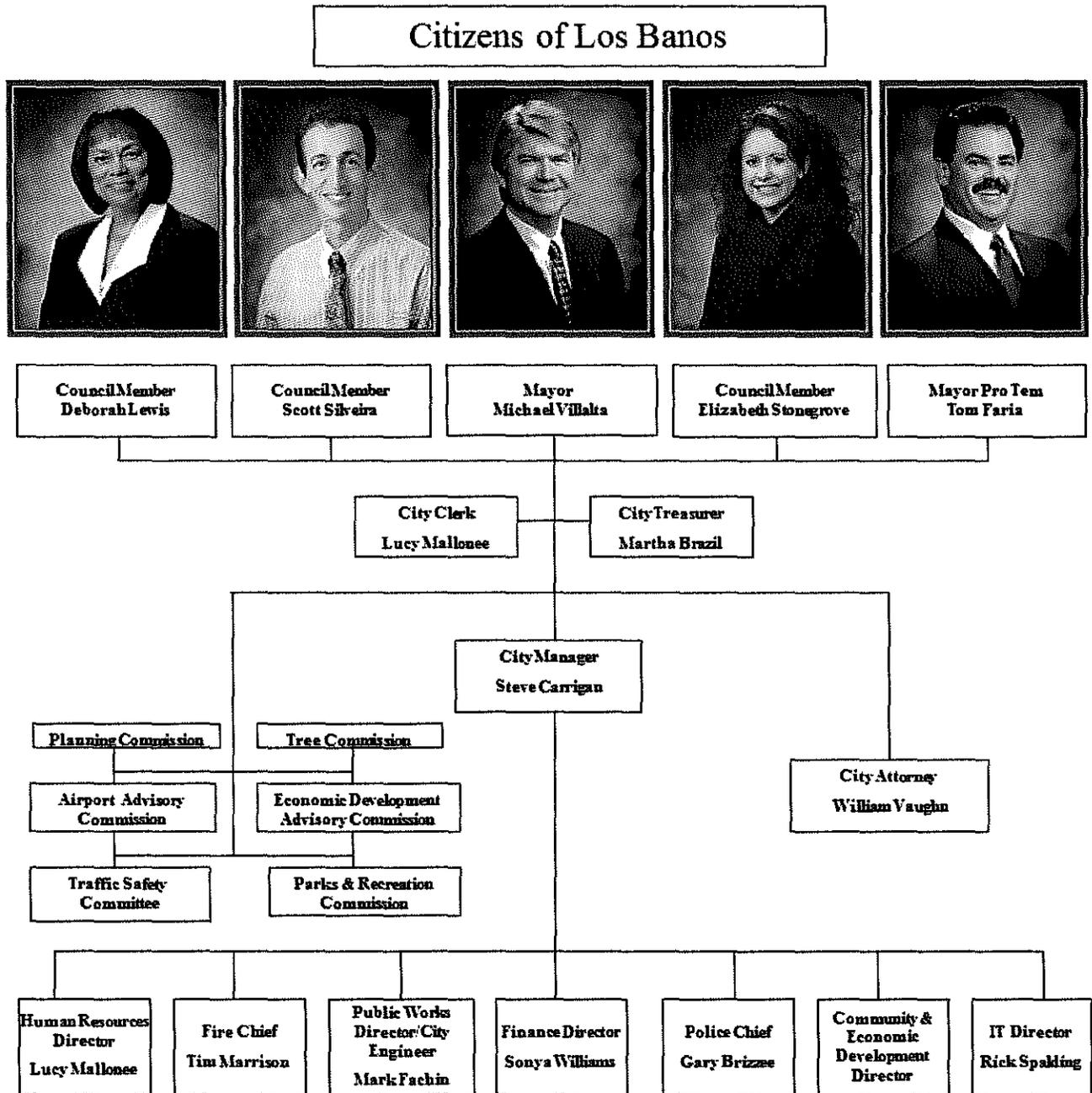
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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**CITY OF LOS BANOS  
ORGANIZATION CHART**



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City of Los Banos  
Directory of City Officials  
June 30, 2015

Elected Officials

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

Michael Villalta  
Tom Faria  
Deborah Lewis  
Elizabeth Stonegrove  
Scott Silveira  
Lucy Mallonee  
Martha Brazil

Appointed Officials

City Manager  
City Attorney  
Human Resources Director  
Fire Chief  
Police Chief  
Public Works Director/Engineer  
Finance Director  
IT Director

Steve Carrigan  
William Vaughn  
Lucy Mallonee  
Tim Marrison  
Gary Brizzee  
Mark Fachin  
Sonya Williams  
Rick Spalding

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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 governmental fund, each major enterprise 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, 2015, 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 governmental fund, each major enterprise fund, the aggregate remaining fund information, and budgetary comparisons City of Los Banos, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

*Change in Accounting Principle*

As discussed in Note 15 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

**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 3-12, the schedule of funding progress for other post-employment benefits on page 69, proportionate share of net pension liability on page 70, and the schedule of contributions on page 71 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 16, 2015, 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 16, 2015

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015. 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-iv of this report.

**Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$158,432,642 (net position). Of this amount, \$17,488,423 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$18,048,713. This decrease was mainly due to depreciation of the City's capital assets and prior period adjustments. The City's total liability increased by \$13,477,256. The key factor in this increase was due to the recording of the City's pension liability as required by GASB 68.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$21,593,463 (an increase of \$2,714,699 in comparison with the prior year). Approximately 32.9% of this amount (\$7,109,877) is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,843,490 or 73.6 % of total general fund expenditures.

Changes in the City's total outstanding long-term debt include a decrease of \$327,389 for the current fiscal year. This decrease was mainly due to the City making its scheduled debt service payments as required.

**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 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, 2015**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, 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 (known as the *primary government*), and all legally separate entities (*component units*) for which the government is financially accountable. The City currently has no component units.

The government-wide financial statements can be found on pages 14-16 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 seventy three (73) 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, and public safety special revenue funds, which are considered to be major funds. Data from the other twenty seven (27) 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 18-26 of this report.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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 28-31 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 Los Banos High School Project Fund and the Neighborhood Stabilization Program (NSP) Impound Fund as fiduciary funds. These agency funds report resources held by the City in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 34 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 35-67 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 OPEB benefits to its employees. Required supplementary information can be found on pages 70-72 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 74-82 of this report.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Government-wide Overall Financial Analysis**

**Net Position:** A condensed presentation of the City's net position shown below totals \$158,432,642 as of June 30, 2015.

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
Current & other assets	\$ 24,407	\$ 26,623	\$ 31,739	\$ 36,451	\$ 56,146	\$ 63,074
Capital assets	83,551	74,655	48,323	47,143	131,874	121,798
Total assets	107,958	\$ 101,278	80,062	83,594	188,020	\$ 184,872
Deferred outflows of resources	-	2,144	-	477	-	2,621
Long-term debt outstanding	216	12,230	8,501	9,610	8,717	21,840
Other liabilities	1,558	1,454	1,264	1,721	2,822	3,175
Total liabilities	1,774	13,684	9,765	11,331	11,539	25,015
Deferred inflows of resources	-	3,387	-	657	-	4,044
Net position						
Net investment in capital assets	83,335	74,482	46,050	45,206	129,385	119,688
Restricted	11,942	12,507	8,155	8,749	20,097	21,256
Unrestricted	10,907	(639)	16,092	18,127	26,999	17,488
Total net position	\$ 106,184	86,350	\$ 70,297	72,082	\$ 176,481	158,432

By far, the largest portion of the City's net position (75.5%) 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 (13.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17,488,423 is unrestricted and may be used to meet the government's ongoing 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 16.

	2014	2015
Program revenues	\$ 25,552,255	\$ 27,233,592
General revenues/extraordinary item	11,064,064	6,982,798
Governmental expenses	(22,203,663)	(22,206,982)
Business-type expenses	(15,718,947)	(13,856,063)
Net (decrease)	\$ (1,306,291)	\$ (1,846,655)

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 developer contributions. These revenues reflect a 37% overall decrease from 2014 FY. This decrease was primarily due to the gain (loss) on sale of assets and decrease in investment earnings.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The City's overall net position decreased \$1,846,655 (1%) from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Key elements of this decrease are as follows:

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Program revenues:</b>						
Charges for services	\$ 3,630	\$ 4,023	\$ 16,802	\$ 17,823	\$ 20,432	\$ 21,846
Operating grants	3,626	3,597	25	15	3,651	3,612
Capital grants	1,470	1,776			1,470	1,776
<b>General revenues:</b>						
Property taxes	5,676	6,032	5	4	5,681	6,036
Sales tax	2,741	2,786			2,741	2,786
Other taxes	844	925			844	925
Use of money	1,150	1,092	434	307	1,584	1,399
Gain on sale property	5	(4,361)	12	4	17	(4,357)
Other	142	97	54	95	196	192
<b>Total revenues:</b>	<b>\$ 19,284</b>	<b>\$ 15,967</b>	<b>\$ 17,332</b>	<b>\$ 18,248</b>	<b>\$ 36,616</b>	<b>\$ 34,215</b>
<b>Expenses:</b>						
General government	1,076	1,143			1,076	1,143
Public safety	11,463	11,383			11,463	11,383
Highways & Streets	5,509	5,581			5,509	5,581
Parks & Recreation	3,246	3,319			3,246	3,319
Economic dev.	899	770			899	770
Contingency						
Interest on debt	11	10			11	10
Water			4,117	4,012	4,117	4,012
Sewer			4,127	3,997	4,127	3,997
Airport			510	427	510	427
Solid waste			6,965	5,420	6,965	5,420
<b>Total expenses</b>	<b>22,204</b>	<b>22,206</b>	<b>15,719</b>	<b>13,856</b>	<b>37,923</b>	<b>36,062</b>
Increase (decrease) in net position before transfers	(2,920)	(6,239)	1,613	4,392	(1,307)	(1,847)
Transfers	15	(7)	(15)	7		
Increase (decrease) in net position	(2,905)	(6,246)	1,598	4,399	(1,307)	(1,847)
Net position - beginning (restated)	109,089	92,597	68,699	67,682	177,788	160,279
<b>Net position - ending</b>	<b>\$ 106,184</b>	<b>\$ 86,351</b>	<b>\$ 70,297</b>	<b>\$ 72,081</b>	<b>\$ 176,481</b>	<b>\$ 158,432</b>

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$6,246,604 or 6.7% from the prior fiscal year for an ending balance of \$86,350,244. While current economic uncertainty has had an impact on the City, management was able to take various actions such as reducing nonessential services that neutralized its effect on governmental activities. The decrease in the overall net position of governmental activities is the result of the removal of land from the City's capital assets related to the Los Banos High School Project. In the current fiscal year, a prior period adjustment was made for the City's pension liability due to the new reporting requirements of GASB 68 implemented this fiscal year. The full Statement of Net Position can be seen on Pages 14-15.

**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 \$72,082,398. The total increase in net position for business-type activities (water, wastewater, solid waste and airport funds) was \$4,399,949 or 6.5% from the prior fiscal year. The growth, in large part, is attributable to a five year rate increase plan enacted in the fiscal year 2011-12 and connection fees received from new development. As a result, charges for services for enterprise activities increased \$75,359, \$645,930 and \$384,512, over the previous year's amount in the water, wastewater and solid waste funds, respectively.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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 costs of \$36,063,045 were offset by charges for services \$21,845,821 operating grants/contributions \$3,611,838, and capital grants/contributions \$1,775,933, bringing a net expense to cost of services to \$12,811,757. Streets received a total of \$834,091 from capital grants/contributions reflecting the restricted subventions and grants for infrastructure. Public Safety represents the highest percentage of total net costs \$7,173,549 or 56%.

(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
General government	\$ 1,076	\$ 1,143	\$ 938	\$ (594)
Public safety	11,463	11,383	(8,049)	(7,174)
Highways & streets	5,509	5,581	(3,871)	(3,777)
Parks & recreation	3,246	3,319	(1,662)	(740)
Economic development	899	770	(823)	(516)
Interest of long term debt	11	10	(11)	(10)
Total	<u>\$ 22,204</u>	<u>\$ 22,206</u>	<u>\$ (13,478)</u>	<u>\$ (12,811)</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, below is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2014 to 2015. 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	\$ 1,784,795	\$ (179,823)	\$ 1,057,897	\$ 419,372
Special revenue funds	(34,243)	(17,633)	607,634	(298,910)
Other funds	(115,358)	(467,293)	(780,782)	(555,150)

As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$21,593,463 or an increase of \$2,714,699 from the prior fiscal year. Approximately 56.9% of this total amount (\$12,303,829) is not available for new spending because it is restricted and committed to impact fee related projects and capital grant projects.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Of the remaining balance, \$679,757 is assigned for economic development, \$500,000 for general capital projects, and \$1,000,000 for public safety capital projects which leaves \$7,109,877 or 32.9% as unassigned and available for spending in the future at the government's discretion. However, approximately \$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 General Fund assets increased 18% and the liabilities decreased 10%. The total fund balance for General Funded ended the year at \$10,026,180 with \$7,843,490 as unassigned and available for discretionary use. This was an increase of 27% from the previous fiscal year. The significant reasons for the increase to the total general fund balance was due to increased property tax and sales tax revenues received and expenditure savings in public safety due to unfilled personnel positions. Further analysis of the General Fund budget is discussed below under the "General Fund Budgetary Highlights".

**Major Governmental Funds.** There are four major governmental funds: General Fund, Impact Fees Special Revenue Fund, CDBG and HOME Grants Special Revenue Fund, and Public Safety Special Revenue 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, 2015 the impact fee funds had a total fund balance of \$6.8 million. The entire amount of the fund balance has been committed for capital projects. During the current year funds were expended towards the purchase of a new fire engine. Most of the remaining fund equity position will be used on expanded public safety facilities in order to mitigate 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, 2015 was \$118,355 and was generated from repayment of loans and sale of homes. These funds are restricted that they need 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. In November 2014 Measure K was passed by 77.9% for Police, Fire, and 911 services. This extends Measure P for another 7 years. The majority of these funds are used for personnel. The total fund balance at June 30, 2015 was \$1.8 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 a designated district. The CMAQ grant had the largest impact of non-major funds with the purchase of a dump truck and wheel loader with these grant funds.

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

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** At mid-year the City Council approved a few minor budget adjustments for the general fund. The most significant was a \$50,000 increase in expenditures for technical services for the new contract for building services.

**Final budget compared to actual results.** Total revenues were \$2,160,429 over-budget (20%). The most significant difference between estimated revenues and actual revenues was in property taxes. Estimated revenue for property tax was \$4,746,833 and the actual amount received was \$6,112,770. The positive variance was \$1,365,937 or 29% greater than anticipated. This variance was created due to an increase in property values from the temporary reduction in assessed value that occurred as a result of the recession.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Expenditures variances were positive with 5.4% under the amended budget. The savings were found in general government, public safety, and parks and recreation. The City was able to realize a savings of \$611,025 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, 2015, amounts to \$121,798,129 (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 \$10,075,738.

For governmental activities, capital assets decreased \$8,896,198. Depreciation for the City's governmental activities is \$5,866,993. For business-type activities, capital assets decreased by \$1,179,540. Depreciation for the business-type funds was \$2,220,672.

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

(in thousands of dollars)

Description	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 11,521	\$ 7,121	\$ 8,068	\$ 8,068	\$ 19,589	\$ 15,189
Buildings & Improvements	9,711	9,731	10,041	10,041	19,752	19,772
Equipment	12,910	12,997	7,915	8,204	20,825	21,201
Infrastructure	123,561	124,335	51,133	51,358	174,694	175,693
Construction in Progress	203	428	1,775	2,196	1,978	2,624
Less: Accumulated Depreciation	(74,354)	(79,957)	(30,608)	(32,724)	(104,962)	(112,681)
Total Capital Assets	\$ 83,552	\$ 74,655	\$ 48,324	\$ 47,143	\$ 131,876	\$ 121,798

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

- Dump Truck paid by the CMAQ Grant at a cost of \$130,333
- Wheeled Loader/Leaf Machine paid by the CMAQ Grant at a cost of \$114,645
- Fire Truck paid by the Fire Capital Improvement Fund for a partial payment of \$223,937
- Acceptance of Oliveira Park and Orchard Terrace Park installed by Developers for \$466,985
- Freightliner 2100 Vactor paid by Water and Wastewater Funds at a cost of \$396,655
- Painting of the Ward Road Water Tank paid by Water Fund at a cost of \$164,101
- L Street Water Line Improvements paid by the Water Fund at a cost of \$247,702
- Henry Miller Storm Drain Improvements paid by the Wastewater Fund at a cost of \$93,960

More detailed information about the City's capital assets is presented in Note 6 to the financial statements on pages 51-52 of this report.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Long-term Debt:** A recap of the City's long-term debt is shown below. Total long-term debt decreased by \$327,389 or 10%. Decreases in bonded debt were due to regularly scheduled bond payments. An increase of \$51,151 was recorded for employee compensated absences.

( in thousands of dollars)

Debt Types	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
COPs	\$ -	\$ -	\$ 2,208	\$ 1,897	\$ 2,208	\$ 1,897
Notes payable			64	40	64	40
Capital leases	216	173	-	-	216	173
Comp. absences	542	566	168	195	710	761
Total debt	<u>\$ 758</u>	<u>\$ 739</u>	<u>\$ 2,440</u>	<u>\$ 2,132</u>	<u>\$ 3,198</u>	<u>\$ 2,871</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 paid in January and April whereas sales taxes are paid on a monthly basis, therefore the City must maintain a reserve in order to meet cash-flow needs of the General Fund. Property tax values have seen an increase therefore, so has the property taxes in lieu of vehicle license fees. Sales tax has also shown a marked increase for the City. The City is anticipating a modest growth in General Fund revenues in the next fiscal year. The City will continue to maintain existing reserves in order to meet personnel expenditures impacting the General Fund in future fiscal years.

Personnel costs will increase for next fiscal year due to step increases for all employee groups as well as the new Memorandum of Understandings entered into with the bargaining groups. Health benefits continue to rise as well as employer contributions to CalPERS for retirement benefits for employees. The City will also actively fill vacant funded positions for the 2015-2016 fiscal year that may have remained unfilled during the 2014-2015 fiscal year.

As to insurance costs, the City will see a 9% increase in the self-insured pooling. It will again see increases to property, liability and medical insurance premiums. The City is a member of a risk pool for workers' compensation and will see increases to those rates as well (see the notes to these financial statements).

CalPERS has changed the calculation smoothing to a 30 year amortization period. They have also adopted new demographic assumptions which include a 20 year projected improvement in mortality. These changes will affect the City's rates starting in FY 2015-2016. The retirement rates will remain in the double digits for FY 2015-2016 as well.

**CITY OF LOS BANOS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

A recap of the retirement rates by fiscal year is shown below:

	<b>2.7% @ 55</b>			<b>3% @ 50</b>		
	<b>Miscellaneous</b>			<b>Safety</b>		
	<b>Employee</b>	<b>Employer</b>	<b>Total</b>	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
<b>2013</b>	8.00%	20.50%	28.50%	9.00%	34.72%	43.72%
<b>2014</b>	8.00%	21.21%	29.21%	9.00%	36.03%	45.03%
<b>2015</b>	8.00%	22.62%	30.62%	9.00%	38.35%	47.35%

	<b>2.0% @ 60</b>			<b>3% @ 55</b>		
	<b>Miscellaneous</b>			<b>Safety</b>		
	<b>Employee</b>	<b>Employer</b>	<b>Total</b>	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
<b>2013</b>	8.00%	8.55%	16.55%	9.00%	21.80%	30.80%
<b>2014</b>	8.00%	8.76%	16.76%	9.00%	22.50%	31.50%
<b>2015</b>	8.00%	8.72%	16.72%	9.00%	23.07%	32.07%

	<b>2.0% @ 62</b>			<b>2.7% @ 57</b>		
	<b>Miscellaneous</b>			<b>Safety</b>		
	<b>Employee</b>	<b>Employer</b>	<b>Total</b>	<b>Employee</b>	<b>Employer</b>	<b>Total</b>
<b>2013</b>	6.50%	6.70%	13.20%	12.25%	12.25%	24.50%
<b>2014</b>	6.50%	6.70%	13.20%	12.25%	12.25%	24.50%
<b>2015</b>	6.50%	6.70%	13.20%	12.25%	12.25%	24.50%

The City underwent an actuarial study in 2013 to continue to be in compliance with Governmental Accounting Standards Board pronouncement 43 & 45 to determine the unfunded liability for other post-employment benefits. The City complied with GASB by currently funding the retiree health benefits on a yearly basis and paid \$728,656 for retirement health benefits and sent another \$347,100 for future retirement health benefits to CERBT in order to comply with the City's annual required contribution (ARC).

Water, wastewater, and solid waste rate increases were approved in fiscal year 2011-12 for a total of 5 year increases. These rate increases complied with Prop 218 and have been approved by the City Council.

**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

## BASIC FINANCIAL STATEMENTS

**CITY OF LOS BANOS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 21,618,974	\$ 25,348,313	\$ 46,967,287
Restricted cash and investments with fiscal agent	-	482,230	482,230
Restricted cash and investments	-	8,266,395	8,266,395
Receivables:			
Accounts receivable	696,573	1,307,318	2,003,891
Taxes receivable	1,345,993	-	1,345,993
Interest receivable	10,520	15,060	25,580
Intergovernmental receivables	22,691	-	22,691
Loans receivable	3,684,441	-	3,684,441
Internal balances	(978,148)	978,148	-
Inventories	-	44,239	44,239
Prepaid items	9,009	9,006	18,015
Net OPEB asset	212,616	-	212,616
Capital assets, not being depreciated:			
Land	7,121,007	8,067,666	15,188,673
Construction in progress	427,935	2,195,853	2,623,788
Capital assets, being depreciated:			
Building and structures	9,731,119	10,040,692	19,771,811
Machinery and equipment	12,996,647	8,203,716	21,200,363
Infrastructure	124,335,091	51,358,719	175,693,810
Less: accumulated depreciation	<u>(79,956,657)</u>	<u>(32,723,659)</u>	<u>(112,680,316)</u>
<b>Total Assets</b>	<u>101,277,811</u>	<u>83,593,696</u>	<u>184,871,507</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	<u>2,143,868</u>	<u>477,379</u>	<u>2,621,247</u>
<b>Total deferred outflows of resources</b>	<u>2,143,868</u>	<u>477,379</u>	<u>2,621,247</u>
<b>LIABILITIES</b>			
Accounts payable	811,198	1,072,467	1,883,665
Interest payable	-	7,435	7,435
Deposits	76,970	446,755	523,725
Compensated absences:			
Due within one year	564,411	176,662	741,073
Due in more than one year	1,739	18,316	20,055
Long-term debt:			
Due within one year	45,109	415,433	460,542
Due in more than one year	127,968	1,521,461	1,649,429
Net pension liability	12,057,060	2,305,595	14,362,655
Landfill closure and postclosure care payable	<u>-</u>	<u>5,367,287</u>	<u>5,367,287</u>
<b>Total Liabilities</b>	<u>13,684,455</u>	<u>11,331,411</u>	<u>25,015,866</u>

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

**CITY OF LOS BANOS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(Continued)

	Governmental Activities	Business-Type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	3,386,980	657,266	4,044,246
Total deferred inflows of resources	<u>3,386,980</u>	<u>657,266</u>	<u>4,044,246</u>
<b>NET POSITION</b>			
Net investment in capital assets	74,482,065	45,206,093	119,688,158
Restricted for:			
Debt service	-	482,230	482,230
Public safety	1,841,478	-	1,841,478
Highways and streets	3,280,317	-	3,280,317
Parks and recreation	175,488	-	175,488
Development projects	6,879,182	-	6,879,182
Capital projects	-	8,266,395	8,266,395
Economic development	118,355	-	118,355
Retiree benefits	212,616	-	212,616
Total restricted	12,507,436	8,748,625	21,256,061
Unrestricted	<u>(639,257)</u>	<u>18,127,680</u>	<u>17,488,423</u>
Total Net Position	<u>\$ 86,350,244</u>	<u>\$ 72,082,398</u>	<u>\$ 158,432,642</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, 2015**

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	\$ 1,142,994	\$ 407,908	\$ 84,884	\$ 56,099	\$ (594,103)	\$ -	\$ (594,103)
Public safety	11,382,513	1,613,679	2,500,056	95,229	(7,173,549)	-	(7,173,549)
Highways and streets	5,581,131	65,592	903,965	834,091	(3,777,483)	-	(3,777,483)
Parks and recreation	3,319,476	1,788,690	-	790,514	(740,272)	-	(740,272)
Economic development	770,417	146,919	107,599	-	(515,899)	-	(515,899)
Interest on long-term debt	10,451	-	-	-	(10,451)	-	(10,451)
Total governmental activities	<u>22,206,982</u>	<u>4,022,788</u>	<u>3,596,504</u>	<u>1,775,933</u>	<u>(12,811,757)</u>	<u>-</u>	<u>(12,811,757)</u>
Business-type activities:							
Water	4,012,484	5,358,910	-	-	-	1,346,426	1,346,426
Wastewater	3,996,860	5,460,536	-	-	-	1,463,676	1,463,676
Airport	427,161	311,329	10,564	-	-	(105,268)	(105,268)
Solid waste	5,419,558	6,692,258	4,770	-	-	1,277,470	1,277,470
Total business-type activities	<u>13,856,063</u>	<u>17,823,033</u>	<u>15,334</u>	<u>-</u>	<u>-</u>	<u>3,982,304</u>	<u>3,982,304</u>
<b>Total primary government</b>	<u>\$ 36,063,045</u>	<u>\$ 21,845,821</u>	<u>\$ 3,611,838</u>	<u>\$ 1,775,933</u>	<u>(12,811,757)</u>	<u>3,982,304</u>	<u>(8,829,453)</u>
General revenues:							
Taxes:							
Property taxes					6,031,996	4,493	6,036,489
Sales taxes					2,786,423	-	2,786,423
Motor vehicle in-lieu taxes					15,232	-	15,232
Transient taxes and other taxes					398,625	-	398,625
Franchise taxes					511,545	-	511,545
Use of money and property					1,092,444	307,030	1,399,474
Gain on sale of capital assets					(4,361,026)	4,190	(4,356,836)
Miscellaneous					96,676	95,170	191,846
Transfers					(6,762)	6,762	-
Total general revenues and transfers					<u>6,565,153</u>	<u>417,645</u>	<u>6,982,798</u>
Change in net position					(6,246,604)	4,399,949	(1,846,655)
Net position - beginning (restated)					<u>92,596,848</u>	<u>67,682,449</u>	<u>160,279,297</u>
Net position - ending					<u>\$ 86,350,244</u>	<u>\$ 72,082,398</u>	<u>\$ 158,432,642</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 2015. Individual nonmajor funds may be found in the Supplemental Section.

### **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.

**CITY OF LOS BANOS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Special Revenue Funds					Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 10,557,048	\$ 6,020,867	\$ 155,180	\$ 1,400,520	\$ 3,172,716	\$ 21,306,331
Accounts receivable	241,745	-	9,803	59,331	385,211	696,090
Taxes receivable	824,060	-	-	392,106	129,827	1,345,993
Interest receivable	4,601	3,108	76	667	1,738	10,190
Intergovernmental receivables	21,865	-	-	826	-	22,691
Prepaid items	2,933	-	-	6,076	-	9,009
Due from other funds	614	-	-	-	-	614
Advances to other funds	-	878,632	-	-	-	878,632
Loans receivable	-	-	3,684,441	-	-	3,684,441
<b>Total assets</b>	<b>\$ 11,652,866</b>	<b>\$ 6,902,607</b>	<b>\$ 3,849,500</b>	<b>\$ 1,859,526</b>	<b>\$ 3,689,492</b>	<b>\$ 27,953,991</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 584,716	\$ 23,425	\$ 46,704	\$ 11,972	\$ 88,054	\$ 754,871
Due to other funds	-	-	-	-	614	614
Deposits	76,970	-	-	-	-	76,970
Advances from other funds	965,000	-	-	-	878,632	1,843,632
<b>Total liabilities</b>	<b>1,626,686</b>	<b>23,425</b>	<b>46,704</b>	<b>11,972</b>	<b>967,300</b>	<b>2,676,087</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred loans	-	-	3,684,441	-	-	3,684,441
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>3,684,441</b>	<b>-</b>	<b>-</b>	<b>3,684,441</b>
<b>FUND BALANCES</b>						
Nonspendable	2,933	-	-	6,076	-	9,009
Restricted	-	6,879,182	118,355	1,841,478	3,455,805	12,294,820
Assigned	2,179,757	-	-	-	-	2,179,757
Unassigned	7,843,490	-	-	-	(733,613)	7,109,877
<b>Total fund balances</b>	<b>10,026,180</b>	<b>6,879,182</b>	<b>118,355</b>	<b>1,847,554</b>	<b>2,722,192</b>	<b>21,593,463</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,652,866</b>	<b>\$ 6,902,607</b>	<b>\$ 3,849,500</b>	<b>\$ 1,859,526</b>	<b>\$ 3,689,492</b>	<b>\$ 27,953,991</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, 2015**

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

Total fund balances - governmental funds	\$ 21,593,463
Capital assets used in governmental activities are not current assets or financial resources and, therefore, were not reported in the governmental funds.	74,409,233
Pension related deferrals are reported as deferred outflows and inflows of resources on the Statement of Net Position.	(1,211,227)
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	312,643
Interest receivable	329
Accounts receivable	483
Net OPEB asset	212,616
Capital assets, net of accumulated depreciation	245,909
Deferred outflows from pensions	77,089
Accounts payable and other current liabilities	(56,327)
Capital lease	(173,077)
Compensated absences	(24,475)
Deferred inflows from pensions	(364,735)
Pension deferrals	(108,973)
Internal balances	(13,148)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,684,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability	(11,692,325)
Compensated absences	<u>(541,675)</u>
Net position of governmental activities	<u>\$ 86,350,244</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, 2015**

	Special Revenue Funds					Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Other Governmental Funds	
<b>REVENUES</b>						
Taxes:						
Property	\$ 6,112,770	\$ -	\$ -	\$ 750,864	\$ -	\$ 6,863,634
Sales	2,842,662	-	-	2,184,168	-	5,026,830
Franchise	511,545	-	-	-	-	511,545
Motor vehicle	15,232	-	-	-	903,965	919,197
Other	398,625	-	-	-	-	398,625
Licenses and permits	456,341	-	-	-	-	456,341
Intergovernmental	267,622	-	-	186,534	596,137	1,050,293
Charges for services	1,094,372	618,031	107,599	15,805	1,642,034	3,477,841
Fines	62,505	-	-	-	-	62,505
Use of property and money	999,305	32,090	2,143	7,037	51,869	1,092,444
Miscellaneous	75,196	-	17,280	-	6,232	98,708
<b>Total revenues</b>	<b>12,836,175</b>	<b>650,121</b>	<b>127,022</b>	<b>3,144,408</b>	<b>3,200,237</b>	<b>19,957,963</b>
<b>EXPENDITURES</b>						
Current:						
General government	1,067,648	-	-	-	-	1,067,648
Public safety	8,033,833	20,538	-	3,113,328	-	11,167,699
Highways and streets	40,001	304	-	-	1,118,282	1,158,587
Parks and recreation	1,049,042	-	-	-	1,506,088	2,555,130
Economic development	430,245	-	119,967	-	-	550,212
Debt service:						
Interest and fiscal charges	10,451	-	-	-	-	10,451
Capital outlay:						
General government	5,425	-	-	-	-	5,425
Public safety	-	308,982	-	40,678	-	349,660
Highways and streets	14,947	-	-	-	239,351	254,298
Parks and recreation	-	197,262	-	-	2,900	200,162
Economic development	473	-	-	-	-	473
<b>Total expenditures</b>	<b>10,652,065</b>	<b>527,086</b>	<b>119,967</b>	<b>3,154,006</b>	<b>2,866,621</b>	<b>17,319,745</b>
Excess (deficiency) of revenues over (under) expenditures	<b>2,184,110</b>	<b>123,035</b>	<b>7,055</b>	<b>(9,598)</b>	<b>333,616</b>	<b>2,638,218</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	31,029	34,379	-	3,216	14,619	83,243
Transfers in	18,711	-	-	94,367	17,854	130,932
Transfers out	(104,829)	-	(18,406)	(305)	(14,154)	(137,694)
<b>Total other financing sources (uses)</b>	<b>(55,089)</b>	<b>34,379</b>	<b>(18,406)</b>	<b>97,278</b>	<b>18,319</b>	<b>76,481</b>
Net change in fund balances	2,129,021	157,414	(11,351)	87,680	351,935	2,714,699
Fund balances - beginning	7,897,159	6,721,768	129,706	1,759,874	2,370,257	18,878,764
Fund balances - ending	\$ 10,026,180	\$ 6,879,182	\$ 118,355	\$ 1,847,554	\$ 2,722,192	\$ 21,593,463

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, 2015**

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

Net change in fund balances - total governmental funds	\$ 2,714,699
<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.	810,018
<p>Depreciation expense is deducted from the fund balance. Depreciation expense is net of internal service fund depreciation of \$71,043 which has already been allocated to internal service funds.)</p>	
	(5,795,951)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.</p>	
	(3,867,862)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.</p>	
	266,280
<p>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).</p>	
Unavailable revenue	(206,205)
Deferred loans	(208,551)
Compensated absences	(19,863)
<p>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.</p>	
Change in net position - internal service fund	<u>60,831</u>
Change in net position of governmental activities	<u>\$ (6,246,604)</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, 2015**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,746,833	\$ 4,746,833	\$ 6,112,770	\$ 1,365,937
Sales	2,773,083	2,773,083	2,842,662	69,579
Franchise	462,000	462,000	511,545	49,545
Motor vehicle	-	-	15,232	15,232
Other	300,000	300,000	398,625	98,625
Licenses and permits	288,500	288,500	456,341	167,841
Intergovernmental	90,500	90,500	267,622	177,122
Charges for services	957,941	992,289	1,094,372	102,083
Fines	35,000	35,000	62,505	27,505
Use of property and money	965,219	965,219	999,305	34,086
Miscellaneous	15,500	22,322	75,196	52,874
Total revenues	<u>10,634,576</u>	<u>10,675,746</u>	<u>12,836,175</u>	<u>2,160,429</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	1,104,270	1,106,670	1,046,753	59,917
Contingency	50,000	50,000	20,895	29,105
Total general government	<u>1,154,270</u>	<u>1,156,670</u>	<u>1,067,648</u>	<u>89,022</u>
Public safety:				
Police	6,503,575	6,641,218	6,354,176	287,042
Fire	1,199,967	1,215,429	1,116,510	98,919
Building	174,228	370,228	331,401	38,827
Code enforcement	254,884	255,393	231,746	23,647
Total public safety	<u>8,132,654</u>	<u>8,482,268</u>	<u>8,033,833</u>	<u>448,435</u>
Highways and streets:				
Engineering	67,334	67,334	65,537	1,797
Streets	-	(7,475)	(25,536)	18,061
Total highway and streets	<u>67,334</u>	<u>59,859</u>	<u>40,001</u>	<u>19,858</u>
Parks and recreation:				
Recreation	288,244	288,244	262,341	25,903
Maintenance	585,693	615,716	602,245	13,471
Senior citizens	21,449	21,449	17,911	3,538
Park development	800	800	508	292
Community center	173,154	173,154	166,037	7,117
Total parks and recreation	<u>1,069,340</u>	<u>1,099,363</u>	<u>1,049,042</u>	<u>50,321</u>
Economic development:				
Community development	324,231	441,107	430,245	10,862
Total economic development	<u>324,231</u>	<u>441,107</u>	<u>430,245</u>	<u>10,862</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, 2015  
(Continued)**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES (Continued)				
Debt service:				
Interest and fiscal charges	10,451	10,451	10,451	-
Capital outlay	-	13,372	20,845	(7,473)
Total expenditures	<u>10,758,280</u>	<u>11,263,090</u>	<u>10,652,065</u>	<u>611,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,704)</u>	<u>(587,344)</u>	<u>2,184,110</u>	<u>2,771,454</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	31,029	31,029
Transfers in	-	-	18,711	18,711
Transfers out	<u>(58,567)</u>	<u>(58,567)</u>	<u>(104,829)</u>	<u>(46,262)</u>
Total other financing sources (uses)	<u>(58,567)</u>	<u>(58,567)</u>	<u>(55,089)</u>	<u>3,478</u>
Net change in fund balances	(182,271)	(645,911)	2,129,021	2,774,932
Fund balance - beginning	<u>7,897,159</u>	<u>7,897,159</u>	<u>7,897,159</u>	-
Fund balance - ending	<u>\$ 7,714,888</u>	<u>\$ 7,251,248</u>	<u>\$ 10,026,180</u>	<u>\$ 2,774,932</u>

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, 2015**

	<u>Budgeted Amount</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 535,100	\$ 633,844	\$ 618,031	\$ (15,813)
Use of property and money	<u>22,525</u>	<u>22,525</u>	<u>32,090</u>	<u>9,565</u>
Total revenues	<u>557,625</u>	<u>656,369</u>	<u>650,121</u>	<u>(6,248)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Police	10,000	10,000	10,879	(879)
Fire	<u>10,000</u>	<u>10,000</u>	<u>9,659</u>	<u>341</u>
Total Public Safety	<u>20,000</u>	<u>20,000</u>	<u>20,538</u>	<u>(538)</u>
Highways and streets:				
Roads	<u>15,000</u>	<u>15,000</u>	<u>304</u>	<u>14,696</u>
Total highways and streets	<u>15,000</u>	<u>15,000</u>	<u>304</u>	<u>14,696</u>
Capital outlay	<u>1,175,000</u>	<u>1,282,759</u>	<u>506,244</u>	<u>776,515</u>
Total expenditures	<u>1,210,000</u>	<u>1,317,759</u>	<u>527,086</u>	<u>790,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(652,375)</u>	<u>(661,390)</u>	<u>123,035</u>	<u>784,425</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>34,379</u>	<u>34,379</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>34,379</u>	<u>34,379</u>
Net change in fund balances	(652,375)	(661,390)	157,414	818,804
Fund balance - beginning	<u>6,721,768</u>	<u>6,721,768</u>	<u>6,721,768</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,069,393</u>	<u>\$ 6,060,378</u>	<u>\$ 6,879,182</u>	<u>\$ 818,804</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, 2015**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Charges for services	\$ 63,000	\$ 63,000	\$ 107,599	\$ 44,599
Use of property and money	3,400	3,400	2,143	(1,257)
Miscellaneous	<u>19,940</u>	<u>19,940</u>	<u>17,280</u>	<u>(2,660)</u>
Total revenues	<u>86,340</u>	<u>86,340</u>	<u>127,022</u>	<u>40,682</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	<u>64,750</u>	<u>77,450</u>	<u>119,967</u>	<u>(42,517)</u>
Total expenditures	<u>64,750</u>	<u>77,450</u>	<u>119,967</u>	<u>(42,517)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,590</u>	<u>8,890</u>	<u>7,055</u>	<u>(1,835)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(18,406)</u>	<u>(18,406)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,406)</u>	<u>(18,406)</u>
Net change in fund balances	21,590	8,890	(11,351)	(20,241)
Fund balance - beginning	<u>129,706</u>	<u>129,706</u>	<u>129,706</u>	<u>-</u>
Fund balance - ending	<u>\$ 151,296</u>	<u>\$ 138,596</u>	<u>\$ 118,355</u>	<u>\$ (20,241)</u>

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, 2015**

	<u>Budgeted Amount</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 751,874	\$ 751,874	\$ 750,864	\$ (1,010)
Sales	2,344,652	2,344,652	2,184,168	(160,484)
Intergovernmental	178,156	224,672	186,534	(38,138)
Charges for services	14,000	14,000	15,805	1,805
Use of property and money	<u>3,850</u>	<u>3,850</u>	<u>7,037</u>	<u>3,187</u>
Total revenues	<u>3,292,532</u>	<u>3,339,048</u>	<u>3,144,408</u>	<u>(194,640)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Police	1,789,002	1,729,643	1,589,450	140,193
Fire	<u>1,481,467</u>	<u>1,543,426</u>	<u>1,523,878</u>	<u>19,548</u>
Total public safety	<u>3,270,469</u>	<u>3,273,069</u>	<u>3,113,328</u>	<u>159,741</u>
Capital outlay	<u>61,668</u>	<u>49,400</u>	<u>40,678</u>	<u>8,722</u>
Total expenditures	<u>3,332,137</u>	<u>3,322,469</u>	<u>3,154,006</u>	<u>168,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,605)</u>	<u>16,579</u>	<u>(9,598)</u>	<u>(26,177)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	3,216	3,216
Transfers in	58,567	58,567	94,367	35,800
Transfers out	<u>-</u>	<u>-</u>	<u>(305)</u>	<u>(305)</u>
Total other financing sources (uses)	<u>58,567</u>	<u>58,567</u>	<u>97,278</u>	<u>38,711</u>
Net change in fund balances	18,962	75,146	87,680	12,534
Fund balance - beginning	<u>1,759,874</u>	<u>1,759,874</u>	<u>1,759,874</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,778,836</u>	<u>\$ 1,835,020</u>	<u>\$ 1,847,554</u>	<u>\$ 12,534</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 2015.

### **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, 2015**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and investments	\$ 15,259,266	\$ 6,574,857	\$ 260,168	\$ 3,254,032	\$ 25,348,313	\$ 312,643
Restricted cash and investments with fiscal agent	-	482,230	-	-	482,230	-
Restricted cash and investments	4,243,019	4,023,376	-	-	8,266,395	-
Interest receivable	8,740	4,751	117	1,452	15,060	329
Accounts receivable	333,039	434,653	34,644	504,982	1,307,318	483
Inventories	7,728	-	36,511	-	44,239	-
Prepaid items	630	6,394	-	1,982	9,006	-
<b>Total current assets</b>	<u>19,852,412</u>	<u>11,526,261</u>	<u>331,440</u>	<u>3,762,448</u>	<u>35,472,561</u>	<u>313,455</u>
<b>Noncurrent assets:</b>						
Net OPEB asset	-	-	-	-	-	212,616
Advances to other funds	965,000	-	-	-	965,000	-
<b>Capital assets:</b>						
Land	760,822	7,306,844	-	-	8,067,666	-
Construction in progress	484,281	1,641,570	70,002	-	2,195,853	-
Buildings and improvements	318,155	9,034,927	655,452	32,158	10,040,692	5,976
Machinery and equipment	4,148,856	2,729,763	404,609	920,488	8,203,716	871,315
Infrastructure	26,171,781	22,437,777	2,729,243	19,918	51,358,719	-
Less: accumulated depreciation	<u>(12,367,996)</u>	<u>(17,208,234)</u>	<u>(2,402,306)</u>	<u>(745,123)</u>	<u>(32,723,659)</u>	<u>(631,382)</u>
<b>Total noncurrent assets</b>	<u>20,480,899</u>	<u>25,942,647</u>	<u>1,457,000</u>	<u>227,441</u>	<u>48,107,987</u>	<u>458,525</u>
<b>Total assets</b>	<u>40,333,311</u>	<u>37,468,908</u>	<u>1,788,440</u>	<u>3,989,889</u>	<u>83,580,548</u>	<u>771,980</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows from pensions	<u>183,913</u>	<u>177,726</u>	<u>-</u>	<u>115,740</u>	<u>477,379</u>	<u>77,089</u>
<b>Total deferred outflows of resources</b>	<u>183,913</u>	<u>177,726</u>	<u>-</u>	<u>115,740</u>	<u>477,379</u>	<u>77,089</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, 2015  
(Continued)**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
(Continued)						
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other current liabilities	392,517	216,595	20,493	442,862	1,072,467	56,327
Interest payable	-	7,435	-	-	7,435	-
Deposits	438,135	5,000	3,580	40	446,755	-
Current portion of certificates of participation	-	390,000	-	-	390,000	-
Current portion of notes payable	-	-	25,433	-	25,433	-
Current portion of capital leases	-	-	-	-	-	45,109
Current portion of compensated absences	60,355	64,124	-	52,183	176,662	22,736
Total current liabilities	<u>891,007</u>	<u>683,154</u>	<u>49,506</u>	<u>495,085</u>	<u>2,118,752</u>	<u>124,172</u>
Noncurrent liabilities:						
Certificates of participation bonds payable	-	1,507,114	-	-	1,507,114	-
Note payable	-	-	14,347	-	14,347	-
Capital leases	-	-	-	-	-	127,968
Compensated absences	6,734	6,828	-	4,754	18,316	1,739
Net pension liability	885,017	867,470	-	553,108	2,305,595	364,735
Landfill closure and postclosure care payable	-	-	-	5,367,287	5,367,287	-
Total noncurrent liabilities	<u>891,751</u>	<u>2,381,412</u>	<u>14,347</u>	<u>5,925,149</u>	<u>9,212,659</u>	<u>494,442</u>
Total liabilities	<u>1,782,758</u>	<u>3,064,566</u>	<u>63,853</u>	<u>6,420,234</u>	<u>11,331,411</u>	<u>618,614</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	254,281	241,281	-	161,704	657,266	108,973
Total deferred inflows of resources	<u>254,281</u>	<u>241,281</u>	<u>-</u>	<u>161,704</u>	<u>657,266</u>	<u>108,973</u>
NET POSITION						
Net investment in capital assets	19,515,899	24,045,533	1,417,220	227,441	45,206,093	245,909
Restricted for debt service	-	482,230	-	-	482,230	-
Restricted for capital projects	4,243,019	4,023,376	-	-	8,266,395	-
Restricted for retiree benefits	-	-	-	-	-	212,616
Unrestricted	14,721,267	5,789,648	307,367	(2,703,750)	18,114,532	(337,043)
Total net position	<u>\$ 38,480,185</u>	<u>\$ 34,340,787</u>	<u>\$ 1,724,587</u>	<u>\$ (2,476,309)</u>	<u>72,069,250</u>	<u>\$ 121,482</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					<u>13,148</u>	
Net position of business-type activities (page 14)					<u>\$ 72,082,398</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, 2015**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
Operating revenues:						
Water charges	\$ 5,358,910	\$ -	\$ -	\$ -	\$ 5,358,910	\$ -
Wastewater charges	-	5,460,536	-	-	5,460,536	-
Solid waste charges	-	-	-	6,692,258	6,692,258	-
Airport	-	-	392,268	-	392,268	-
Interdepartmental charges	-	-	-	-	-	2,345,332
Miscellaneous	59,758	34,764	65	583	95,170	1,915
Total operating revenues	<u>5,418,668</u>	<u>5,495,300</u>	<u>392,333</u>	<u>6,692,841</u>	<u>17,999,142</u>	<u>2,347,247</u>
Operating expenses:						
Personnel services	1,390,394	1,315,734	2,868	899,810	3,608,806	1,560,320
Contractual services	187,370	179,543	7,375	4,359,095	4,733,383	37,987
Utilities	685,806	184,519	295,799	70,974	1,237,098	296,611
Repairs and maintenance	416,316	623,245	13,320	620,955	1,673,836	268,302
Insurance	37,880	60,475	10,168	22,993	131,516	9,903
Other supplies and expenses	347,727	353,310	1,555	129,290	831,882	26,160
Depreciation	949,102	1,120,566	92,464	58,540	2,220,672	71,042
Total operating expenses	<u>4,014,595</u>	<u>3,837,392</u>	<u>423,549</u>	<u>6,161,657</u>	<u>14,437,193</u>	<u>2,270,325</u>
Operating income (loss)	<u>1,404,073</u>	<u>1,657,908</u>	<u>(31,216)</u>	<u>531,184</u>	<u>3,561,949</u>	<u>76,922</u>
Nonoperating revenues (expenses):						
Investment earnings	96,209	114,702	1,214	13,966	226,091	4,457
Interest and fiscal charges	-	(163,590)	(3,612)	-	(167,202)	(10,216)
Intergovernmental revenue	-	-	10,564	4,770	15,334	-
Property tax revenue	-	-	4,493	-	4,493	-
Landfill closure/postclosure expense	-	-	-	738,000	738,000	-
Total nonoperating revenues (expenses)	<u>96,209</u>	<u>(48,888)</u>	<u>12,659</u>	<u>756,736</u>	<u>816,716</u>	<u>(5,759)</u>
Income (loss) before capital contributions and transfers	<u>1,500,282</u>	<u>1,609,020</u>	<u>(18,557)</u>	<u>1,287,920</u>	<u>4,378,665</u>	<u>71,163</u>
Gain (loss) on sale of assets	1,323	2,867	-	-	4,190	-
Transfers in	6,762	-	-	-	6,762	-
Change in net position	1,508,367	1,611,887	(18,557)	1,287,920	4,389,617	71,163
Net position - beginning (restated)	<u>36,971,818</u>	<u>32,728,900</u>	<u>1,743,144</u>	<u>(3,764,229)</u>		<u>50,319</u>
Net position - ending	<u>\$ 38,480,185</u>	<u>\$ 34,340,787</u>	<u>\$ 1,724,587</u>	<u>\$ (2,476,309)</u>		<u>\$ 121,482</u>
Adjustments for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>10,332</u>	
Changes in net position of business-type activities (page 16)					<u>\$ 4,399,949</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, 2015**

	Water	Wastewater	Airport	Solid Waste	Total	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 5,410,666	\$ 5,450,555	\$ 402,876	\$ 6,647,809	\$ 17,911,906	\$ -
Receipts from interfund services provided	-	-	-	-	-	2,352,013
Payments to suppliers	(1,404,335)	(1,329,965)	(300,026)	(5,136,157)	(8,170,483)	(620,167)
Payments to or on behalf of employees for services	(1,432,271)	(1,351,809)	(2,868)	(923,899)	(3,710,847)	(1,580,374)
Receipts from other operating revenues	59,758	34,764	65	583	95,170	1,915
<b>Net cash provided (used) by operating activities</b>	<b>2,633,818</b>	<b>2,803,545</b>	<b>100,047</b>	<b>588,336</b>	<b>6,125,746</b>	<b>153,387</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	6,762	-	-	-	6,762	-
Advances to other funds	80,000	-	-	-	80,000	-
Property taxes and grants received	-	-	15,057	14,737	29,794	-
Landfill closure/postclosure liability	-	-	-	(122,713)	(122,713)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>86,762</b>	<b>-</b>	<b>15,057</b>	<b>(107,976)</b>	<b>(6,157)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal payments on long-term debt	-	(311,318)	(24,394)	-	(335,712)	(42,828)
Acquisition of capital assets	(694,876)	(346,383)	-	-	(1,041,259)	(28,639)
Proceeds from the sale of assets	1,450	2,867	-	-	4,317	-
Interest paid	-	(164,808)	(3,612)	-	(168,420)	(10,216)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(693,426)</b>	<b>(819,642)</b>	<b>(28,006)</b>	<b>-</b>	<b>(1,541,074)</b>	<b>(81,683)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Cash received from interest and land rentals	92,907	112,404	1,151	13,378	219,840	4,310
Purchase and redemption of investments, net	(242,065)	(351,864)	-	-	(593,929)	-
<b>Net cash provided (used) by investing activities</b>	<b>(149,158)</b>	<b>(239,460)</b>	<b>1,151</b>	<b>13,378</b>	<b>(374,089)</b>	<b>4,310</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,877,996</b>	<b>1,744,443</b>	<b>88,249</b>	<b>493,738</b>	<b>4,204,426</b>	<b>76,014</b>
Cash and cash equivalents - July 1	13,381,260	4,830,414	171,919	2,760,294	21,143,887	236,629
<b>Cash and cash equivalents - June 30</b>	<b>\$ 15,259,256</b>	<b>\$ 6,574,857</b>	<b>\$ 260,168</b>	<b>\$ 3,254,032</b>	<b>\$ 25,348,313</b>	<b>\$ 312,643</b>

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

Operating income (loss)	\$ 1,404,073	\$ 1,657,908	\$ (31,216)	\$ 531,184	\$ 3,561,949	\$ 76,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	949,102	1,120,566	92,464	58,540	2,220,672	71,042
Pension expense	(120,187)	(110,828)	-	(77,647)	(308,662)	(53,234)
(Increase) decrease in:						
Accounts receivable	42,726	(9,981)	10,608	(44,449)	(1,096)	6,681
Inventories	5,718	-	10,016	-	15,734	-
Prepaid items	68	(696)	-	(1,284)	(1,912)	-
Net OPEB asset	-	-	-	-	-	(3,261)
Deferred outflows of resources for pensions	(183,913)	(177,726)	-	(115,740)	(477,379)	(77,089)
Increase (decrease) in:						
Accounts payable and other liabilities	264,978	71,823	18,175	68,434	423,410	18,799
Customer deposits	9,030	-	-	-	9,030	-
Compensated absences	7,942	11,198	-	7,594	26,734	4,554
Deferred inflows of resources for pensions	254,281	241,281	-	161,704	657,266	108,973
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,633,818</b>	<b>\$ 2,803,545</b>	<b>\$ 100,047</b>	<b>\$ 588,336</b>	<b>\$ 6,125,746</b>	<b>\$ 153,387</b>

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, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Restricted cash and investments	\$ 6,817
Accounts receivable	<u>3,645</u>
Total assets	<u>10,462</u>
<b>LIABILITIES</b>	
Due to others	<u>10,462</u>
Total liabilities	<u>\$ 10,462</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, 2015**

**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, 2015

**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 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.

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, and operation and maintenance of wastewater facilities for drainage, 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 School Project with the Los Banos Unified School District for land purchase and joint use of facilities and 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, 2015**

**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, grants, 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 grants, 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, 2015**

**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, 2015 was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning balance	\$ 541,734	\$ 168,244	\$ 709,978
Additions	460,933	155,224	616,157
Payments	<u>(436,517)</u>	<u>(128,490)</u>	<u>(565,007)</u>
Ending balance	<u>\$ 566,150</u>	<u>\$ 194,978</u>	<u>\$ 761,128</u>
Current portion	<u>\$ 564,411</u>	<u>\$ 176,662</u>	<u>\$ 741,073</u>

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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**

*Pensions* - In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 10 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**K. Pronouncements**

**(1) New Accounting Pronouncements Adopted**

**Governmental Accounting Standards Board Statement No. 68**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This Statement was adopted by the City during the current fiscal year.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**K. Pronouncements**

**(1) New Accounting Pronouncements Adopted**

*Governmental Accounting Standards Board Statement No. 69*

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement were considered but had no effect on the City for the current fiscal year.

*Government Accounting Standards Board Statement No. 71*

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement was adopted by the City during the current fiscal year.

**(2) New Accounting Pronouncements Not Yet Adopted**

*Governmental Accounting Standards Board Statement No. 72*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the City's fiscal year ending June 30, 2016.

*Governmental Accounting Standards Board Statement No. 73*

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**K. Pronouncements**

**(2) New Accounting Pronouncements Not Yet Adopted**

**Governmental Accounting Standards Board Statement No. 74**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The requirements of this statement are effective for the City's fiscal year ending June 30, 2017.

**Governmental Accounting Standards Board Statement No. 75**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the City's fiscal year ending June 30, 2018.

**Governmental Accounting Standards Board Statement No. 76**

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for the City's fiscal year ending June 30, 2016.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2015:

<u>General Fund</u>	
Capital outlay	\$ 7,473
 <u>Impact Fees Special Revenue Fund</u>	
Public Safety	
Police	879
 <u>CDBG and HOME Grants Special Revenue Fund</u>	
Economic development	42,517

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

The following funds contained a deficit fund balance or net position as of June 30, 2015. Future revenues are expected to offset these deficits.

<u>Governmental Funds</u>	
CMAQ Grant Special Revenue	\$ 614
Capital Grants Capital Projects	732,999
 <u>Enterprise Fund</u>	
Solid Waste	2,476,309
 <u>Internal Service Funds</u>	
Fleet Maintenance	87,983
Information Technology	189,956

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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.

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 of interest income is credited to all funds, as required by California Government Code.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**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	\$ 46,967,287
Restricted cash and investments with fiscal agents	482,230
Restricted cash and investments	<u>8,266,395</u>
Cash and investments in primary government	<u>55,715,912</u>
Fiduciary Fund:	
Restricted cash and investments with fiscal agents	<u>6,817</u>
 Total cash and investments	 <u>\$ 55,722,729</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand and in bank	\$ 6,294,181
Investments	<u>49,428,548</u>
 Total cash and investments	 <u>\$ 55,722,729</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 \$8,748,625 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, 2015**

**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 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, 2015**

**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>Held by City:</b>					
Corporate Bonds	\$ -	\$ -	\$ 3,063,274	\$ 1,488,334	\$ 4,551,608
State Local Agency Investment Fund	37,166,273	-	-	-	37,166,273
Money Market Mutual Funds	182,073	-	-	-	182,073
Certificates of Deposit	1,854,406	995,514	616,810	3,579,634	7,046,364
<b>Held by Trustee:</b>					
Money Market Mutual Funds	482,230	-	-	-	482,230
Total Investments	<u>\$ 39,684,982</u>	<u>\$ 995,514</u>	<u>\$ 3,680,084</u>	<u>\$ 5,067,968</u>	49,428,548
Cash on hand and in bank					6,294,181
Total Cash and Investments					<u>\$ 55,722,729</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, 2015, these investments matured in an average of 239 days.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015 were provided by Standard and Poor's investment rating system. The Local Agency Investment Fund was not rated as of June 30, 2015.

<u>Investment Type</u>	<u>AAAm</u>	<u>AA+</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>Total</u>
<b><i>Held by City:</i></b>						
Corporate Bonds	\$ -	\$ 2,758,186	\$ 500,296	\$ 305,088	\$ 988,038	\$ 4,551,608
Money Market Mutual Funds	182,073	-	-			182,073
<b><i>Held by Trustee:</i></b>						
Money Market Mutual Funds	<u>482,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,230</u>
<b>Total</b>	<b><u>\$ 664,303</u></b>	<b><u>\$ 2,758,186</u></b>	<b><u>\$ 500,296</u></b>	<b><u>\$ 305,088</u></b>	<b><u>\$ 988,038</u></b>	<b>5,215,911</b>
<b><i>Not rated:</i></b>						
State Local Agency Investment Fund						37,166,273
Certificates of Deposit						7,046,364
Cash on hand and in banks						<u>6,294,181</u>
<b>Total</b>						<b><u>\$ 55,722,729</u></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. 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 at June 30, 2015 are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
General Electric Capital Corporation	Corporate Bond	\$2,758,186

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**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 provisions 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.

GASB Statement No. 40 requires the following disclosures be made with respect to custodial credit risk relating to deposits and investments:

As of June 30, 2015, the carrying amount of the City's bank deposits was \$6,291,426, and the respective bank balances totaled \$6,822,330. Of the total bank balance, \$500,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$6,322,330 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

**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, 2015 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Public Safety Special Revenue Fund	\$ 57,771 (A)
General Fund	Special Revenue Grants Special Revenue Fund	36,596 (A)
General Fund	Public Safety Special Revenue Fund	305 (B)
CDBG and Home Grants Special Revenue Fund	General Fund	18,406 (C)
Streets and Roads Special Revenue Fund	CMAQ Grant Special Revenue Fund	13,785 (D)
General Fund	Water Fund	6,762 (E)
General Fund	Streets and Roads Special Revenue Fund	3,700 (F)
Capital Grants Capital Projects Fund	Streets and Roads Special Revenue Fund	369 (G)
		<u>\$ 137,694</u>

- (A) Eliminate fund deficit
- (B) Close out Homeland Security Grant
- (C) Transfer program income to General Fund for administrative services
- (D) Transfer City's matching requirement
- (E) Transfer receipt of fraud settlement
- (F) SB325 Street maintenance
- (G) Close out Prop 1B

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2015, the following funds have balances due to the General Fund:

Due From Other Funds	Due To Other Funds	Amount
General Fund	CMAQ Grant Special Revenue Fund	\$ 614
		\$ 614

**C. Advances Between Funds**

At June 30, 2015, the following funds had long-term advances that were not expected to be repaid within one year.

Funds Making Advances	Funds Receiving Advances	Amount
Water Enterprise Fund	General Fund	\$ 965,000
Impact Fees Special Revenue Fund	Capital Grants Capital Projects Fund	878,632
		\$ 1,843,632

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 \$80,000 in principal during the fiscal year ended June 30, 2015, 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 Fee 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, 2015 is \$878,632.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 – LOANS RECEIVABLE**

At June 30, 2015, the City had the following loans receivable:

	Outstanding Balance as of June 30, 2015
Residential Rehabilitation Program	\$ 1,565,680
Commercial Micro-Enterprise Program	59,763
First-Time Home Buyer Program	969,023
Neighborhood Stabilization Program	1,089,975
	\$ 3,684,441

**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, 2015, outstanding loans of this program amounted to \$1,565,680.

**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, 2015, outstanding loans of this program amounted to \$59,763.

**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 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, 2015, outstanding loans of this program amounted to \$969,023.

**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, 2015, loans outstanding totaled \$1,089,975.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 11,521,007	\$ -	\$ (4,400,000)	\$ -	\$ 7,121,007
Construction in progress	202,635	254,997	-	(29,697)	427,935
<b>Total capital assets not being depreciated</b>	<b>11,723,642</b>	<b>254,997</b>	<b>(4,400,000)</b>	<b>(29,697)</b>	<b>7,548,942</b>
Capital assets being depreciated:					
Buildings, structures and improvements	9,710,275	20,844	-	-	9,731,119
Machinery and equipment	12,910,452	365,554	(309,056)	29,697	12,996,647
Infrastructure	123,561,422	773,669	-	-	124,335,091
<b>Total capital assets being depreciated</b>	<b>146,182,149</b>	<b>1,160,067</b>	<b>(309,056)</b>	<b>29,697</b>	<b>147,062,857</b>
Less accumulated depreciation for:					
Buildings, structures and improvements	(3,030,390)	(229,020)	-	-	(3,259,410)
Machinery and equipment	(9,906,662)	(756,207)	264,787	-	(10,398,082)
Infrastructure	(61,417,399)	(4,881,766)	-	-	(66,299,165)
<b>Total accumulated depreciation</b>	<b>(74,354,451)</b>	<b>(5,866,993)</b>	<b>264,787</b>	<b>-</b>	<b>(79,956,657)</b>
<b>Total capital assets being depreciated, net</b>	<b>71,827,698</b>	<b>(4,706,926)</b>	<b>(44,269)</b>	<b>29,697</b>	<b>67,106,200</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 83,551,340</b>	<b>\$ (4,451,929)</b>	<b>\$ (4,444,269)</b>	<b>\$ -</b>	<b>\$ 74,655,142</b>

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**B. Business-Type Activities**

Capital assets activity of the business-type activities for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 8,067,666	\$ -	\$ -	\$ -	\$ 8,067,666
Construction in progress	1,774,647	438,321	-	(17,115)	2,195,853
Total capital assets not being depreciated	<u>9,842,313</u>	<u>438,321</u>	<u>-</u>	<u>(17,115)</u>	<u>10,263,519</u>
Capital assets being depreciated:					
Buildings, structures and improvements	10,040,692	-	-	-	10,040,692
Machinery and equipment	7,914,852	393,720	(104,924)	68	8,203,716
Infrastructure	51,132,581	209,091	-	17,047	51,358,719
Total capital assets being depreciated	<u>69,088,125</u>	<u>602,811</u>	<u>(104,924)</u>	<u>17,115</u>	<u>69,603,127</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(7,912,314)	(383,300)	-	-	(8,295,614)
Machinery and equipment	(4,617,668)	(431,310)	104,924	-	(4,944,054)
Infrastructure	(18,077,929)	(1,406,062)	-	-	(19,483,991)
Total accumulated depreciation	<u>(30,607,911)</u>	<u>(2,220,672)</u>	<u>104,924</u>	<u>-</u>	<u>(32,723,659)</u>
Total capital assets being depreciated, net	<u>38,480,214</u>	<u>(1,617,861)</u>	<u>-</u>	<u>17,115</u>	<u>36,879,468</u>
Business-type activities capital assets, net	<u>\$ 48,322,527</u>	<u>\$ (1,179,540)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,142,987</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:

<b>Governmental Activities:</b>	
General government	\$ 87,751
Public safety	433,984
Economic development	20,106
Parks and recreation	799,886
Highways and streets	4,454,224
Internal service fund	71,042
Total governmental activities	<u>\$ 5,866,993</u>
<b>Business-type Activities:</b>	
Water	\$ 949,102
Wastewater	1,120,566
Airport	92,464
Solid Waste	58,540
Total business-type activities	<u>\$ 2,220,672</u>

**CITY OF LOS BANOS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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**

	<u>Original Issue Amount</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>						
<b>Capital Leases</b>						
Fleet Equipment Lease						
5.20%, due 01/03/2019	\$ 234,114	\$ 215,905	\$ -	\$ 42,828	\$ 173,077	\$ 45,109
Total Governmental Activity Debt		<u>\$ 215,905</u>	<u>\$ -</u>	<u>\$ 42,828</u>	<u>\$ 173,077</u>	<u>\$ 45,109</u>
	<u>Original Issue Amount</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</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	\$ 2,495,000	\$ -	\$ 375,000	\$ 2,120,000	\$ 390,000
Less: unamortized discounts		<u>(286,568)</u>	<u>-</u>	<u>(63,682)</u>	<u>(222,886)</u>	<u>-</u>
Total Certificates of Participation		<u>2,208,432</u>	<u>-</u>	<u>311,318</u>	<u>1,897,114</u>	<u>390,000</u>
<b>Note Payable</b>						
Department of Transportation						
5.63%, due 6/28/17	300,000	<u>64,174</u>	<u>-</u>	<u>24,394</u>	<u>39,780</u>	<u>25,433</u>
Total Notes Payable		<u>64,174</u>	<u>-</u>	<u>24,394</u>	<u>39,780</u>	<u>25,433</u>
Total Business-Type Activities Debt		<u>\$ 2,272,606</u>	<u>\$ -</u>	<u>\$ 335,712</u>	<u>\$ 1,936,894</u>	<u>\$ 415,433</u>

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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.

**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 \$2,354,633. The Wastewater Enterprise Fund's principal and interest paid for the current year and total customer revenues were \$471,528 and \$5,460,536, 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 are payable semiannually through August 2027.

**E. Debt Service Requirements**

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

For the Years June 30	Governmental Activities	
	Principal	Interest
2016	\$ 45,109	\$ 7,935
2017	47,511	5,533
2018	50,042	3,002
2019	30,415	527
Total	<u>\$ 173,077</u>	<u>\$ 16,997</u>

For the Years June 30	Business-Type Activities	
	Principal	Interest
2016	\$ 415,433	\$ 83,654
2017	419,347	66,120
2018	425,000	48,085
2019	440,000	29,700
2020	460,000	10,120
Subtotal	2,159,780	237,679
Less: deferred amounts	(222,886)	-
Total	<u>\$ 1,936,894</u>	<u>\$ 237,679</u>

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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. 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 clean closure construction planning and actual construction will begin in fiscal year 2016-17. 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 \$5,367,287 reported as landfill closure and postclosure care liability at June 30, 2015, 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 in 2015. 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 anticipates funding the trust in fiscal year 2016 in order to comply with the financial assurance requirements. At June 30, 2015, 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 operation financing, interest earnings on the accumulated assets held in trust, and internal 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, 2015**

**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* 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, 2015**

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

**B. Fund Balances (Continued)**

Detailed classifications of the City's fund balances as of June 30, 2015 are as follows:

Fund Balance Classifications	General Fund	Impact Fees	CDBG and Home Grants	Public Safety	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>						
Items not in spendable form:						
Prepaid items	\$ 2,933	\$ -	\$ -	\$ 6,076	\$ -	\$ 9,009
<b>Total nonspendable</b>	<u>2,933</u>	<u>-</u>	<u>-</u>	<u>6,076</u>	<u>-</u>	<u>9,009</u>
<b><i>Restricted for:</i></b>						
Public safety	-	-	-	1,841,478	-	1,841,478
Highways and streets	-	-	-	-	3,280,317	3,280,317
Parks and recreation	-	-	-	-	175,488	175,488
Development projects	-	6,879,182	-	-	-	6,879,182
Economic development	-	-	118,355	-	-	118,355
<b>Total restricted</b>	<u>-</u>	<u>6,879,182</u>	<u>118,355</u>	<u>1,841,478</u>	<u>3,455,805</u>	<u>12,294,820</u>
<b><i>Assigned for:</i></b>						
General government	500,000	-	-	-	-	500,000 (A)
Public safety	1,000,000	-	-	-	-	1,000,000 (B)
Development projects	679,757	-	-	-	-	679,757 (C)
<b>Total assigned</b>	<u>2,179,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,179,757</u>
<b>Unassigned:</b>	<u>7,843,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(733,613)</u>	<u>7,109,877</u>
<b>Total Fund Balances</b>	<u>\$ 10,026,180</u>	<u>\$ 6,879,182</u>	<u>\$ 118,355</u>	<u>\$ 1,847,554</u>	<u>\$ 2,722,192</u>	<u>\$ 21,593,463</u>

(A) Projects include improvements to City Hall, improvements to the Community Center, traffic related improvements due to new development, land purchase for Corporation Yard, and Police and Fire equipment purchases and facility improvements.

(B) Projects include a new Police facility and a Fire training tower.

(C) Projects include various street improvements such as overlays throughout the City as needed and various park improvements such as new playground equipment for the parks located in the assessment districts.

**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, 2015**

**NOTE 10 – PENSION PLANS**

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

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans 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 – age 52 for the PEPRM Miscellaneous Plan – 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 each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Safety 1st Tier	Safety 2nd Tier	Safety 3rd Tier
Hire date	Prior to January 1, 2011	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	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	12.25%
Required employer contribution rates	38.351%	23.065%	12.25%
	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous 3rd Tier
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%	7%	6.5%
Required employer contribution rates	22.615%	8.715%	6.7%

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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

**Contributions** – Section 20814c 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 both Plans 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.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 765,967	\$ 715,089
Contributions - employee (paid by employer)	-	-

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 7,086,977
Safety	7,275,678
Total Net Pension Liability	\$ 14,362,655

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, 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 plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.2788%	0.1897%
Proportion - June 30, 2014	0.2867%	0.1940%
Change - Increase (Decrease)	0.0079%	0.0043%

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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

For the year ended June 30, 2015, the City recognized pension expense of \$1,675,964. At June 30, 2015, 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	\$ 2,621,247	\$ -
Net difference between actual and allocated employer contributions	526,526	-
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,353	(358,142)
Net difference between projected and actual earning on plan investments	-	(3,686,104)
Total	\$ 3,150,126	\$ (4,044,246)

\$2,092,368 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, 2016. 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 Ended June 30	
2016	\$ (910,035)
2017	(910,035)
2018	(884,621)
2019	(810,676)
2020	-
Thereafter	-

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.5% <sup>(2)</sup>	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, 2013 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.

**D. Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is schedule to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we changed our methodology.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**D. Discount Rate (Continued)**

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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

***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 each Plan, calculated using the discount rate for each 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 11,784,890	\$ 11,633,505
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 7,086,977	\$ 7,275,678
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 3,188,155	\$ 3,685,015

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**E. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**F. Payable to the Pension Plan**

At June 30, 2015, the City had no payable to report for an outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**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.

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.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 12 – POST EMPLOYMENT 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, 2015, 63 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 \$1,075,756.

The annual required contribution (ARC) was determined as part of the July 1, 2013 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, 2015**

**NOTE 12 – POST EMPLOYMENT 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-employers plan. 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, 2015, the City contributed \$347,100 to the CERBT trust and \$728,656 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:

	<u>Governmental Activities</u>
Annual required contribution (ARC)	\$ 1,075,756
Interest on net OPEB (asset)	(15,932)
Amortization on net OPEB (asset)	<u>12,671</u>
Annual OPEB cost	1,072,495
Contributions made:	
Contributions to CERBT	347,100
City's portion of current year premiums paid	<u>728,656</u>
	<u>1,075,756</u>
Increase in net OPEB obligation (asset)	(3,261)
Net OPEB obligation (asset) at June 30, 2014	<u>(209,355)</u>
Net OPEB obligation (asset) at June 30, 2015	<u>\$ (212,616)</u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2013, amounted to \$17,987,242. 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, 2015**

**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
6/30/2013	1,309,964	1,342,583	102%	(216,299)
6/30/2014	1,072,387	1,065,443	99%	(209,355)
6/30/2015	1,072,495	1,075,756	100%	(212,616)

As of July 1, 2014, 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]
7/1/2013	2,953,334	17,987,242	(15,033,908)	16%	7,810,032	192%

**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 – JOINT-USE AGREEMENT WITH THE LOS BANOS UNIFIED SCHOOL DISTRICT**

On May 29, 2007, the City entered into a Memorandum of Understanding (MOU) with the Los Banos Unified School District (the District) outlining the parties' commitment to a joint-use agreement for the purpose of funding and/or constructing a public facility with joint-use capability. The MOU included the possible sale of all or a portion of Pacheco Park to the City and the joint-use and/or development of the new high school site located on Ward Road. On July 31, 2008, the City sold the parcel located at Ward Road to the District for the sale price of \$6,800,000. After the payment of closing costs, the City deposited \$6,793,276 into a separate bank account held at Wells Fargo titled the City of Los Banos School Project. The City reports the activity in the Los Banos School Project Agency Fund.

On September 3, 2009, the City disbursed \$5,005,000 out of the City of Los Banos School Project Account: \$5,000,000 for the purpose of complying with the joint-use portion of the MOU with the Los Banos Unified School District (the District) and \$5,000 to open an escrow account for the purchase of the Pacheco Park from the District. The City disbursed a final payment of \$25,076.48 to the Los Banos Unified School District in compliance with the MOU. There is no outstanding balance as of June 30, 2015.

**CITY OF LOS BANOS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 – CHANGE IN APPLICATION OF ACCOUNTING PRINCIPLES**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position decreased as follows:

**Government-wide Financial Statements**

Governmental Activities	\$ (13,587,801)
Business-Type Activities	<u>(2,614,257)</u>
Total Government-Wide Financial Statements	<u>\$ (16,202,058)</u>

**Proprietary Fund Financial Statements**

Enterprise funds:	
Water Fund	\$ (1,005,204)
Wastewater Fund	(978,298)
Solid Waste Fund	<u>(630,755)</u>
Total Enterprise funds	<u>\$ (2,614,257)</u>
Internal Service Funds:	
Fleet Maintenance	\$ (119,883)
Information Technology	<u>(298,086)</u>
Total Internal Service funds	<u>\$ (417,969)</u>

**NOTE 16 – CHANGE IN ESTIMATE**

During the fiscal year ending June 30, 2015, 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 2015-16, the City revised the estimate for closure/postclosure care liability. During the fiscal year ending June 30, 2015, the City reduced the liability by \$122,713 in order to comply with GASB 18. As a result, of the items previously stated, the City then decreased the closure/postclosure liability by \$738,000 and correspondingly increased non-operating expenses by the same amount. After the decrease, closure/postclosure liability amounted to \$5,367,287 for the fiscal year ending June 30, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LOS BANOS  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2015**

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]
7/1/2010	1,211,425	16,048,605	(14,837,180)	8%	8,109,852	183%
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%

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

	2015	
	Miscellaneous	Safety
Proportion of the net pension liability	0.2867%	0.1940%
Proportionate share of the net pension liability	\$ 7,086,977	\$ 7,275,678
Covered - employee payroll	\$ 4,702,745	\$ 3,629,627
Proportionate share of the net pension liability as percentage of covered-employee payroll	150.70%	200.45%
Plan's fiduciary net position	\$ 28,325,485	\$ 25,258,169
Plan fiduciary net position as a percentage of the total pension liability	79.99%	77.64%

**NOTES TO SCHEDULE**

**Changes in Benefit Terms** - None

**Changes in Assumptions** - None

\* Fiscal year 2015 was the first year of implementation; therefore only one year is shown.

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

	2015	
	Miscellaneous	Safety
Actuarially required contribution (actuarially determined)	\$ 855,458	\$ 1,239,978
Contributions in relation to the actuarially determined contributions	855,458	1,239,978
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	\$ 4,702,745	\$ 3,629,627
Contributions as a percentage of covered-employee payroll	18.19%	34.16%

**NOTES TO SCHEDULE**

	Miscellaneous	Safety
Valuation date:	June 30, 2013	
Methods and assumptions used to determine contributions rates:		
Actuarial Cost Method	Entry Age Normal	
Amortization Period	Level percent of payroll, closed	
Remaining Amortization Period	15 years	15 Years
Asset Valuation Method	5 year smoothed market	
Inflation	2.75%	2.75%
Salary Increase	3.30% to 14.20% depending on age and service	
Payroll Growth	3.00%	3.00%
Investment Rate of Return	7.5%, net of pension plan investment and administrative expenses; includes inflation	
Retirement Age	62	57
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB	

\* Fiscal year 2015 was the first year of implementation; therefore only one year is shown.

## **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.

#### **CONGESTION MITIGATION AND AIR QUALITY (CMAQ) GRANT**

This fund is used to account for projects related to Congestion Mitigation and Air Quality Improvement Program. This grant has been approved for the City to purchase a dump truck and a wheel loader.

### **CAPITAL PROJECTS FUNDS**

#### **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.

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Streets and Roads	Assessment Districts	CMAQ Grant	Capital Grants	
<b>ASSETS</b>					
Cash and investments	\$ 2,901,717	\$ 122,438	\$ -	\$ 148,561	\$ 3,172,716
Accounts receivable	385,211	-	-	-	385,211
Taxes receivable	-	129,827	-	-	129,827
Interest receivable	1,279	394	-	65	1,738
<b>Total assets</b>	<b>\$ 3,288,207</b>	<b>\$ 252,659</b>	<b>\$ -</b>	<b>\$ 148,626</b>	<b>\$ 3,689,492</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 7,890	\$ 77,171	\$ -	\$ 2,993	\$ 88,054
Due to other funds	-	-	614	-	614
Advances from other funds	-	-	-	878,632	878,632
<b>Total liabilities</b>	<b>7,890</b>	<b>77,171</b>	<b>614</b>	<b>881,625</b>	<b>967,300</b>
<b>Fund balances:</b>					
Restricted	3,280,317	175,488	-	-	3,455,805
Unassigned	-	-	(614)	(732,999)	(733,613)
<b>Total fund balances (deficits)</b>	<b>3,280,317</b>	<b>175,488</b>	<b>(614)</b>	<b>(732,999)</b>	<b>2,722,192</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,288,207</b>	<b>\$ 252,659</b>	<b>\$ -</b>	<b>\$ 148,626</b>	<b>\$ 3,689,492</b>

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Streets and Roads	Assessment Districts	CMAQ Grant	Capital Grants	
<b>REVENUES</b>					
Taxes:					
Motor vehicle	\$ 903,965	\$ -	\$ -	\$ -	\$ 903,965
Intergovernmental	385,190	-	210,947	-	596,137
Charges for services	-	1,642,034	-	-	1,642,034
Use of property and money	13,231	3,426	-	35,212	51,869
Miscellaneous	202	-	-	6,030	6,232
<b>Total revenues</b>	<b>1,302,588</b>	<b>1,645,460</b>	<b>210,947</b>	<b>41,242</b>	<b>3,200,237</b>
<b>EXPENDITURES</b>					
Current:					
Highways and streets	1,118,282	-	-	-	1,118,282
Parks and recreation	-	1,482,857	-	23,231	1,506,088
Capital outlay:					
Highways and streets	-	-	239,351	-	239,351
Parks and recreation	-	2,900	-	-	2,900
<b>Total expenditures</b>	<b>1,118,282</b>	<b>1,485,757</b>	<b>239,351</b>	<b>23,231</b>	<b>2,866,621</b>
Excess (deficiency) of revenues over (under) expenditures	184,306	159,703	(28,404)	18,011	333,616
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	14,619	-	14,619
Transfers in	4,069	-	13,785	-	17,854
Transfers (out)	(13,785)	-	-	(369)	(14,154)
<b>Total other financing sources (uses)</b>	<b>(9,716)</b>	<b>-</b>	<b>28,404</b>	<b>(369)</b>	<b>18,319</b>
Net change in fund balances	174,590	159,703	-	17,642	351,935
Fund balances - beginning	3,105,727	15,785	(614)	(750,641)	2,370,257
Fund balances - ending	\$ 3,280,317	\$ 175,488	\$ (614)	\$ (732,999)	\$ 2,722,192

**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, 2015**

	Streets and Roads			Assessment Districts		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes:						
Motor vehicle	\$ 920,778	\$ 903,965	\$ (16,813)	\$ -	\$ -	\$ -
Intergovernmental	430,000	385,190	(44,810)	-	-	-
Charges for services	-	-	-	1,634,080	1,642,034	7,954
Use of property and money	12,000	13,231	1,231	2,580	3,426	846
Miscellaneous	-	202	202	-	-	-
Total revenues	<u>1,362,778</u>	<u>1,302,588</u>	<u>(60,190)</u>	<u>1,636,660</u>	<u>1,645,460</u>	<u>8,800</u>
<b>EXPENDITURES</b>						
Current:						
Highways and streets	1,182,482	1,118,282	64,200	-	-	-
Parks and recreation	-	-	-	1,696,876	1,482,857	214,019
Capital outlay	-	-	-	85,000	2,900	82,100
Total expenditures	<u>1,182,482</u>	<u>1,118,282</u>	<u>64,200</u>	<u>1,781,876</u>	<u>1,485,757</u>	<u>296,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>180,296</u>	<u>184,306</u>	<u>4,010</u>	<u>(145,216)</u>	<u>159,703</u>	<u>304,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	4,069	4,069	-	-	-
Transfers out	(14,957)	(13,785)	1,172	-	-	-
Total other financing sources (uses)	<u>(14,957)</u>	<u>(9,716)</u>	<u>5,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	165,339	174,590	9,251	(145,216)	159,703	304,919
Fund balances - beginning	<u>3,105,727</u>	<u>3,105,727</u>	<u>-</u>	<u>15,785</u>	<u>15,785</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,271,066</u>	<u>\$ 3,280,317</u>	<u>\$ 9,251</u>	<u>\$ (129,431)</u>	<u>\$ 175,488</u>	<u>\$ 304,919</u>

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
(Continued)**

	CMAQ Grants			Capital Grants		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes:						
Motor vehicle	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	229,815	210,947	(18,868)	-	-	-
Charges for services	-	-	-	-	-	-
Use of property and money	-	-	-	35,500	35,212	(288)
Miscellaneous	-	-	-	6,000	6,030	30
<b>Total revenues</b>	<b>229,815</b>	<b>210,947</b>	<b>(18,868)</b>	<b>41,500</b>	<b>41,242</b>	<b>(258)</b>
<b>EXPENDITURES</b>						
Current:						
Highways and streets	-	-	-	-	-	-
Parks and recreation	-	-	-	24,388	23,231	1,157
Capital outlay	244,732	239,351	5,381	-	-	-
<b>Total expenditures</b>	<b>244,732</b>	<b>239,351</b>	<b>5,381</b>	<b>24,388</b>	<b>23,231</b>	<b>1,157</b>
Excess (deficiency) of revenues over (under) expenditures	(14,917)	(28,404)	(13,487)	17,112	18,011	899
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	-	14,619	14,619	-	-	-
Transfers in	14,957	13,785	(1,172)	-	-	-
Transfers out	-	-	-	-	(369)	(369)
<b>Total other financing sources (uses)</b>	<b>14,957</b>	<b>28,404</b>	<b>13,447</b>	<b>-</b>	<b>(369)</b>	<b>(369)</b>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	40	-	(40)	17,112	17,642	530
Fund balances - beginning	(614)	(614)	-	(750,641)	(750,641)	-
Fund balances - ending	\$ (574)	\$ (614)	\$ (40)	\$ (733,529)	\$ (732,999)	\$ 530

**CITY OF LOS BANOS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
(Continued)**

	Totals		
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Motor vehicle	\$ 920,778	\$ 903,965	\$ (16,813)
Intergovernmental	659,815	596,137	(63,678)
Charges for services	1,634,080	1,642,034	7,954
Use of property and money	50,080	51,869	1,789
Miscellaneous	<u>6,000</u>	<u>6,232</u>	<u>232</u>
Total revenues	<u>3,270,753</u>	<u>3,200,237</u>	<u>(70,516)</u>
<b>EXPENDITURES</b>			
Current:			
Highways and streets	1,182,482	1,118,282	64,200
Parks and recreation	1,721,264	1,506,088	215,176
Capital outlay	<u>329,732</u>	<u>242,251</u>	<u>87,481</u>
Total expenditures	<u>3,233,478</u>	<u>2,866,621</u>	<u>366,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,275</u>	<u>333,616</u>	<u>296,341</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	14,619	14,619
Transfers in	14,957	17,854	2,897
Transfers out	<u>(14,957)</u>	<u>(14,154)</u>	<u>803</u>
Total other financing sources (uses)	<u>-</u>	<u>18,319</u>	<u>18,319</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	37,275	351,935	314,660
Fund balances - beginning	<u>2,370,257</u>	<u>2,370,257</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,407,532</u>	<u>\$ 2,722,192</u>	<u>\$ 314,660</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 STATEMENTS OF NET POSITION  
JUNE 30, 2015**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 67,654	\$ 58,422	\$ 186,567	\$ 312,643
Interest receivable	69	22	238	329
Accounts receivable	-	483	-	483
	<u>67,723</u>	<u>58,927</u>	<u>186,805</u>	<u>313,455</u>
Total current assets				
Noncurrent assets:				
Net OPEB Asset	-	-	212,616	212,616
Capital assets:				
Buildings and improvements	5,976	-	-	5,976
Machinery and equipment	561,973	309,342	-	871,315
Less: accumulated depreciation	<u>(381,958)</u>	<u>(249,424)</u>	<u>-</u>	<u>(631,382)</u>
	<u>185,991</u>	<u>59,918</u>	<u>212,616</u>	<u>458,525</u>
Total noncurrent assets				
	<u>253,714</u>	<u>118,845</u>	<u>399,421</u>	<u>771,980</u>
Total assets				
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pensions	<u>21,950</u>	<u>55,139</u>	<u>-</u>	<u>77,089</u>
Total deferred outflows of resources				
	<u>21,950</u>	<u>55,139</u>	<u>-</u>	<u>77,089</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	49,449	6,878	-	56,327
Current portion of capital leases	45,109	-	-	45,109
Compensated absences	<u>4,030</u>	<u>18,706</u>	<u>-</u>	<u>22,736</u>
	<u>98,588</u>	<u>25,584</u>	<u>-</u>	<u>124,172</u>
Total current liabilities				
Noncurrent liabilities:				
Capital leases	127,968	-	-	127,968
Compensated absences	1,259	480	-	1,739
Net pension liability	<u>105,200</u>	<u>259,535</u>	<u>-</u>	<u>364,735</u>
	<u>234,427</u>	<u>260,015</u>	<u>-</u>	<u>494,442</u>
Total long-term liabilities				
	<u>333,015</u>	<u>285,599</u>	<u>-</u>	<u>618,614</u>
Total Liabilities				
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	<u>30,632</u>	<u>78,341</u>	<u>-</u>	<u>108,973</u>
Total deferred inflows of resources				
	<u>30,632</u>	<u>78,341</u>	<u>-</u>	<u>108,973</u>
<b>NET POSITION</b>				
Net investment in capital assets	185,991	59,918	-	245,909
Restricted for retiree benefits	-	-	212,616	212,616
Unrestricted	<u>(273,974)</u>	<u>(249,874)</u>	<u>186,805</u>	<u>(337,043)</u>
	<u>(87,983)</u>	<u>(189,956)</u>	<u>399,421</u>	<u>121,482</u>
Total Net Position				
	<u>\$ (87,983)</u>	<u>\$ (189,956)</u>	<u>\$ 399,421</u>	<u>\$ 121,482</u>

**CITY OF LOS BANOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
Operating revenues:				
Interdepartmental charges	\$ 839,044	\$ 430,532	\$ 1,075,756	\$ 2,345,332
Miscellaneous	-	1,915	-	1,915
Total operating revenues	<u>839,044</u>	<u>432,447</u>	<u>1,075,756</u>	<u>2,347,247</u>
Operating expenses:				
Personnel services	170,801	317,024	1,072,495	1,560,320
Contractual services	7,275	30,712	-	37,987
Utilities	296,250	361	-	296,611
Repairs and maintenance	266,729	1,573	-	268,302
Insurance	4,205	5,698	-	9,903
Other supplies and expenses	19,272	6,888	-	26,160
Depreciation	57,055	13,987	-	71,042
Total operating expenses	<u>821,587</u>	<u>376,243</u>	<u>1,072,495</u>	<u>2,270,325</u>
Operating income (loss)	<u>17,457</u>	<u>56,204</u>	<u>3,261</u>	<u>76,922</u>
Nonoperating revenues (expenses):				
Investment earnings	1,687	827	1,943	4,457
Interest and fiscal charges	(10,216)	-	-	(10,216)
Total nonoperating revenues (expenses)	<u>(8,529)</u>	<u>827</u>	<u>1,943</u>	<u>(5,759)</u>
Change in net position	8,928	57,031	5,204	71,163
Net position - beginning	22,972	51,099	394,217	468,288
Prior period adjustments	(119,883)	(298,086)	-	(417,969)
Net position - ending	<u>\$ (87,983)</u>	<u>\$ (189,956)</u>	<u>\$ 399,421</u>	<u>\$ 121,482</u>

**CITY OF LOS BANOS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ 839,044	\$ 430,503	\$ 1,082,466	\$ 2,352,013
Payments to suppliers	(575,549)	(44,618)	-	(620,167)
Payments to or on behalf of employees for services	(175,218)	(329,400)	(1,075,756)	(1,580,374)
Receipts from other operating revenue	-	1,915	-	1,915
Net cash provided (used) by operating activities	<u>88,277</u>	<u>58,400</u>	<u>6,710</u>	<u>153,387</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on long-term debt	(42,828)	-	-	(42,828)
Acquisition of capital assets	-	(28,639)	-	(28,639)
Interest paid	(10,216)	-	-	(10,216)
Net cash provided (used) by capital and related financing activities	<u>(53,044)</u>	<u>(28,639)</u>	<u>-</u>	<u>(81,683)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,627	812	1,871	4,310
Net cash provided (used) by investing activities	<u>1,627</u>	<u>812</u>	<u>1,871</u>	<u>4,310</u>
Increase (decrease) in cash and cash equivalents	36,860	30,573	8,581	76,014
Cash and equivalents - July 1	<u>30,794</u>	<u>27,849</u>	<u>177,986</u>	<u>236,629</u>
Cash and equivalents - June 30	<u>\$ 67,654</u>	<u>\$ 58,422</u>	<u>\$ 186,567</u>	<u>\$ 312,643</u>

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

Operating income (loss)	\$ 17,457	\$ 56,204	\$ 3,261	\$ 76,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	57,055	13,987	-	71,042
Pension expense	(14,683)	(38,551)	-	(53,234)
(Increase) decrease in:				
Accounts receivable	-	(29)	6,710	6,681
Net OPEB asset/liability	-	-	(3,261)	(3,261)
Deferred outflows of resources for pensions	(21,950)	(55,139)	-	(77,089)
Increase (decrease) in:				
Accounts payable and other liabilities	18,185	614	-	18,799
Compensated absences	1,581	2,973	-	4,554
Deferred inflows of resources for pensions	<u>30,632</u>	<u>78,341</u>	<u>-</u>	<u>108,973</u>
Net cash provided (used) by operating activities	<u>\$ 88,277</u>	<u>\$ 58,400</u>	<u>\$ 6,710</u>	<u>\$ 153,387</u>

## **AGENCY FUNDS**

### **LOS BANOS HIGH SCHOOL PROJECT**

This fund is used for a land and a joint use agreement the City has with the Los Banos Unified School District.

### **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 FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<hr/> <u>Los Banos High School Project</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$ 23,584	\$ 1,492	\$ 25,076	\$ -
Total assets	<u>\$ 23,584</u>	<u>\$ 1,492</u>	<u>\$ 25,076</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to others	\$ 23,584	\$ 1,492	\$ 25,076	\$ -
Total liabilities	<u>\$ 23,584</u>	<u>\$ 1,492</u>	<u>\$ 25,076</u>	<u>\$ -</u>
<hr/> <u>NSP Impound Fund</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$ 5,136	\$ 19,487	\$ 17,806	\$ 6,817
Accounts receivable	<u>2,824</u>	<u>821</u>	<u>-</u>	<u>3,645</u>
Total assets	<u>\$ 7,960</u>	<u>\$ 20,308</u>	<u>\$ 17,806</u>	<u>\$ 10,462</u>
<u>Liabilities</u>				
Due to others	\$ 7,960	\$ 20,308	\$ 17,806	\$ 10,462
Total liabilities	<u>\$ 7,960</u>	<u>\$ 20,308</u>	<u>\$ 17,806</u>	<u>\$ 10,462</u>
<hr/> <u>Totals - All Agency Funds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$ 28,720	\$ 20,979	\$ 42,882	\$ 6,817
Accounts receivable	<u>2,824</u>	<u>821</u>	<u>-</u>	<u>3,645</u>
Total assets	<u>\$ 31,544</u>	<u>\$ 21,800</u>	<u>\$ 42,882</u>	<u>\$ 10,462</u>
<u>Liabilities</u>				
Due to others	\$ 31,544	\$ 21,800	\$ 42,882	\$ 10,462
Total liabilities	<u>\$ 31,544</u>	<u>\$ 21,800</u>	<u>\$ 42,882</u>	<u>\$ 10,462</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									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 62,155,689	\$ 65,187,678	\$ 76,706,901	\$ 76,666,275	\$ 85,183,899	\$ 83,345,450	\$ 90,435,796	\$ 87,022,967	\$ 83,335,435	\$ 74,482,065
Restricted	21,521,887	5,130,047	5,606,626	34,213,696	22,816,089	19,931,470	10,791,141	9,415,962	11,942,215	12,507,436
Unrestricted	10,101,654	37,795,969	36,283,874	8,568,645	7,566,224	12,244,204	11,272,314	12,020,755	10,906,999	(639,257)
Total governmental activities net position	<u>\$ 93,779,230</u>	<u>\$ 108,113,694</u>	<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>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 28,379,563	\$ 36,352,374	\$ 41,483,309	\$ 42,007,838	\$ 42,203,158	\$ 41,988,815	\$ 42,580,463	\$ 42,539,669	\$ 46,049,921	\$ 45,206,093
Restricted	10,523,382	10,103,620	10,064,445	1,231,796	10,484,114	8,762,153	8,453,426	8,349,804	8,154,696	8,748,625
Unrestricted	14,673,752	15,739,667	12,153,608	19,163,780	11,774,359	14,064,398	14,670,827	17,934,205	16,092,089	18,127,680
Total business-type activities net position	<u>\$ 53,576,697</u>	<u>\$ 62,195,661</u>	<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>
<b>Primary government</b>										
Net investment in capital assets	\$ 90,535,252	\$ 101,540,052	\$ 118,190,210	\$ 118,674,113	\$ 127,387,057	\$ 125,334,265	\$ 133,024,845	\$ 129,562,636	\$ 129,385,356	\$ 119,688,158
Restricted	32,045,269	15,233,667	15,671,071	35,445,492	33,300,203	28,693,623	19,244,567	17,765,766	20,096,911	21,256,061
Unrestricted	24,775,406	53,535,636	48,437,482	27,732,425	19,340,583	26,308,602	25,934,572	29,954,960	26,999,088	17,488,423
Total primary government net position	<u>\$ 147,355,927</u>	<u>\$ 170,309,355</u>	<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>

Source: City of Los Banos Finance Department

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

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 2,730,729	\$ 2,968,933	\$ 4,834,492	\$ 2,611,384	\$ 1,844,157	\$ 1,864,857	\$ 2,010,394	\$ 1,574,303	\$ 1,075,846	\$ 1,142,994
Public safety	8,886,657	10,485,811	10,912,579	11,897,709	11,116,070	10,969,903	10,886,906	11,001,775	11,462,611	11,382,513
Highways and streets	5,848,376	5,620,580	5,879,178	5,295,711	5,934,471	5,628,571	5,671,224	5,845,904	5,509,207	5,581,131
Parks and recreation	3,076,776	3,431,161	4,354,872	3,822,086	2,879,562	2,848,886	3,157,117	3,110,563	3,246,159	3,319,476
Redevelopment	1,324,637	292,280	3,090,131	3,808,607	6,545,659	1,487,704	1,727,676	-	-	-
Economic development	355,032	1,609,692	392,110	-	25,136	25,136	25,133	97,369	898,589	770,417
Contingency	-	14,846	92,267	-	-	-	-	-	-	-
Interest on long-term debt	1,000,558	1,498,148	2,086,928	1,662,142	1,710,107	1,640,803	367,517	62,042	11,251	10,451
Solid waste	3,317	16,099	355,996	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>23,226,082</b>	<b>25,937,550</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>Business-type activities:</b>										
Water	4,217,161	3,495,456	3,546,748	4,132,906	3,974,370	4,166,837	4,228,356	4,043,632	4,116,815	4,012,484
Wastewater	2,925,505	2,844,113	3,011,739	4,435,859	3,915,757	3,902,206	4,174,243	4,131,577	4,127,310	3,996,860
Airport	611,279	649,972	533,803	502,348	478,511	577,713	508,541	595,136	509,952	427,161
Solid waste	3,295,187	3,881,539	4,324,327	5,119,773	4,659,231	4,822,258	5,019,961	5,626,173	6,964,870	5,419,558
<b>Total business-type activities</b>	<b>11,049,132</b>	<b>10,871,080</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>Total primary government expenses</b>	<b>\$ 34,275,214</b>	<b>\$ 36,808,630</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>Program Revenue</b>										
<b>Governmental activities:</b>										
Charges for services	\$ 5,082,917	\$ 3,675,925	\$ 5,165,521	\$ 3,512,252	\$ 3,548,629	\$ 3,526,597	\$ 3,581,268	\$ 4,348,894	\$ 3,629,571	\$ 4,022,788
Operating grants and contributions	3,509,963	571,228	279,944	3,566,327	3,242,183	2,936,400	2,782,009	3,386,608	3,625,821	3,596,504
Capital grants and contributions	14,185,404	13,969,835	12,878,283	4,956,470	5,846,289	1,952,807	4,873,145	1,137,908	1,469,956	1,775,933
<b>Total governmental activities</b>	<b>22,778,284</b>	<b>18,216,988</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>Business-type activities:</b>										
Charges for services	10,302,110	14,053,193	14,096,908	13,579,350	14,629,989	13,346,234	14,390,214	16,074,638	16,802,170	17,823,033
Operating grants and contributions	772,685	1,219,412	45,853	21,122	82,930	161,247	90,611	22,455	24,737	15,334
Capital grants and contributions	7,516,793	3,129,921	2,939,924	90,759	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>18,591,588</b>	<b>18,402,526</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>Total primary government program revenue</b>	<b>\$ 41,369,872</b>	<b>\$ 36,619,514</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>

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

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Net (expense)/revenue:										
Governmental activities	\$ (447,798)	\$ (7,720,562)	\$ (13,874,805)	\$ (17,062,590)	\$ (17,418,061)	\$ (16,050,056)	\$ (12,609,545)	\$ (12,818,546)	\$ (13,478,315)	\$ (12,811,757)
Business-type activities	7,542,456	7,531,446	5,666,068	(499,655)	1,685,050	38,467	549,724	1,700,575	1,107,960	3,982,304
Total primary government (expenses) revenue, net	\$ 7,094,658	\$ (189,116)	\$ (8,208,737)	\$ (17,562,245)	\$ (15,733,011)	\$ (16,011,589)	\$ (12,059,821)	\$ (11,117,971)	\$ (12,370,355)	\$ (8,829,453)
<b>General Revenues</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 8,808,994	\$ 11,462,282	\$ 12,901,473	\$ 11,680,089	\$ 9,027,831	\$ 9,363,711	\$ 7,427,582	\$ 4,946,843	\$ 5,676,238	\$ 6,031,996
Sales taxes	4,257,108	4,263,777	4,239,547	2,028,316	2,481,027	3,980,909	4,226,624	2,571,065	2,740,697	2,786,423
Other taxes	3,035,033	4,513,132	5,360,869	929,978	873,260	1,457,350	746,254	758,928	844,820	925,402
Use of money and property	171,439	1,900,218	408,859	1,749,064	1,254,479	831,036	140,885	1,024,908	1,150,414	1,092,444
Miscellaneous	-	-	-	-	-	-	-	-	146,716	(4,264,350)
Transfers	-	(26,347)	1,450,455	31,917	(100,940)	371,962	(2,953,656)	(522,782)	15,432	(6,762)
Total governmental activities	16,272,574	22,113,062	24,361,203	16,419,364	13,535,657	16,004,968	9,587,689	8,778,962	10,574,317	6,565,153
Business-type activities:										
Property taxes	-	-	-	16,063	10,815	2,374	2,412	2,390	4,598	4,493
Use of money and property	-	-	-	677,290	260,912	312,856	339,943	209,252	433,926	307,030
Miscellaneous	-	4,000	1,706,354	2,790	500	38	(2,729)	1,206,745	66,655	99,360
Transfers (Note 4)	-	-	-	-	100,940	-	-	-	(15,432)	6,762
Total business-type activities	-	4,000	1,706,354	696,143	373,167	315,268	339,626	1,418,387	489,747	417,645
Total primary government general revenues	\$ 16,272,574	\$ 22,117,062	\$ 26,067,557	\$ 17,115,507	\$ 13,908,824	\$ 16,320,236	\$ 9,927,315	\$ 10,197,349	\$ 11,064,064	\$ 6,982,798
<b>Changes in Net Position</b>										
Governmental	\$ 15,824,776	\$ 14,392,500	\$ 10,486,398	\$ (643,226)	\$ (3,882,404)	\$ (45,088)	\$ (3,021,856)	\$ (4,039,584)	\$ (2,903,998)	\$ (6,246,604)
Business-type	7,542,456	7,535,446	7,372,422	196,488	2,058,217	353,735	889,350	3,118,962	1,597,707	4,399,949
Total primary government	\$ 23,367,232	\$ 21,927,946	\$ 17,858,820	\$ (446,738)	\$ (1,824,187)	\$ 308,647	\$ (2,132,506)	\$ (920,622)	\$ (1,306,291)	\$ (1,846,655)

Source: City of Los Banos Finance Department

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

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011 (1)	2011-2012	2012-2013	2013-2014	2014-2015
General Fund:										
Reserved	\$ 2,624,452	\$ 2,510,466	\$ 1,834,780	\$ 322,046	\$ 2,252,353	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,811,373	4,220,184	3,069,261	3,968,264	3,305,998	-	-	-	-	-
Nonspendable	-	-	-	-	-	26,804	5,752	1,506	698	2,933
Restricted	-	-	-	-	-	59,102	283,826	-	-	-
Assigned	-	-	-	-	-	-	-	-	693,821	2,179,757
Unassigned	-	-	-	-	-	5,426,571	5,603,832	6,339,177	7,202,640	7,843,490
<b>Total general funds (2)(3)</b>	<b>\$ 9,435,825</b>	<b>\$ 6,730,650</b>	<b>\$ 4,904,041</b>	<b>\$ 4,290,310</b>	<b>\$ 5,558,351</b>	<b>\$ 5,512,477</b>	<b>\$ 5,893,410</b>	<b>\$ 6,340,683</b>	<b>\$ 7,897,159</b>	<b>\$ 10,026,180</b>
All other governmental funds:										
Reserved	\$ 87,027	\$ 9,006,223	\$ 2,094,304	\$ 16,323,331	\$ 4,137,378	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	18,335,434	15,832,674	15,281,116	13,998,862	14,426,214	-	-	-	-	-
Capital project funds	1,074,371	9,801,671	16,945,984	5,626,458	5,626,458	-	-	-	-	-
Debt service funds	994,866	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	20,850,874	12,898,904	12,237,064	11,732,860	12,294,820
Unassigned	-	-	-	-	-	755,211	(1,094,103)	(1,038,011)	(751,255)	(733,613)
<b>Total all other governmental funds (4)(5)</b>	<b>\$ 20,491,698</b>	<b>\$ 34,640,568</b>	<b>\$ 34,321,404</b>	<b>\$ 35,948,651</b>	<b>\$ 24,190,050</b>	<b>\$ 21,606,085</b>	<b>\$ 11,804,801</b>	<b>\$ 11,199,053</b>	<b>\$ 10,981,605</b>	<b>\$ 11,567,283</b>

**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									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Revenues</b>										
Taxes:										
Property	\$ 8,808,994	\$ 11,418,729	\$ 12,901,473	\$ 12,319,475	\$ 9,715,042	\$ 9,363,711	\$ 7,427,582	\$ 5,642,221	\$ 6,262,533	\$ 6,863,634
Sales	4,127,773	4,210,513	4,226,125	3,645,256	4,174,239	3,980,909	4,226,624	4,463,919	4,671,192	5,026,830
Franchise	998,570	409,338	408,859	420,785	422,655	440,594	445,375	456,482	480,391	511,545
Motor vehicle	706,690	197,258	147,693	131,190	679,546	1,064,988	1,010,544	815,527	1,124,654	919,197
Other taxes	1,329,773	3,906,536	5,213,176	942,382	344,271	284,114	282,145	286,742	364,429	398,625
Licenses and permits	1,534,956	909,249	767,461	333,409	307,714	217,358	200,091	305,599	305,953	456,341
Intergovernmental	2,007,942	4,082,622	3,547,534	2,289,668	3,310,820	2,816,860	768,206	1,261,856	1,686,798	1,050,293
Charges for services	3,415,578	2,417,982	2,152,825	3,557,475	3,630,001	4,011,466	3,916,232	3,337,523	2,824,440	3,477,841
Fines	267,034	246,672	287,125	-	82,295	93,399	97,735	68,731	60,509	62,505
Use of property and money	1,279,334	1,897,874	2,035,712	2,265,389	1,411,870	1,293,039	1,237,070	1,069,142	1,150,414	1,092,444
Contributions and donations	466,521	5,445	7,860	4,619	59,059	1,820	2,055	-	-	-
Capital contributions	5,300,162	-	-	-	-	-	-	-	-	-
Miscellaneous	604,479	100,489	395,021	348,349	169,708	273,658	199,061	66,593	141,901	98,708
Program income	-	234,736	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>30,847,806</b>	<b>30,037,443</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>Expenditures</b>										
Current:										
General government	2,760,960	2,837,243	3,658,752	2,238,261	1,687,325	1,715,484	1,696,680	1,495,941	1,046,961	1,067,648
Public safety	8,525,442	10,098,981	10,438,432	11,301,041	10,245,666	10,286,114	10,253,039	10,255,576	10,912,197	11,167,699
Solid waste	2,660	-	-	-	-	-	-	-	-	-
Highways and streets	1,454,556	2,328,521	2,088,871	1,017,452	1,636,472	1,328,743	1,385,767	1,025,978	1,135,565	1,158,587
Parks and recreation	2,618,795	2,835,609	3,626,548	3,016,885	2,067,216	2,082,479	2,348,142	2,261,394	2,422,510	2,555,130
Economic development	829,094	469,486	369,326	-	-	-	-	67,515	700,675	550,212
Redevelopment	1,382,507	1,360,953	2,773,968	2,263,913	6,624,111	4,577,305	1,420,339	-	-	-
Contingency	-	14,846	92,267	-	-	-	-	-	-	-
Debt service:										
Principal	432,153	415,098	575,229	577,663	1,969,465	804,075	645,000	1,405,000	-	-
Interest	1,004,362	1,276,348	1,987,159	1,691,218	1,680,963	1,611,864	834,188	62,042	11,251	10,451
Bond issue costs	-	821,244	-	-	-	-	-	-	-	-

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

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Capital outlay:</b>										
General government	110,303	75,211	59,211	5,869	-	-	-	36,895	86,723	5,425
Public safety	595,218	1,002,388	1,775,153	317,831	40,936	260,745	307,962	427,961	468,591	349,660
Solid waste	17,898	69,443	-	-	-	-	-	-	-	-
Redevelopment	812,490	3,886,346	541,784	1,246,108	9,766,513	1,375,849	7,528	-	-	-
Highways and streets	3,410,662	5,070,113	1,856,127	1,833,585	1,055,488	1,478,973	246,028	1,034,416	934,291	254,298
Parks and recreation	2,575,334	3,467,017	3,041,964	371,219	52,276	54,045	-	112,161	35,150	200,162
Economic development	-	-	-	-	-	-	-	-	519	473
<b>Total expenditures</b>	<b>26,532,434</b>	<b>36,028,847</b>	<b>32,884,791</b>	<b>25,881,045</b>	<b>36,826,431</b>	<b>25,575,676</b>	<b>19,144,673</b>	<b>18,184,879</b>	<b>17,754,433</b>	<b>17,319,745</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,315,372</b>	<b>(5,991,404)</b>	<b>(793,927)</b>	<b>376,952</b>	<b>(12,519,211)</b>	<b>(1,733,760)</b>	<b>668,047</b>	<b>(410,544)</b>	<b>1,318,781</b>	<b>2,638,218</b>
<b>Other Financing Sources (Uses)</b>										
Tax allocation bonds issued	-	17,495,000	-	-	-	-	-	-	-	-
Loss on property held for resale	-	-	-	-	-	-	(893,899)	-	-	-
Transfer in	2,187,672	12,863,052	22,506,146	2,530,959	2,139,339	3,030,293	4,629,361	218,461	164,497	130,932
Transfer out	(2,187,672)	(12,867,052)	(23,978,860)	(2,530,959)	(2,240,279)	(2,658,331)	(4,652,302)	(741,243)	(149,065)	(137,694)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	24,851	-	-
Sale of capital assets	103,010	2,135	6,263	3,673	-	-	-	-	4,815	83,243
Proceeds attributable to foreclosed property	-	-	117,296	-	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	-	-	750,000	-	-
<b>Total other financing sources (uses)</b>	<b>103,010</b>	<b>17,493,135</b>	<b>(1,349,155)</b>	<b>3,673</b>	<b>(100,940)</b>	<b>371,962</b>	<b>(916,840)</b>	<b>252,069</b>	<b>20,247</b>	<b>76,481</b>
<b>Extraordinary items</b>										
Assets transferred to housing successor	-	-	-	-	-	-	(1,124,645)	-	-	-
Assets transferred to/liability assumed by Successor Agency	-	-	-	-	-	-	(8,046,913)	-	-	-
<b>Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,171,558)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>\$ 4,418,382</b>	<b>\$ 11,501,731</b>	<b>\$ (2,143,082)</b>	<b>\$ 380,625</b>	<b>\$ (12,620,151)</b>	<b>\$ (1,361,798)</b>	<b>\$ (9,420,351)</b>	<b>\$ (158,475)</b>	<b>\$ 1,339,028</b>	<b>\$ 2,714,699</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.17%</b>	<b>8.49%</b>	<b>11.16%</b>	<b>11.44%</b>	<b>16.40%</b>	<b>12.09%</b>	<b>8.65%</b>	<b>9.71%</b>	<b>0.07%</b>	<b>0.06%</b>

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					
2005-2006	\$ 403,952	\$ 1,287,120	\$ 38,604	\$ 2,268	\$ 1,731,944	\$ 49,315	\$ 1,682,629	1.00%
2006-2007	521,392	1,533,319	40,737	2,261	2,097,709	50,557	2,047,152	1.00%
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%

**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>
2005-2006	\$ 5,762,445	\$ 2,425,336	\$ 998,570	\$ 706,690 (4)	\$ 664,656	\$ 10,557,697
2006-2007	7,224,537	2,289,763	409,338 (3)	197,258	443,937	10,564,833
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	2,842,662	511,545	15,232	398,625	9,880,834

**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) Per Prop 218, we no longer assess franchise fees to our City-owned utilities.
- (4) Repayment of deferred MVLFF.

**CITY OF LOS BANOS  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(rate per \$1,000 of assessed value)  
LAST FOUR 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	0.1750	0.8250	1.0000	0.0868	0.0250	0.1118
2014-2015	0.1750	0.8250	1.0000	0.0961	0.0234	0.1195

**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	2014-2015			2005-2006		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
CALIFORNIA MILK PRODUCERS	\$ 32,233,140	1	1.52%	\$ -	-	-
WAL-MART REAL ESTATE BUSINESS TRUST	20,300,831	2	0.95%	9,598,859	5	0.57%
KAGOME USA INC	20,279,121	3	0.95%	14,875,049	1	0.88%
TARGET CORP	18,983,510	4	0.89%	-	-	-
LOWES HIW INC	11,979,940	5	0.56%	-	-	-
HOME DEPOT USA INC	11,477,830	6	0.54%	-	-	-
SOLOMON FRANK JR	10,790,997	7	0.51%	-	-	-
COLORADO/EAGLE ROCK, LLC	10,763,871	8	0.51%	-	-	-
MCCORDUCK PROPERTIES LOS BANOS LLC	10,243,483	9	0.48%	-	-	-
CAMERA PROPERTIES LLC	9,142,109	10	0.43%	8,174,302	10	0.49%
LOS BANOS DAIRYMEN ASSN A CORPORATION	-	-	-	12,799,957	3	0.76%
FARM CREDIT LEASING SERVICES CORP	-	-	-	13,238,930	2	0.79%
HOSTETLER INVESTMENTS	-	-	-	9,178,915	6	0.55%
WESTERN INVESTMENT REAL ESTATE TRUST	-	-	-	8,554,148	8	0.51%
SAN LUIS PLAZA ASSOCIATES A PARTNERSHIP	-	-	-	8,354,312	9	0.50%
ANDERSON HOMES A CORPORATION	-	-	-	8,654,072	7	0.51%
KB HOME SOUTH BAY INC.	-	-	-	11,962,057	4	0.71%
<b>Top 10 Assessed Values</b>	<b>\$ 156,194,832</b>		<b>7.34%</b>	<b>\$ 105,390,601</b>		<b>6.27%</b>
Total Assessed Value 2005-2006	\$ 1,682,629,000					
Total Assessed Value 2014-2015	\$ 2,127,260,281					

Source: Merced County Assessors Office

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

Fiscal Year	Current Tax Collections	Percent of Current Taxes Collected <sup>(1)</sup>	Delinquent Tax Collections	Total Tax Collections
2005-2006	\$ 2,932,152	100%	-	\$ 2,932,152
2006-2007	3,630,293	100%	-	3,630,293
2007-2008	3,775,931	100%	-	3,775,931
2008-2009	3,293,827	100%	-	3,293,827
2009-2010	2,118,459	100%	-	2,118,459
2010-2011	1,946,307	100%	-	1,946,307
2011-2012	1,929,638	100%	-	1,929,638
2012-2013	2,129,214	100%	-	2,129,214
2013-2014	2,352,266	100%	-	2,352,266
2014-2015	2,861,634	100%	-	2,861,634

**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					
2005-2006	\$ 2,525,000	\$ 12,805,000	\$ 524,550	\$ 880,000	\$ 28,139	\$ -	\$ -	\$ 13,662,999	\$ 221,958	\$ 30,647,646	\$ 33,957	\$ 903	1.82%	
2006-2007	2,460,000	32,545,000	438,080	840,000	19,511	-	-	13,005,587	205,868	49,514,046	34,992	1,415	2.42%	
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	37,145	57	0.10%	

**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				
2005-2006	\$ 3,957,689	\$ 12,805,000	\$ 16,762,689	\$ 1,682,629,000	33,957	1.00%	\$ 494
2006-2007	3,757,591	32,545,000	36,302,591	2,047,152,000	34,992	1.77%	1,037
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	37,145	0.01%	5

**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**

2014-2015 Assessed Valuation: \$ 2,127,260,281

	Total Debt 06/30/15	Percent Applicable <sup>(1)</sup>	City's Share of Debt 6/30/15
<b><u>Direct and Overlapping Tax and Assessment Debt</u></b>			
	\$ 9,479,847	54.40%	\$ 5,157,132
Merced Community College District School Facilities Improvement District No. 2	53,136,525	64.12%	34,072,203
Los Banos Unified School District			39,229,335
<b>Total Overlapping Tax and Assessment Debt</b>			
<b><u>Direct and Overlapping General Fund Debt</u></b>			
Merced County Certificates of Participation	\$ 17,195,000	11.275%	1,938,736
Merced County Pension Obligations	16,825,000	11.275%	1,897,019
Los Banos Unified School District Certificate of Participation	6,700,000	64.122%	4,296,174
City of Los Banos Capital Lease Obligations	173,077	100.000%	173,077
<b>Total Direct and Overlapping General Fund Debt</b>			8,305,006
Overlapping Tax Increment Debt (Successor Agency)	\$ 26,050,699	99.142%	25,827,184
Total Direct Debt			173,077
Total Overlapping Debt			73,188,448
<b>Combined Total Debt</b>			<b>\$ 73,361,525 <sup>(2)</sup></b>

Ratios to 2014-2015 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.84%
Total Direct Debt	0.01%
Combined Total Debt	3.45%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$415,723,154):

Total Overlapping Tax Increment Debt	6.21%
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**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, and mortgage revenue.

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

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Assessed value	\$ 1,682,629	\$ 2,047,152	\$ 3,022,057	\$ 2,862,172	\$ 1,814,335	\$ 1,687,376	\$ 1,743,716	\$ 1,749,272	\$ 1,844,572	\$ 2,127,260
25% of full assessed value	420,657	511,788	755,514	715,543	453,584	421,844	435,929	437,318	461,143	531,815
Debt limit (15% of reduced assessed value)	63,099	76,768	113,327	107,331	68,038	63,277	65,389	65,598	69,171	79,772
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 63,099</u>	<u>\$ 76,768</u>	<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>
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  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Water Revenue Bonds:</b>										
Water revenue	\$ 5,999,221	\$ 6,819,529	\$ 5,596,618	\$ 5,521,030	\$ 5,303,822	\$ 4,503,897	\$ 4,834,313	\$ 5,130,735	\$ 5,301,489	\$ 5,413,681
Less: operating expenses <sup>(3)</sup>	<u>(2,527,206)</u>	<u>(2,542,935)</u>	<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>
Net available revenue	<u>3,472,015</u>	<u>4,276,594</u>	<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>
Debt service <sup>(1)</sup>	<u>555,191</u>	<u>590,174</u>	<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>	<u>-</u>
Coverage ratio	6.25	7.25	5.40	1.17	2.84	2.43	3.13	3.97	0.52	N/A
<b>Wastewater Revenue Bonds:</b>										
Wastewater revenue <sup>(4)</sup>	5,328,015	6,577,681	4,431,239	3,295,789	4,140,798	3,075,645	3,844,014	4,549,108	4,989,878	5,565,988
Less: operating expenses <sup>(3)</sup>	<u>(1,713,350)</u>	<u>(2,061,132)</u>	<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>
Net available revenue	<u>3,614,665</u>	<u>4,516,549</u>	<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>
Debt service <sup>(2)</sup>	<u>794,690</u>	<u>834,217</u>	<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>
Coverage ratio	4.55	5.41	3.55	0.31	0.93	0.66	1.52	2.28	0.93	5.98

**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					City of Los Banos				
	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
2006	33,957	12,200	11,000	9.8%	1,200	246,751	97,600	88,500	9.4%	9,300
2007	34,992	12,400	11,200	10.4%	1,300	251,510	99,700	89,900	10.1%	10,100
2008	35,705	12,500	10,900	12.7%	1,600	255,250	100,300	88,000	12.5%	12,800
2009	36,198	13,200	10,800	17.6%	2,300	256,450	104,600	87,600	16.9%	17,900
2010	36,421	15,400	12,600	18.4%	2,800	258,495	111,000	91,000	18.7%	20,600
2011	36,525	15,600	12,700	18.1%	2,800	257,984	112,300	92,400	18.2%	20,300
2012	36,546	15,800	13,200	16.8%	2,700	258,736	114,200	95,500	16.9%	18,900
2013	37,017	15,600	13,400	14.4%	2,300	262,478	113,000	97,100	14.7%	16,500
2014	37,168	15,600	13,600	12.7%	2,000	264,922	112,800	98,700	13.5%	15,200
2015	37,145	15,500	13,800	11.0%	1,700	266,134	112,300	100,200	10.8%	12,100

**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	2014-2015			2006-2007 (*)		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Los Banos Unified School District	995	1	7.21%	850	1	6.80%
Wal-Mart	317	2	2.30%	130	5	1.04%
Memorial Hospital	235	3	1.70%	217	2	1.74%
City of Los Banos	180	4	1.30%	210	3	1.68%
Kagome	144	5	1.04%	100	7	-
Target	117	6	0.85%	-	-	-
Home Depot	110	7	0.80%	125	6	1.00%
Central California Irrigation	72	8	0.52%	-	-	-
Food 4 Less	70	9	0.51%	-	-	-
Save Mart	64	10	0.46%	85	8	0.68%
Lowes	-	-	-	175	4	0.00%
Kmart	-	-	-	85	9	-
California Dairies	-	-	-	70	10	-
<b>Total</b>	<b>2,304</b>		<b>16.69%</b>	<b>2,047</b>		<b>12.94%</b>

**Source:** (1) Los Banos Community and Economic Development Department  
(2) City of Los Banos Finance Department

**Note:** (\*) Information only available for the last eight (8) years

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

FUNCTION/PROGRAM	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>General Government:</b>										
Administration	9.20	9.20	8.60	5.60	5.30	4.88	4.88	5.21	5.18	5.35
Community and Economic	3.83	4.83	5.50	4.50	3.00	3.00	2.00	2.00	2.00	2.00
Water Admin	2.78	2.78	3.42	4.44	4.54	3.78	3.79	4.33	4.24	4.27
Waterwaste Admin	2.70	2.70	3.35	4.35	4.45	3.70	3.70	4.33	4.25	4.19
Solid Waste Admin	0.00	2.72	3.38	4.36	4.46	3.05	3.70	4.21	4.22	4.17
<b>Police:</b>										
Sworn	43.00	46.00	47.00	48.00	38.00	40.00	39.00	39.00	38.00	39.00
Non-Sworn	23.00	31.00	32.00	26.00	20.00	20.00	19.00	20.00	19.50	20.50
Code Enforcement	1.00	1.00	1.00	1.00	1.50	0.50	1.20	1.50	2.50	2.50
<b>Fire:</b>										
Sworn	11.00	15.15	17.15	17.15	15.25	15.25	15.20	15.90	15.90	15.90
Non-Sworn	0.50	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.00	2.00
Building Sworn	2.00	1.85	1.85	1.85	0.75	0.75	0.75	0.10	0.10	0.10
Building Non-Sworn	0.83	0.83	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Public Works:</b>										
Engineering	0.00	0.00	3.00	2.35	1.10	0.55	0.55	0.55	0.55	0.55
Water	13.25	13.00	12.72	11.70	11.55	11.55	11.30	11.35	10.85	11.19
Wastewater	9.25	9.00	8.63	11.20	10.95	10.95	10.70	10.70	10.26	10.59
Solid Waste	6.07	7.10	6.45	6.05	6.00	6.00	6.00	6.00	6.00	6.33
Streets	11.98	12.85	11.35	9.00	8.80	8.80	7.80	7.80	7.90	8.80
Maintenance	7.22	8.10	7.30	9.30	8.20	7.20	7.15	7.15	7.15	7.15
Recreation	2.55	2.55	4.00	4.19	1.19	1.19	1.13	1.16	1.19	1.19
Airport	0.40	0.40	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fleet	0.00	2.00	2.20	2.21	1.21	1.20	1.20	1.21	2.21	2.21
Redevelopment	2.44	2.94	3.25	4.25	4.25	5.15	4.45	0.00	0.00	0.00
Information Technology	0.00	0.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	153.00	177.00	188.00	183.00	155.00	152.00	148.00	147.00	146.00	150.99

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

FUNCTION/PROGRAM	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Police:</b>										
Jail Bookings	3,083	3,615	3,551	3,235	2,581	2,467	1,912	1,179	1,151	1,610
Traffic Accidents	3,836	336	322	323	342	435	349	358	407	421
Parking Violations	2,893	2,608	1,786	1,703	1,519	1,902	1,234	1,380	1,102	654
Moving Violations	3,791	3,897	4,763	4,517	3,105	3,555	3,308	2,513	3,017	2,929
<b>Fire:</b>										
Fire Calls	495	591	563	691	628	206	654	628	699	677
Medical Calls	1,034	1,206	1,190	1,164	1,268	1,190	1,430	1,406	1,557	1,664
Inspections	9,636	9,414	9,388	4,474	2,161	471	300	606	676	720
<b>Public Works</b>										
<b>Streets:</b>										
Street Surfacing (Miles)	-	1.63	3.46	-	-	-	-	-	0.14	0.55
<b>Parks and Recreation:</b>										
Rec. Program Enrollments <sup>(1)(4)</sup>	2,435	2,590	2,601	2,481	1,713	1,849	1,858	1,698	1,651	1,912
<b>Water:</b>										
Water Delivered (millions)	2,285	2,455	2,919	3,549	3,017	2,689	2,515	2,737	2,765	2,389
Connections	10,602	10,884	12,277	11,054	10,681	10,996	10,894	10,967	10,871	10,816
<b>Sewer:</b>										
Average Daily Flow (mgd)	3.45	3.55	3.56	3.22	2.97	2.92	2.90	2.86	2.90	2.93
Connections	9,529	10,105	10,310	9,931	10,361	10,617	10,737	10,854	10,699	10,640
<b>Solid Waste:</b>										
<b>Street Sweeping,</b>										
Miles per Year <sup>(2)</sup>	9,450	16,328	21,024	20,820	20,178	22,298	22,920	21,697	23,704	22,576
Green Waste Pick-ups	9,204	9,530	9,015	7,366	9,744	9,961	10,087	10,154	11,163	10,193
Recycling Pick-ups <sup>(3)</sup>	N/A	N/A	8,722	6,704	9,655	9,969	10,067	10,245	11,059	10,205

**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) Green Waste program began in 2003.  
(4) In FY 2012-2013 the City did not have an adult basketball program.

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

FUNCTION/PROGRAM	Fiscal Years									
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	33	33	22	22	22	16	16	16	17	18
Motorcycle Units	0	0	2	2	2	2	2	2	2	2
<b>Fire:</b>										
Stations	2	2	2	2	2	2	2	2	2	2
Service Units	9	9	15	15	15	15	15	15	14	13
<b>Public Works</b>										
<b>Streets:</b>										
Miles	94.32	97.88	102.7	107.6	108.9	109.85	109.85	109.85	110	123
<b>Parks and Recreation:</b>										
Acreage	188	223	223	233	233	233	233	233	233	233
Playgrounds	28	31	31	33	33	33	33	33	33	33
Baseball/Softball Diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/Football Fields	4	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)	142	150	155	165	170	170	170	170	170	172
Fire Hydrants	1,478	1,478	1,505	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)	118	124	126	130	130	130	130	130	130	130
<b>Solid Waste:</b>										
Street Sweepers	1	2	2	2	2	2	2	2	2	2

Source: Various City Departments



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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Banos, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Pange & Company*

Clovis, California  
December 16, 2015

**CITY OF LOS BANOS, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT PROGRAM**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2015**

**CITY OF LOS BANOS, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT PROGRAM  
JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council  
City of Los Banos, California

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

We have audited the accompanying financial statements of the City of Los Banos (City) Transportation Development Act Program (TDA Program), as of and for the year ended June 30, 2015, and the related notes to the 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 the 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 as it relates to the TDA Program. 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Los Banos Transportation Development Act Program, as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the City of Los Banos Transportation Development Act Program and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2015, and the changes in financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City's internal control over financial reporting as it relates to the TDA Program 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 the City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
December 31, 2015

## FINANCIAL STATEMENTS

**CITY OF LOS BANOS, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT PROGRAM  
BALANCE SHEET  
JUNE 30, 2015**

<b>ASSETS</b>		
Cash and investments	\$	-
Interest receivables		<u>-</u>
<b>Total assets</b>	<b>\$</b>	<b><u>-</u></b>
 <b>LIABILITIES</b>		
Vouchers payable	\$	<u>-</u>
<b>Total liabilities</b>		<u>-</u>
 <b>FUND BALANCE</b>		
Restricted		<u>-</u>
<b>Total fund balance</b>		<u>-</u>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>-</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF LOS BANOS, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT PROGRAM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>REVENUES</b>	
Interest	\$ <u>332</u>
Total revenues	<u>332</u>
 <b>EXPENDITURES</b>	
Streets and highways - maintenance	<u>88,196</u>
 <b>OTHER FINANCING SOURCES</b>	
Transfers in	<u>3,700</u>
Total other financing sources	<u>3,700</u>
Net change in fund balance	(84,164)
Fund balance - beginning	<u>84,164</u>
Fund balance - ending	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

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**CITY OF LOS BANOS, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT PROGRAM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 – DESCRIPTION OF REPORTING ENTITY**

The City of Los Banos, California (City), Transportation Development Act Program (TDA Program) includes the financial activities associated with the projects funded by the State of California Transportation Development Act (TDA). The State of California created a transportation fund for each County funded by one-quarter of a cent of the State sales tax. Article 3 of the TDA permits local agencies to spend a portion of that money (not to exceed 2%) on facilities provided for the exclusive use of pedestrians and bicycles.

The projects are distributed through the Merced County Auditor according to written allocation instructions conveyed by the Merced County Association of Governments (MCAG) in accordance with the Transportation Development Act and Section 6659 of the California Administrative Code.

MCAG is the agency responsible for the allocation of funds to eligible claimants in Merced County.

The Program is for reconstruction of roads. There were no revenues allocated to MCAG for the year ended June 30, 2015.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The TDA Program activities are accounted for in the SB325 Transportation Fund, a separate sub-fund of the City, as part of the Streets and Roads Special Revenue Fund. A fund is a set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue and expenditures.

**Basis of Accounting**

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

The TDA Program funds are accounted for in governmental funds. Governmental funds are accounted for on a spending of "current financial resources" measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the TDA Program, are Local Transportation Fund allocations and other intergovernmental revenues. Expenditures are recorded in the accompanying period in which the related fund liability is incurred.

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OTHER AUDITOR'S REPORT

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

Honorable Members of the City Council of the  
City of Los Banos, California

We have audited, in accordance with the 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, the financial statements of the City of Los Banos (City) Transportation Development Act Program (TDA Program), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2015, which included an explanatory paragraph describing that the financial statements only present the City's TDA Program.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as it relates to the City's TDA Program, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's TDA Program financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's TDA Program financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that TDA Program allocated to and received by the City were expended in conformance with applicable statutes, rules and

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regulations of the Transportation Development Act and the allocation instructions and resolutions of the Merced County Association of Governments (MCAG) as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance as it relates to the TDA Program. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Pange & Company*

Clovis, California  
December 31, 2015



City of  
**Los Banos**  
*At the Crossroads of California*

**CITY COUNCIL STAFF REPORT**

**TO:** MAYOR VILLALTA AND CITY COUNCIL MEMBERS

**FROM:** STACY SOUZA ELMS, SENIOR PLANNER, *SE*  
WILLIAM A. VAUGHN, CITY ATTORNEY,  
GARY BRIZZEE, POLICE CHIEF

**FOR:** CITY COUNCIL MEETING OF JANUARY 20, 2016

**SUBJECT:** AN ORDINANCE IMPOSING AN EXPRESS BAN ON MARIJUANA CULTIVATION, MARIJUANA PROCESSING, MARIJUANA DELIVERY, AND MARIJUANA DISPENSARIES IN THE CITY OF LOS BANOS

**RECOMMENDATION**

That the City Council conducts the public hearing and adopts the following:

1. Open the public hearing to receive public testimony.
2. Close Public Hearing.
3. Waive the second reading and adopt Ordinance 1142 amending Article 35 of the Los Banos Municipal Code, to impose an express ban on marijuana cultivation, marijuana processing, marijuana delivery, and marijuana dispensaries in the City of Los Banos.

**BACKGROUND**

In 1996, California voters approved Proposition 215 entitled "The Compassionate Use Act of 1996" or "CUA" to enable seriously ill Californians, under the care of a physician, to legally possess, use, and cultivate marijuana for medical use under state law. The CUA provides a limited defense from prosecution for cultivation and possession of marijuana. (*City of Claremont v. Kruse*, 177 Cal.App.4th 1153 (2009)). Criminal violations relating to possession and cultivation of marijuana do not apply to patients and primary caregivers for possession and cultivation of marijuana for personal medical use with doctor's approval.

In 2003, the California Legislature adopted Senate Bill 420 entitled the Medical Marijuana Program ("MMP") which permits qualified patients and their primary caregivers to associate collectively or cooperatively to cultivate marijuana for medical purposes without being subject to criminal prosecution under the California Penal Code. The MMP provides qualified persons,

primary caregivers, and holders of valid identification cards a defense to certain enumerated marijuana-related state crimes (*City of Claremont v. Kruse*, 177 Cal.App.4<sup>th</sup> 1153 (2009)).

In 2006 the Los Banos City Council adopted Ordinance No. 1028 prohibiting medical marijuana dispensaries in the City.

In *City of Riverside v. Inland Empire Patients Health and Wellness Center, Inc.* (2013) 56 Cal.4<sup>th</sup> 729, the California Supreme Court held that “[n]othing in the CUA or the MMP expressly or impliedly limits the inherent authority of a local jurisdiction, by its own ordinances, to regulate the use of its land. . . .” The California Supreme Court confirmed a city’s ability to prohibit medical marijuana dispensaries within its boundaries. (*City of Riverside*, 56 Cal.4<sup>th</sup> 729 (2013)). The court found that the CUA and MMP do not preempt a city’s local regulatory authority.

Additionally, in *Maral v. City of Live Oak* (2013) 221 Cal.App.4<sup>th</sup> 975, the Court of Appeal held that “there is no right – and certainly no constitutional right – to cultivate medical marijuana. . . .” The Court in *Maral* affirmed the ability of a local governmental entity to prohibit the cultivation of marijuana under its land use authority. Rather, the statutes set up limited defenses to state criminal prosecution. Like the Supreme Court’s decision in *City of Riverside*, the *Maral* court similarly found that the CUA and MMP do not preempt a city’s regulatory authority to prohibit all cultivation in the city, if the city so chooses.

In short the foregoing cases hold that neither the CUA nor the MMP require or impose an affirmative duty or mandate upon a local government to allow, authorize, or sanction the establishment of facilities that cultivate or process medical marijuana within its jurisdiction.

On October 9, 2015 Governor Brown signed three bills into law (AB 266, AB 243, and SB 643) which collectively are known as the Medical Marijuana Regulation and Safety Act (“Act”). The Act becomes effective January 1, 2016 and contains provisions that govern the cultivating, processing, transporting, testing, and distributing of medical marijuana to qualified patients throughout the state. The Act contains statutory provisions that allow local governments to enact ordinances prohibiting marijuana cultivation, processing, delivery, and dispensaries.

Assembly Bill 266 establishes a dual licensing structure requiring that all marijuana businesses must have both a state and local license or permit to establish marijuana businesses.

Assembly Bill 243 establishes a regulatory and licensing structure for cultivation sites under the Department of Food and Agriculture and includes a provision stating that cities that do not have an ordinance regulating or prohibiting cultivation by March 1, 2016, will lose the authority to regulate or ban cultivation within their city limits.

Senate Bill 643 establishes criteria for the licensing of medical marijuana businesses, regulating physicians, and recognizing local authority to levy taxes and fees.

Not to be overlooked, the manufacture, distribution, or possession of marijuana remains unlawful and a federal crime under the Federal Controlled Substance Act (21 U.S.C. §§ 812, 841, 844) and subject to federal prosecution without regard to a claimed medical need.

## **DISCUSSION**

A number of California cities have reported negative impacts to the public health, safety, and welfare resulting from marijuana cultivation, processing and distribution activities, including offensive odors, illegal sales and distribution of marijuana, trespassing, theft, violent robberies and robbery attempts, fire hazards, and problems associated with mold, fungus, and pests. The City of Los Banos has experienced some of the negative impacts as well.

Citywide prohibition is proper and necessary to avoid the risks of criminal activity, degradation of the natural environment, malodorous smells and indoor electrical fire hazards that may result from such activities.

The Los Banos Municipal Code currently only expressly prohibits medical marijuana dispensaries. To avoid having federally prohibited activities that are permitted by the Act, the attached ordinance expressly prohibits the establishment and operation of marijuana cultivation, processing, delivery, and dispensary activities within the City of Los Banos.

The proposed Ordinance 1142 was introduced at the City Council meeting of January 6, 2016.

## **ENVIRONMENTAL REVIEW**

Pursuant to Section 15061(b) (3) of the California Environmental Quality Act (“CEQA”) the draft ordinance is exempt because it does not involve a particular project, application, or activity. Any future project, application or activity related to the Ordinance must satisfy CEQA requirements on its own merits. A Notice of Exemption has been prepared pursuant to CEQA Guidelines section 15061(b) (3), which provides that CEQA applies only to projects that have the potential to cause a significant effect on the environment; and where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

## **ATTACHMENTS**

Proposed Ordinance  
Reference Materials

## ORDINANCE NO. 1142

### AN ORDINANCE OF THE CITY OF LOS BANOS IMPOSING AN EXPRESS BAN ON MARIJUANA CULTIVATION, MARIJUANA PROCESSING, MARIJUANA DELIVERY, AND MARIJUANA DISPENSARIES IN THE CITY OF LOS BANOS

WHEREAS, on October 9, 2015, Governor Jerry Brown signed the " Medical Marijuana Regulation and Safety Act" ("Act"), which is comprised of the state legislative bills known as AB 243, AB 266, and SB 643, into law;

WHEREAS, the Act becomes effective January 1, 2016 and contains provisions that govern the cultivating, processing, transporting, testing, and distributing of medical cannabis to qualified patients. The Act also contains new statutory provisions that:

1. Allow local governments to enact ordinances expressing their intent to prohibit the cultivation of marijuana and their intent not to administer a conditional permit program pursuant to Health & Safety Code Section 11362.777 for the cultivation of marijuana (Health & Safety Code § 11362.777(c)(4));
2. Expressly provide that the Act does not supersede or limit local authority for local law enforcement activity, enforcement of local ordinances, or enforcement of local permit or licensing requirements regarding marijuana ( Business & Professions Code § 19315(a));
3. Expressly provide that the Act does not limit the authority or remedies of a local government under any provision of law regarding marijuana, including but not limited to a local government's right to make and enforce within its limits all police regulations not in conflict with general laws ( Business & Professions Code § 19316(c)); and
4. Require a local government that wishes to prevent marijuana delivery activity, as defined in Business & Professions Code section 19300.5(m) of the Act, from operating within the local government's boundaries to enact an ordinance affirmatively banning such delivery activity ( Business & Professions Code § 19340(a));

WHEREAS, a number of California cities have reported negative impacts to the public health, safety, and welfare resulting from marijuana cultivation, processing and distribution activities, including offensive odors, illegal sales and distribution of marijuana, trespassing, theft, violent robberies and robbery attempts, fire hazards, and problems associated with mold, fungus, and pests.

WHEREAS, the City of Los Banos has experienced some of the negative impacts as well;

WHEREAS, based on the experiences of the City of Los Banos and other cities, these negative effects on the public health, safety, and welfare are likely to occur, and continue to

occur, in the City due to the establishment and operation of marijuana cultivation, processing and distribution activities;

WHEREAS, the Los Banos Municipal Code currently prohibits medical marijuana dispensaries within the City of Los Banos;

WHEREAS, based on the findings above, it is in the interest of the City, its residents, and its lawfully permitted businesses that City adopts this ordinance to expressly prohibit the establishment and operation of marijuana cultivation, processing, delivery, and dispensary activities in the City.

WHEREAS, on December 9, 2015, the Planning Commission conducted a duly noticed public hearing on a proposed ordinance imposing an express ban on marijuana cultivation, marijuana processing, marijuana delivery, and marijuana dispensaries in the City of Los Banos at which time all individuals desiring to comment on the proposed ordinance were heard and on December 9, 2015 the Planning Commission recommended that the City Council adopt an ordinance imposing an express ban on marijuana cultivation, marijuana processing, marijuana delivery, and marijuana dispensaries in the City of Los Banos; and

WHEREAS, the City Council conducted a duly noticed public hearing on the proposed ordinance on January 6, 2016 and January 20, 2016 at which time all individuals desiring to comment on the proposed ordinance were heard; and

WHEREAS, the proposed ordinance does not propose any changes to City policies or regulations that would result in a direct or indirect physical environmental impact; therefore it has been determined that the proposed ordinance is covered by the general rule that the California Environmental Quality Act applies only to projects which have the potential for causing a significant effect on the environment pursuant to CEQA guidelines Section 15061 (b)(3) and is not subject to environmental review.

**THE CITY COUNCIL OF THE CITY OF LOS BANOS DOES ORDAIN AS FOLLOWS:**

**Section 1.** The City Council of the City of Los Banos hereby finds that the above recitals are true and correct and are incorporated into the substantive portion of this ordinance.

**Section 2.** The City Council hereby repeals Article 35 of the Los Banos Municipal Code in its entirety and reenacts Article 35 “Medical Marijuana” to read as follows:

**9-3.3501. Legislative Findings and Statement of Purpose.**

A. The City Council finds that the prohibitions on marijuana cultivation, marijuana processing, marijuana delivery, and marijuana dispensaries are necessary for the preservation and protection of the public health, safety, and welfare for the City and its community. The City Council's prohibition of such activities is within the authority conferred upon the City Council by state law.

B. On October 9, 2015, the governor signed the "Medical Marijuana Regulation and Safety Act" ("Act") into law. The Act becomes effective January 1, 2016 and contains new statutory provisions that:

1. Allow local governments to enact ordinances expressing their intent to prohibit the cultivation of marijuana and their intent not to administer a conditional permit program pursuant to Health & Safety Code Section 11362.777 for the cultivation of marijuana (Health & Safety Code § 11362.777(c)(4));
2. Expressly provide that the Act does not supersede or limit local authority for local law enforcement activity, enforcement of local ordinances, or enforcement of local permit or licensing requirements regarding marijuana (Business & Professions Code § 19315(a));
3. Expressly provide that the Act does not limit the authority or remedies of a local government under any provision of law regarding marijuana, including but not limited to a local government's right to make and enforce within its limits all police regulations not in conflict with general laws (Business & Professions Code § 19316(c)); and
4. Require a local government that wishes to prevent marijuana delivery activity, as defined in Business & Professions Code section 19300.5(m) of the Act, from operating within the local government's boundaries to enact an ordinance affirmatively banning such delivery activity (Business & Professions Code § 19340(a)).

C. The City Council finds that this Article: (1) expresses its intent to prohibit the cultivation of marijuana in the City and to not administer a conditional permit program pursuant to Health & Safety Code section 11362.777 for the cultivation of marijuana in the City; (2) exercises its local authority to enact and enforce local regulations and ordinances, including those regarding the permitting, licensing, or other entitlement of the activities prohibited by this Article; (3) exercises its police power to enact and enforce regulations for the public benefit, safety, and welfare of the City and its community; and (4) expressly prohibits the delivery of marijuana in the City.

#### **9-3.3502. Definitions.**

For purposes of this Article, the following definitions shall apply:

A. "Marijuana" means any or all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin or separated resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds or resin, including marijuana infused in foodstuff or any other ingestible or consumable product containing marijuana. The term "marijuana" shall also include medical marijuana" as such phrase is used in the August 2008 Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use, as may be amended from time to time, that was issued by the office of the Attorney General for the state of California or subject to the provisions of California Health and Safety

Code Section 11362.5 (Compassionate Use Act of 1996) or California Health and Safety Code Sections 11362.7 to 11362.83 (Medical Marijuana Program Act).

B. "Marijuana Cultivation" means growing, planting, harvesting, drying, curing, grading, trimming, or processing of marijuana.

C. "Marijuana Processing" means any method used to prepare marijuana or its byproducts for commercial retail and/ or wholesale, including but not limited to: drying, cleaning, curing, packaging, and extraction of active ingredients to create marijuana related products and concentrates.

D. "Marijuana Dispensary" or "Marijuana Dispensaries" means any business, office, store, facility, location, retail storefront or wholesale component of any establishment, cooperative or collective that delivers (as defined in Business & Professions Code section 19300.5(m) or any successor statute thereto) whether mobile or otherwise, dispenses, distributes, exchanges, transmits, transports, sells or provides marijuana to any person for any reason, including members of any medical marijuana cooperative or collective consistent with the August 2008 Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use, as may be amended from time to time, that was issued by the office of the Attorney General for the state of California, or for the purposes set forth in California Health and Safety Code Section 11362.5 (Compassionate Use Act of 1996) or California Health and Safety Code Sections 11362.7 to 11362.83 (Medical Marijuana Program Act).

E. "Medical marijuana collective" or " cooperative or collective" means any group that is collectively or cooperatively cultivating and distributing marijuana for medical purposes that is organized in the manner set forth in the August 2008 Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use, as may be amended from time to time, that was issued by the office of the Attorney General for the state of California or subject to the provisions of California Health and Safety Code Section 11362.5 Compassionate Use Act of 1996) or California Health and Safety Code Sections 11362.7 to 11362.83 (Medical Marijuana Program Act).

### **9-3.3503. Prohibited Use and Activities.**

(a) Marijuana dispensaries are expressly prohibited in all zoning districts within the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity. No use permit, variance, building permit, or any other entitlement, license, or permit, whether administrative or discretionary, shall be approved or issued for the establishment or operation of a marijuana dispensary in the City, and no person or entity including primary caregivers and qualified patients, collectives, cooperatives or dispensaries shall otherwise establish or conduct such activities in the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity for which the use permit, variance, building permit, or any other entitlement, license, or permit is sought.

(b) Marijuana delivery is expressly prohibited in all zoning districts within the City, including deliveries that originate or terminate within the City, except where the City is

preempted by federal or state law from enacting a prohibition on any such activity. No use permit, variance, building permit, or any other entitlement, license, or permit, whether administrative or discretionary, shall be approved or issued for the delivery of marijuana in the City, and no person or entity including primary caregivers and qualified patients, collectives, cooperatives or dispensaries, shall otherwise conduct such activity in the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity for which the use permit, variance, building permit, or any other entitlement, license, or permit is sought.

(c) Marijuana cultivation is expressly prohibited in all zoning districts within the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity. No use permit, variance, building permit, or any other entitlement, license, or permit, whether administrative or discretionary, shall be approved or issued for the cultivation of marijuana in the City, and no person or entity including primary caregivers and qualified patients, collectives, cooperatives or dispensaries, shall otherwise conduct such activity in the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity for which the use permit, variance, building permit, or any other entitlement, license, or permit is sought.

(d) Marijuana processing is expressly prohibited in all zoning districts within the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity. No use permit, variance, building permit, or any other entitlement, license, or permit, whether administrative or discretionary, shall be approved or issued for the processing of marijuana in the City, and no person or entity including primary caregivers and qualified patients, collectives, cooperatives or dispensaries, shall otherwise conduct such activity in the City, except where the City is preempted by federal or state law from enacting a prohibition on any such activity for which the use permit, variance, building permit, or any other entitlement, license, or permit is sought.

**9-3.3504. Public Nuisance.** Any violation of this Article is hereby declared to be a public nuisance and may be summarily abated by the City pursuant to Code of Civil Procedure 731 or any other remedy available to the City.

**9-3.3505. Administrative Penalties.** In addition to any other remedy or penalty set forth in this Chapter or this Code, administrative penalties may be imposed pursuant to applicable provisions of Chapter 11 Title 4 of this Code against any responsible party, in violation of any of the provisions of this Chapter. Imposition, enforcement, collection and administrative review of administrative penalties imposed shall be conducted pursuant to Chapter 11 Title 4 of this Code.

**Section 3.** To the extent that the terms and provisions of this Ordinance may be inconsistent or in conflict with the terms or conditions of any prior City ordinance, motion, resolution, rule or regulation governing the same subject, the terms of this Ordinance shall prevail with respect to the subject matter thereof and such inconsistent or conflicting provisions of prior ordinances, motions, resolutions, rules or regulations are hereby repealed.

**Section 4.** If any section, subsection, subdivision, paragraph, sentence, clause or phrase added by this Ordinance, or any part thereof, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more subsections, subdivisions, paragraphs, sentences, clauses or phrases are declared unconstitutional, invalid or ineffective.

**Section 5.** The proposed amendments to the Los Banos Municipal Code do not propose any changes to City policies or regulations that would result in a direct or indirect physical environmental impact; therefore it has been determined that this ordinance amendment is covered by the general rule that the California Environmental Quality Act applies only to projects which have the potential for causing a significant effect on the environment pursuant to CEQA guidelines section 15601(b)(3) and is not subject to environmental review.

**Section 6.** This Ordinance shall go into effect and be in full force and operation thirty (30) days after its final passage and adoption. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

Introduced by Council Member \_\_\_\_\_ and seconded by Council Member \_\_\_\_\_ on the \_\_\_\_ day of \_\_\_\_\_, 2016.

Passed on the \_\_\_\_ day of \_\_\_\_\_, 2016 by the following vote:

AYES:            Council Members  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Michael Villalta, Mayor

ATTEST:

\_\_\_\_\_

Lucille L. Mallonee, City Clerk

# MEDICAL MARIJUANA REGULATION AND SAFETY ACT<sup>1</sup>

## What Cities Need to Know About the New Law and Cultivation

### OVERVIEW

#### Here's what you need to know:

- **Local prohibition or regulation:** Cities may prohibit or regulate medical marijuana businesses within their jurisdictions. **Local authority remains intact under the new law.**
- **State license required:** All medical marijuana businesses – dispensary sales, delivery service, cultivation, transport or distribution – must have a State license<sup>2</sup>.
- **State license not enough:** A medical marijuana business in any city may only operate if it has permission from the State and permission from the city ("dual licensing").
- **Enforcement:** Revocation of local permission to operate means a medical marijuana business must terminate operation because the new law requires dual licensing. Upon approval of the State, a city may enforce State law.
- **State law penalties for unlicensed activity:** There are civil penalties and criminal penalties for operating without a State license.

### CULTIVATION

#### Here's what you need to know:

If your city does **not** have a land use ordinance in place regulating or prohibiting the cultivation of marijuana, *either expressly or otherwise under the principles of permissive zoning*, or chooses not to administer a conditional permit program, then commencing **March 1, 2016**, the State Department of Food and Agriculture will be the sole licensing authority for medical marijuana cultivation applicants.

1 AB 266 (Bonta, Cooley, Jones-Sawyer, Lack, Wood); AB 243 (Wood); and SB 643 (McGuire). Effective 1/1/2016.

2 The Department of Consumer Affairs estimates it will begin issuing State licenses in January 2018. The Department of Food and Agriculture and the Department of Public Health also have licensing authority under the new law. Businesses operating in compliance with local ordinances will get priority in the State licensing application process.

October 27, 2015

### CULTIVATION

#### Here's what you need to do:

Determine if your city fits within City #1 or City #2 as described below:

- **City #1:** Municipal Code that does not expressly prohibit nor expressly regulate cultivation of medical marijuana and is not a "permissive zoning" code. **Need to take action.**

**ACTION REQUIRED:** Adopt a land use ordinance regulating or prohibiting the cultivation of medical marijuana. The ordinance must be effective by February 28, 2016. The ordinance may be adopted as an "urgency ordinance," or second reading must occur on or before January 29, 2016.

- **City #2:** Municipal Code that is a "permissive zoning" code and does not enumerate cultivation of medical marijuana as a permitted or conditional use. **Need to take action.**

**ACTION REQUIRED:** (1) Check and confirm that your city's zoning code is adopted and implemented under the principles of permissive zoning. If not, take action recommended for City #1. (2) If confirmed, adopt a resolution that includes the following provisions:

- States that Health & Safety Code section 11362.777(b)(3) provides that the Department of Food and Agriculture may not issue a State license to cultivate medical marijuana within a city that prohibits cultivation under principles of permissive zoning;
- Re-affirms and confirms that the Zoning Code is adopted and operates under the principles of permissive zoning;
- States this means that cultivation of marijuana is not allowed within City #2 because it is not expressly permitted; and
- Therefore, the State is not allowed to issue a license for the cultivation of medical marijuana within City #2.

Be sure to consult with your city attorney before taking any of the actions recommended in this document.



# MEDICAL MARIJUANA REGULATION AND SAFETY ACT<sup>1</sup>

## What Cities Need to Know About the New Law and Delivery Services

### OVERVIEW

#### Here's what you need to know:

- **Local prohibition or regulation:** Cities may prohibit or regulate medical marijuana businesses within their jurisdictions. **Local authority remains intact under the new law.**
- **State license required:** All medical marijuana businesses – dispensary sales, delivery service, cultivation, or transport – must have a State license<sup>2</sup>.
- **State license not enough:** A medical marijuana business in any city may only operate if it has permission from the State **and** permission from the city (“dual licensing”).
- **Enforcement:** Revocation of local permission to operate means a medical marijuana business must terminate operation because the new law requires dual licensing. Upon approval of the State, a city may enforce State law.
- **State law penalties for unlicensed activity:** There are civil penalties and criminal penalties for operating without a State license.

### DELIVERY

#### Here's what you need to know:

If a city does not expressly prohibit the delivery of medical marijuana within its jurisdiction, delivery will be allowed (with a State dispensary license). This means that if your city wishes to prohibit the delivery of medical marijuana within its jurisdiction, the city must adopt an ordinance expressly prohibiting delivery services and mobile dispensaries.

### DELIVERY

#### Here's what you need to do:

- Determine whether your city currently bans delivery services for medical marijuana.
- If you have a ban, determine whether it is an express ban, or a ban enacted via permissive zoning (i.e., it is not listed in your zoning or other codes as a permitted activity within the city limits).
- If you have an express ban specifically identifying marijuana deliveries as a prohibited activity, you do not need to take further action.
- If you wish to prohibit delivery services but do not have an express ban, **you need to take further action.**

**ACTION REQUIRED:** Adopt an ordinance expressly banning deliveries within your jurisdiction. If you do not adopt an express ban ordinance before the State begins issuing any State licenses, a State-licensed dispensary will be able to deliver medical marijuana within your jurisdiction. You may adopt an ordinance expressly banning deliveries after the State begins to issue licenses. However, it may be difficult to terminate the State licensee's deliveries at that time. Therefore, best practice is for an ordinance to be in place before the State begins issuing State licenses. The State currently estimates that it will begin issuing dispensary licenses in January 2018, but that could certainly happen sooner.

- A ban enacted via permissive zoning is not an express ban.

Be sure to consult with your city attorney before taking any of the actions recommended in this document.

1 AB 266 (Bonta, Cooley, Jones-Sawyer, Lack, Wood); AB 243 (Wood); and SB 643 (McGuire). Effective 1/1/2016.

2 The Department of Consumer Affairs estimates it will begin issuing State licenses in January 2018. The Department of Food and Agriculture and the Department of Public Health also have licensing authority under the new law. Businesses operating in compliance with local ordinances will get priority in the State licensing application process.

October 27, 2015



## Medical Marijuana Regulation and Safety Act<sup>1</sup> What Cities Need to Know About the New Law

### Overview -- Here's what you need to know:

- **Local prohibition or regulation:** Cities may prohibit or regulate medical marijuana businesses within their jurisdictions. **Local authority remains intact under the new law.**
- **State license required:** All medical marijuana businesses – dispensary sales, delivery service, cultivation, or transport – must have a State license<sup>2</sup>.
- **State license not enough:** A medical marijuana business in any city may only operate if it has permission from the State **and** permission from the city (“dual licensing”).
- **Enforcement:** Revocation of local permission to operate means a medical marijuana business must terminate operation because the new law requires dual licensing. Upon approval of the State, a city may enforce State law.
- **State law penalties for unlicensed activity:** There are civil penalties and criminal penalties for operating without a State license.

### Cultivation -- Here's what you need to know:

If your city does **not** have a land use ordinance in place regulating or prohibiting the cultivation of marijuana, *either expressly or otherwise under the principles of permissive zoning*, or chooses not to administer a conditional permit program, then commencing **March 1, 2016**, the State Department of Food and Agriculture will be the sole licensing authority for medical marijuana cultivation applicants.

### Cultivation -- Here's what you need to do:

Determine if your city fits within City #1 or City #2 as described below:

- **City #1:** Municipal Code that does not expressly prohibit nor expressly regulate cultivation of medical marijuana and is not a “permissive zoning” code. ***Need to take action.***

**ACTION REQUIRED:** Adopt a land use ordinance regulating or prohibiting the cultivation of medical marijuana. The ordinance must be effective by February 28, 2016. The ordinance may be adopted as an “urgency ordinance,” or second reading must occur on or before January 29, 2016.

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<sup>1</sup> AB 266 (Bonta, Cooley, Jones-Sawyer, Lack, Wood); AB 243 (Wood); and SB 643 (McGuire). Effective 1/1/2016.

<sup>2</sup> The Department of Consumer Affairs estimates it will begin issuing State licenses in January 2018. The Department of Food and Agriculture and the Department of Public Health also have licensing authority under the new law. Businesses operating in compliance with local ordinances will get priority in the State licensing application process.

- City #2: Municipal Code that is a “permissive zoning” code and does not enumerate cultivation of medical marijuana as a permitted or conditional use. ***Need to take action.***

**ACTION REQUIRED:** (1) Check and confirm that your city’s zoning code is adopted and implemented under the principles of permissive zoning. If not, take action recommended for City #1. (2) If confirmed, adopt a resolution that includes the following provisions:

- States that Health & Safety Code section 11362.777(b)(3) provides that the Department of Food and Agriculture may not issue a State license to cultivate medical marijuana within a city that prohibits cultivation under principles of permissive zoning;
- Re-affirms and confirms that the Zoning Code is adopted and operates under the principles of permissive zoning;
- States this means that cultivation of marijuana is not allowed within City #2 because it is not expressly permitted; and
- Therefore, the State is not allowed to issue a license for the cultivation of medical marijuana within City #2.

**Delivery -- Here’s what you need to know:**

If a city does not expressly prohibit the delivery of medical marijuana within its jurisdiction, delivery will be allowed (with a State dispensary license). This means that if your city wishes to prohibit the delivery of medical marijuana within its jurisdiction, the city must adopt an ordinance expressly prohibiting delivery services and mobile dispensaries.

**Delivery -- Here’s what you need to do:**

- Determine whether your city currently bans delivery services for medical marijuana.
- If you have a ban, determine whether it is an affirmative ban, or a ban enacted via permissive zoning (i.e., it is not listed in your zoning or other codes as a permitted activity within the city limits).
- If you have an affirmative ban specifically identifying marijuana deliveries as a prohibited activity, you do not need to take further action.
- If you wish to prohibit delivery services but do not have an express ban, **you need to take further action.**

**ACTION REQUIRED:** Adopt an ordinance expressly banning deliveries within your jurisdiction. If you do not adopt an express ban ordinance before the State begins issuing any State licenses, a State-licensed dispensary will be able to deliver medical marijuana within your jurisdiction. Therefore, any ordinance must be in place before the State begins issuing State licenses. The State currently estimates that it will begin issuing dispensary licenses in January 2018, but that could certainly happen sooner.

Be sure to consult with your city attorney before taking any of the actions recommended in this document.

**League of California Cities®**  
**October 27, 2015**

## Frequently Asked Questions (FAQs)

### Medical Marijuana Regulation and Safety Act<sup>1</sup>

#### Topic #1: Cultivation

*The State will be the sole licensing authority for the commercial cultivation of medical marijuana unless a city adopts land use regulations or ordinances regulating or prohibiting the cultivation of marijuana -- either expressly or otherwise under the principles of permissive zoning -- prior to **March 1, 2016.**<sup>2</sup>*

1. **Question:** If a city wants to enact a total ban on cultivation, can the ban include cultivation for personal use?

**Answer:** Yes. Under *Live Oak*<sup>3</sup>, a city can ban all marijuana cultivation -- even cultivation of small amounts by qualified patients. The *Live Oak* ban had no exceptions for personal use by a qualified patient. The new legislation does not change the law in this regard.

2. **Question:** Must a city's ordinance prohibiting cultivation make an exception for personal medical marijuana cultivation of up to 6 mature or 12 immature plants?<sup>4</sup>

**Answer:** No. In the *Live Oak* case, the California Court of Appeal upheld the city's total ban on all marijuana cultivation. That authority is preserved under the new legislation.

3. **Question:** Is a person who cultivates marijuana for his or her personal medical use required to get a cultivation license from the State?

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<sup>1</sup> AB 266 (Bonta, Cooley, Jones-Sawyer, Lack, Wood); AB 243 (Wood); and SB 643 (McGuire). Effective 1/1/2016. Please consult your City Attorney before taking action to implement the MMRSA. The answers to these FAQs may be different in your city based upon your municipal code, regulations, and policies. The answers do not constitute legal advice from the League of California Cities®.

<sup>2</sup> Health & Safety 11362.777(c).

<sup>3</sup> *Maral v. City of Live Oak* (2013) 221 Cal.App.4<sup>th</sup> 975.

<sup>4</sup> Health & Safety Code 11362.77 allows a qualified patient to cultivate 6 mature or 12 immature plants without criminal liability.

**Answer:** No, if the area used for cultivation does not exceed 100 square feet, or 500 square feet for a primary caregiver with no more than five patients.<sup>5</sup> If the areas exceed these limits, then a State license is required. The exemption from the State licensing requirements does not prevent a city from regulating or banning cultivation by persons exempt from State licensing requirements.<sup>6</sup>

4. **Question:** Can a city prevent the State from becoming the sole licensing authority for cultivation by adopting an ordinance that permits the cultivation of six plants per residence prior to March 1, 2016?

**Answer:** Yes. The State becomes the sole licensing authority for cultivation as of March 1, 2016 if a city does not have a land use regulation or ordinance “regulating or prohibiting the cultivation of marijuana.” An ordinance permitting cultivation under certain specific conditions (not more than six plants per residence) is an ordinance “regulating” marijuana cultivation and therefore qualifies. However, in order to be completely clear, the City Attorney may wish to determine whether it is advisable to prohibit all other types of cultivation as part of the ordinance.

5. **Question:** Must the cultivation prohibition be adopted as part of a city’s zoning code? Could it be adopted instead under the city’s business licenses and regulations?

**Answer:** It’s not possible to answer “yes” or “no.” AB 243 requires a “land use regulation or ordinance.” Whether the phrase “land use” requires a zoning ordinance is a question for the city attorney to answer based on the particular language of the city’s municipal code.

6. **Question:** Can a city ban large growers but still allow qualified patients to cultivate a small amount of medical marijuana in their private residences?

**Answer:** Yes. There’s nothing in the legislation that requires a total ban. The most important consideration is to clearly identify cultivation that is prohibited and cultivation that is allowed and to do so before March 1, 2016.

7. **Question:** Is a temporary land use moratorium (under Government Code section 65858) on medical marijuana cultivation that is effective in a city by March 1, 2016 sufficient to prevent the State from having sole licensing authority under the new law for medical marijuana cultivation applicants in that city?

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<sup>5</sup> Business & Professions Code 19319; Health & Safety 11362.777(g).

<sup>6</sup> Health & Safety Code 11362.777(g).

**Answer:** Probably not. The new law requires a land use regulation or ordinance that prohibits or regulates cultivation. Because a moratorium adopted under Government Code 65858 would only temporarily prohibit cultivation, it may not qualify as a land use ordinance that “prohibits” cultivation.

8. **Question:** Can a local medical marijuana cultivation ordinance be enacted on an urgency basis in order to comply with the March 1, 2016 deadline in the new legislation?

**Answer:** Yes, with urgency findings relating to the statutory deadline.

## **Topic #2: Delivery**

*Deliveries of medical marijuana can only be made by a State-licensed dispensary in a city that does not explicitly prohibit deliveries by local ordinance. If a city wants to prevent deliveries within its jurisdiction, it must adopt an ordinance expressly prohibiting them.<sup>7</sup>*

9. **Question:** Is there a deadline for adopting an ordinance explicitly prohibiting deliveries?

**Answer:** There is no deadline in the new law. However, best practice would be to adopt the ordinance prior to the date the State begins issuing licenses allowing deliveries so as to reduce the risk of confusion and to avoid the process of requesting the State to terminate the operations of a dispensary making deliveries within the city. The legislation does not specify a deadline for the State to begin issuing any category of license. The State is generally expected to begin issuing licenses on January 1, 2018, but it could begin sooner.

10. **Question:** What are the quantities that delivery services will be authorized to transport?

**Answer:** The amount that local delivery services will be authorized to carry will be determined by the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs. The determination will be based on security considerations, cash value, and other factors. The amount will be a statewide threshold, authorized for delivery primarily to patients, primary caregivers, and testing labs. Larger amounts will not be considered “delivery” but rather “transport” triggering heightened security requirements while the product is being moved.

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<sup>7</sup> Health & Safety 19340.

### **Topic 3: Dispensaries and Retail Operations**

11. **Question:** Will cities still be able to ban dispensaries?

**Answer:** Yes. Cities currently have the ability to enact bans on dispensaries and other marijuana retail operations. The new law will not change that, and in fact requires a local permit and a State license before a marijuana business can begin operations within a specific jurisdiction. Cities will retain the discretion to deny permits or licenses to marijuana dispensaries.

12. **Question:** Can a city allow dispensaries and prohibit delivery services?

**Answer:** Yes. But cities should be aware that if they wish to prohibit delivery services, an ordinance prohibiting delivery services is required.

### **Topic #4: Other Questions**

13. **Question:** Does the new legislation make any distinction between "not-for-profit" and "for profit" medical marijuana businesses?

**Answer:** No. There is no distinction in the new legislation between medical marijuana businesses that operate "for profit" and those that operate on a "not-for-profit" basis. The new law does not mandate that dispensaries or other businesses operate under either business model.

14. **Question:** Are marijuana edibles covered under the new legislation? Is there a separate designation for them under the new law, with additional State regulatory requirements?

**Answer:** The new legislation directs the State Department of Public Health (DPH) to develop standards for the production and labeling of all edible medical cannabis products (Business & Professions Code section 19332(c)). A license is required from DPH to "manufacture" edibles. The DPH standards are "minimum standards." A city may adopt additional stricter standards, requirements and regulations regarding "edibles" (Business & Professions Code section 19316(a)). Cities also retain their ability to license and regulate edible sales or distribution.

15. **Question:** The new law says: "upon approval of the state, cities may enforce state law". If an existing medical marijuana dispensary does not have both licenses (State and city), then must a city wait for the State to approve shutting the dispensary down

before a city can cite the dispensary or otherwise seek to shut it down under the city's ordinances and regulations?

**Answer:** No. A city may enforce its own ordinances and regulations against the dispensary since a medical marijuana dispensary cannot operate lawfully unless it complies with all local ordinances and regulations.

16. **Question:** Does a P.O. Box qualify as a medical marijuana business location? Is that considered a "use" in a city?

**Answer:** The answer to this question depends upon a city's municipal code. The State law prohibits a person from engaging in commercial cannabis activity without possessing both a State license and a local permit, license or other authorization. A State licensee may not commence activity under the authority of a State license until the applicant has complied with all requirements of the applicable local ordinance (Business & Professions Code section 19320). A city's municipal code will determine whether a "use" includes a post office box.

17. **Question:** Does the new law address extraction of THC, butane or other substances from marijuana?

**Answer:** The new law does not specifically address the issue of extraction at all – other than to acknowledge very generally that extraction falls within the definition of manufacturing, and that medical marijuana or a product derived from it may contain extracts.

18. **Question:** Since patients and primary caregivers are exempt from the licensing requirement under specified circumstances, how will that work if they are also owners of a dispensary or cultivation site?

**Answer:** A primary caregiver or qualified patient who seeks to operate a dispensary or cultivation site is subject to the same State licensing requirements and local permitting requirements as any other person.

19. **Question:** What types of medical marijuana businesses require a State license?

**Answer:** The new law creates six State licensing categories: Dispensary, Distributor, Transport, Cultivation, Manufacturing, and Special Dispensary Status for licensees who have a maximum of three dispensaries. Any person or entity wishing to operate under a State license must also comply with all local requirements.

20. **Question:** Several initiative measures to legalize recreational marijuana have been filed with the Attorney General in advance of the November 2016 ballot. Should a city be considering prohibiting or regulating recreational marijuana at this time?

**Answer:** No. The new law does not address recreational use of marijuana. It adds a licensing structure for businesses that wish to serve those qualified patients and primary caregivers who use medical marijuana for their personal use. The League of California Cities is following the various recreational marijuana initiative measures that have been filed with the Attorney General. There is no need for a city to take any action at this time. If a city is interested in following these measures, more information can be found at: <https://www.oag.ca.gov/initiatives/active-measures>.

21. **Question:** Does the new law protect the privacy of patients and primary caregivers?

**Answer:** Yes. Patient and primary caregiver information is confidential and not subject to disclosure under the California Public Records Act, except as necessary for employees of the State or any city to perform official duties.

22. **Question:** Is there a provision in the new law giving business operators priority for State licensing if they can show that they are in compliance with local ordinances? If so, what is the purpose of this provision?

**Answer:** Yes. The State licensing authority is required to prioritize any facility or entity that can demonstrate to the authority's satisfaction that it was in operation and in good standing with the local jurisdiction by January 1, 2016. This provision is intended as an incentive for business operators to be in compliance with local ordinances, to ease any difficulties local governments may have in launching their local regulatory structures, and to help expedite the initial phase of issuing state licenses.

23. **Question:** Does the new law address food trucks that sell marijuana edibles?

**Answer:** No. The operation of food trucks are within the control and regulation of cities and county health departments.

**PLEASE NOTE:** This document will be updated periodically, as needed, and will remain available at [www.cacities.org](http://www.cacities.org). As noted above, each city should consult with its city attorney on all of these issues. The answers to these FAQs do not constitute legal advice from the League of California Cities®.



City of  
**Los Banos**  
*At the Crossroads of California*

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**COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT**

Date: December 23, 2015

Regarding: Notice of Public Hearing

Proposal: Proposed Ordinance – Marijuana Cultivation, Processing, Delivery & Dispensaries

NOTICE IS HEREBY GIVEN THAT a Public Hearing will be held by the Los Banos City Council to adopt a proposed ordinance imposing an express ban on marijuana cultivation, marijuana processing, marijuana delivery, and marijuana dispensaries in the City of Los Banos.

The Los Banos Planning Commission held a public hearing on December 9, 2015 for the purpose of considering the above mentioned ordinance. At the completion of the public hearing, the Planning Commission duly considered all evidence presented and recommended approval of the proposed ordinance to the Los Banos City Council.

A PUBLIC HEARING on this matter will be held at the next scheduled meeting of the Los Banos City Council on Wednesday, January 6, 2016 at 7:00 p.m. in the Council Chambers of Los Banos City Hall located at 520 J Street. Questions regarding the above-referenced item may be directed to Stacy Souza Elms, Senior Planner at City Hall or at (209) 827-7000, Ext. 133.

All persons are invited to be present at the public hearing. Written and oral testimony is invited. Notice is hereby further given that if you challenge the above described Ordinance in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this Notice, or in written correspondence delivered to the Planning Commission at, or prior to, the public hearing per Government Code Section 65009.

Additional information may be obtained from Community & Economic Development Department at 520 J Street, Los Banos, California. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office of the City Clerk at (209) 827-7000. Notification at least 72 hours prior to the public hearing will enable the City to make reasonable arrangements to allow participation at this hearing

THE CITY OF LOS BANOS

Stacy Souza Elms  
Senior Planner