

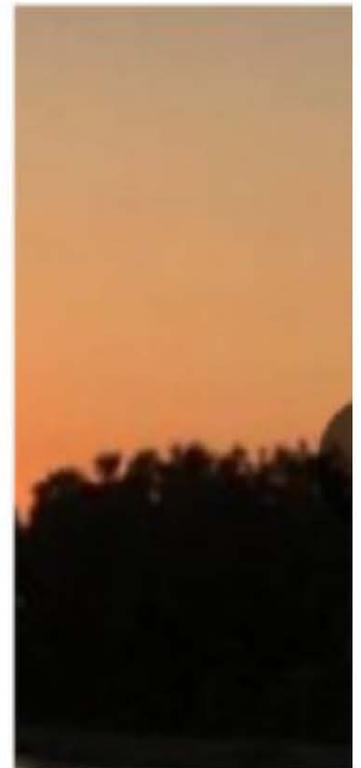
City of Los Banos

Comprehensive Annual

Financial Report

For Fiscal Year Ending

June 30, 2018



California

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, 2018**

Prepared by

FINANCE DEPARTMENT

**CITY OF LOS BANOS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30 2018**

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INTRODUCTORY SECTION



January 11, 2019

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

SUBJECT: Comprehensive Annual Financial Report – June 30, 2018

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, 2018. 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, 2018, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Price Paige & Company concluded based upon the audit, that there is reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2018, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City Los Banos

The City, incorporated in 1907 as a General Law City has a population of 40,986, and is the second largest city in Merced County. The City is located near the geographical center of California in the San Joaquin Valley approximately 70 miles northwest of Fresno, 80 miles east of the Pacific Ocean and 120 miles south of Sacramento. The Crossroads of California describes Los Banos because State Highway 33, 165 and 152 pass through the City and Interstate 5 is six miles to the west. Los Banos is famous for its agricultural products, including melons, almonds, walnuts, apricots, cotton, tomatoes, and dairy products.

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

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

Local Economy

Critical to any community is the current economic condition and outlook for the Nation, the State, and the City. Economic forecasts for the City and Merced County continue to indicate growth but at a slower pace as compared to the rest of California and the Nation. California has experienced some job growth, with its unemployment rate at 4.2%. The City experienced a higher unemployment rate of 8.7% which increased 1% from last year. Merced County also saw a slight increase in unemployment at 8.0% which was up 0.5% from the previous year. As employment is an integral component to our economy, City staff began work with two recruitment firms to help attract potential businesses to the community. The City contracted with Buxton Company to solicit national retailers and major businesses and with Chabin Concepts to assist with industrial recruiting. The City hopes that this partnership will assist with additional job creation and increase its sales and property tax base.

The City's issuance of building permits decreased slightly from last year to 294; however the number of finalized permits doubled to 274. This high percentage of finalized permits is a reflection of the shortage in available homes in the Central Valley and the demand for affordable housing from the Bay Area. In Fiscal Year 2017-2018 there were several completed construction projects; some of which include: Ross Dress for Less, Prime Shine Car Wash, Windecker Fuel Station, Kagome Expansion and Overland Courts Senior Living Apartments. The following projects are set to be finalized in the coming year and will also bring additional benefit to the City: Paradise Kitchen Expansion, O'Reily's Auto Parts, Howard Mini Storage, 7-11 Fuel Station, Starbucks and Western Dental. This combined with the continued increase to property values and sales tax revenue is encouraging for our local economic stability.

Long Term Financial Planning

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

The City Council has approved to maintain a 30% General Fund reserve to safeguard the City and improve its ability to respond to emergency needs. The current year budget provides a 51% operating reserve in the General Fund. This policy provides reassurance and protection against uncertain fluctuations in the local economy.

Retirement rates have increased as CalPERS revised assumptions regarding mortality, retirement ages, and disability retirements. CalPERS has also reduced the assumption for the discount rate from 7.5% to 7.0% and is currently working on reducing the amortization period for the unfunded accrued liability from 30 years to 20 years. These new changes are estimated to affect our employer contributions in the coming fiscal years. The City is working diligently to devise a plan to mitigate the anticipated impact of this future financial obligation. This fiscal year, the City took the first step in this plan and assigned funds to help meet future increases in employer contributions to CalPERS.

Major Achievements and Future Objectives

Measure H, a .5% sales tax was approved by voters in November 2018 and will go into effect April 1, 2019. This measure will provide additional funding for Public Safety and Neighborhood Services as well as help maintain long-term fiscal stability. The City's continued exploration of new revenues sources as well as expense management has proven favorable in its efforts as the City strives to keep up with personnel, infrastructure and equipment needs. There is an outlined five-year Capital Improvement Plan in the current budget to recognize capital needs throughout the City. Some of those objectives include:

Community and Economic Development

- General Plan update

Police Department

- Police Station- Land Purchase
- Fleet Replacement
- License Plate Reader

Fire Department

- Upgrade ADA Compliant
- Turnouts Replacement

Public Works Department

- K Street Storm Line
- Water Line Replacement- G & Seventh St., Idaho Ave., C-D North St. and Iowa Ave.
- West I Street Bridge Abutment
- Sidewalk project
- Place Road Construction
- Community Center Parking
- Nantes Storm Basin
- Wastewater Treatment Plant Headworks
- Landscape/Irrigation Improvements- Mission Estates, Stonecreek, and Jo-Lin Manor
- Airport Improvements
- Fleet Replacement

Information Technology Department

- Phone System Replacement
- Network/Server Replacement

Cash Management

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Los Banos for its CAFR for the fiscal year ended June 30, 2017. This is the fourth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

We again offer our deepest gratitude to the City Council for their continual support in the management and protection of the City's finances. The Finance Department takes extreme pride in the preparation of the CAFR and works diligently to create a report that is both responsible and comprehensible to its citizens. The professionalism, commitment, and dedication of staff, management, and elected officials have helped to create this report to reflect those efforts. We express our appreciation to all City staff including other personnel from various departments, agencies, and authorities who assisted in the preparation of this report. The City of Los Banos is committed to providing excellent services to its citizens and enhancing the community's quality of life through the hard work and dedication of its employees.

Respectfully submitted,


Sonya Williams
Finance Director


Alex Terrazas
City Manager

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Government Finance Officers Association

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

Presented to

**City of Los Banos
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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CITY OF LOS BANOS ORGANIZATION CHART

Citizens of Los Banos



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

City Attorney
William Vaughn

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

Human Resources Director Lucy Mallonee	Fire Chief Mason Hurley	Public Works Director/City Engineer Mark Fachin	Finance Director Sonya Williams	Police Chief Gary Brizzee	Community & Economic Development Director Stacy Souza Elms	Information Technology
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City of Los Banos
Directory of City Officials
June 30, 2018

Elected Officials

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

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

Appointed Officials

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

Alex Terrazas
William Vaughn
Lucy Mallonee
Mason Hurley
Gary Brizzee
Mark Fachin
Sonya Williams
Stacy Souza Elms

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparisons of the City of Los Banos, California (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Banos, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Impact Fees Fund, the CDBG and Home Grants Fund and the Public Safety Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, the schedule of funding progress for other postemployment benefits on page 69, proportionate share of net pension liability on page 70, and the schedule of contributions on page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Emphasis of Matter

Implementation of New Accounting Standard

As disclosed in the Note 15 of the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, 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
January 22, 2019

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$177,858,687 (net position). The unrestricted net position of \$10,216,855 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$8,109,031. This decrease was mainly due to activity within the governmental activities funds. The City's total assets increased by \$9,802,627 due to various equipment purchases and infrastructure improvements throughout the year. Liabilities increased by \$20,578,632 due to the reporting of the Other Post-Employment Benefits (OPEB) liability required this fiscal year and increase in the City's pension liability.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$37,360,138. This is an increase of \$6,575,039 in comparison with the prior fiscal year. Approximately 21.5% or \$8,050,153 is available for spending at the government's discretion and is referred to as the unassigned fund balance.

At the end of the current fiscal year, total fund balance for the general fund was \$13,123,591. Of this amount, \$3,916,672 was assigned for various capital projects and \$8,709,292 was unassigned for discretionary use. The unassigned fund balance is 57.2% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

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

The City maintains a total of seventy one (71) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, impact fee special revenue funds, CDBG & Home grant special revenue funds, public safety special revenue funds, and capital grants capital projects fund which are considered to be major funds. Data from the twenty three (23) non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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

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.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-66 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 69-72 of this report.

The combining statements referred to earlier in connection with non-major 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 76-84 of this report.

Government-wide Overall Financial Analysis

Net Position: A condensed presentation of the City's net position shown below totals \$177,858,687 as of June 30, 2018.

(in thousand of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 35,898	\$ 42,142	\$ 46,391	\$ 50,282	\$ 82,289	\$ 92,424
Capital assets	78,067	73,831	48,136	52,040	126,203	125,871
Total Assets	<u>113,965</u>	<u>115,973</u>	<u>94,527</u>	<u>102,322</u>	<u>208,492</u>	<u>218,295</u>
Deferred outflows of resources	7,113	8,599	1,838	2,342	8,951	10,941
Long-term liabilities outstanding	15,550	30,498	11,181	15,753	26,731	46,251
Other liabilities	1,836	1,939	1,568	2,524	3,404	4,463
Total liabilities	<u>17,386</u>	<u>32,437</u>	<u>12,749</u>	<u>18,277</u>	<u>30,135</u>	<u>50,714</u>
Deferred inflows of resources	1,157	498	183	166	1,340	664
Net position:						
Invested in capital assets, net of related debt	77,814	73,678	46,906	51,172	124,720	124,850
Restricted	19,346	28,043	16,193	14,748	35,539	42,791
Unrestricted	5,375	(10,084)	20,334	20,301	25,709	10,217
Total net position	<u>\$ 102,535</u>	<u>\$ 91,637</u>	<u>\$ 83,433</u>	<u>\$ 86,221</u>	<u>\$ 185,968</u>	<u>\$ 177,858</u>

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

By far, the largest portion of the City's net position (70.2%) 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 (24.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,216,855 is unrestricted and may be used to meet the government's ongoing needs and obligations to its citizens and creditors.

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

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

	<u>2017</u>	<u>2018</u>
Program revenues	\$ 34,884,717	\$ 38,433,964
General revenues	12,575,572	14,184,683
Governmental expenses	(25,311,438)	(29,306,072)
Business-type expenses	<u>(15,166,573)</u>	<u>(15,381,826)</u>
Net increase (decrease)	<u>\$ 6,982,278</u>	<u>\$ 7,930,749</u>

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

General revenues consist of a variety of taxes, unrestricted investment earnings, and gain on sale of capital assets. These revenues reflect a \$1,609,111 overall increase from the 2017 fiscal year. This increase was primarily due to increases in property, sales tax, and investment earnings.

The City's overall net position increased \$7,930,749 (5%) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Key elements of this increase are as follows:

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Program revenues:						
Charges for services	\$ 5,594	\$ 8,036	\$ 20,694	21,569	\$ 26,288	\$ 29,605
Operating grants	3,809	5,172	35	27	3,844	5,199
Capital grants	4,754	3,469	-	159	4,754	3,628
General revenues:						
Property taxes	5,704	6,230	8	4	5,712	6,234
Sales taxes	4,012	4,614	-	-	4,012	4,614
Other taxes	1,141	1,217	-	-	1,141	1,217
Use of money and property	1,146	1,287	335	529	1,481	1,816
Motor vehicle in-lieu	19	20	-	-	19	20
Gain on sale of capital assets	20	19	9	4	29	23
Miscellaneous	60	106	122	155	182	261
Total revenues	26,259	30,170	21,203	22,447	47,462	52,617
Expenses:						
General government	1,187	1,488	-	-	1,187	1,488
Public safety	12,473	15,814	-	-	12,473	15,814
Highways and streets	6,223	6,437	-	-	6,223	6,437
Parks and recreation	4,735	4,613	-	-	4,735	4,613
Economic development	682	946	-	-	682	946
Interest on long-term debt	11	10	-	-	11	10
Water	-	-	4,356	4,772	4,356	4,772
Sewer	-	-	4,197	4,527	4,197	4,527
Airport	-	-	331	337	331	337
Solid waste	-	-	6,283	5,745	6,283	5,745
Total expenses	25,311	29,308	15,167	15,381	40,478	44,689
Increase (decrease) in net position before transfers	948	862	6,036	7,066	6,984	7,928
Transfers	(6)	(4)	6	4	-	-
Increase (decrease) in net position	942	858	6,042	7,070	6,984	7,928
Net position - beginning (restated)	101,593	90,777	77,391	79,151	178,984	169,928
Net position - ending	\$ 102,535	\$ 91,635	\$ 83,433	\$ 86,221	\$ 185,968	\$ 177,856

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$861,514 or 0.01% from the prior fiscal year for an ending balance of \$91,638,205. The City is experiencing growth in property and sales tax which has led to an increase in revenues in governmental activities. The increase in the overall net position of governmental activities is the result of this tax revenue growth. The full Statement of Net Position can be seen on pages 16-17.

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 \$86,220,482. The total increase in net position for business-type activities (water, wastewater, and solid waste and airport funds) was \$7,069,235 or 8.9% from the prior fiscal year. The growth, in large part, is attributable to an increase in water use and additional connection fees received from new development. As a result, charges for services for enterprise activities increased \$272,820, \$378,128 and \$201,461 over the previous year's amount in the water, wastewater and solid waste funds, respectively.

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

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The total governmental activities costs of \$29,306,072 were offset by charges for services of \$8,037,154, operating grants/contributions of \$5,172,313, and capital grants/contributions of \$3,469,161, bringing the net expense to cost of services to \$12,627,444. Streets received a total of \$2,156,203 and Public Safety received \$1,029,068 from capital grants/contributions reflecting the restricted subventions for infrastructure and other capital improvements. Public Safety represents the highest percentage of total net costs at \$9,279,348 or 73%.

(in thousands of dollars)

	Total Cost of Service		Net Cost of Service	
	2017	2018	2017	2018
General government	\$ 1,187	\$ 1,488	\$ (326)	\$ (506)
Public safety	12,473	15,814	(6,255)	(9,279)
Highways and streets	6,223	6,437	(3,391)	(2,127)
Parks and recreation	4,735	4,613	(784)	(150)
Economic development	682	946	(388)	(555)
Interest of long-term debt	11	10	(11)	(10)
Total	\$ 25,311	\$ 29,308	\$ (11,155)	\$ (12,627)

Financial Analysis of Governmental Funds

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

Governmental Funds

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

To provide an overview of the City's funds, following is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2017 to 2018. The total revenues and expenditures do not include any "other financing sources (uses)."

Increase (Decrease) from Prior Year

	Assets	Liabilities	Revenues	Expenditures
General fund	\$ 936,554	\$ 2,619	\$ 1,178,445	\$ 730,272
Special revenue funds	4,765,033	(116,914)	1,068,417	142,780
Capital projects fund	2,276	(11,287)	564	16,071
Other funds	640,390	50,145	1,207,979	808,888

As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$37,360,138 or an increase of \$6,575,039 from the prior fiscal year. Approximately 66.6% of this total amount (\$24,888,393) is not available for new spending because it is restricted and committed to impact fee related projects and capital grant projects.

Of the remaining balance, \$395,694 is assigned for economic development, \$1,598,466 for general capital projects, \$922,512 for public safety capital projects, and \$1,000,000 for future PERS employer contributions. \$8,050,153 or 21.5% as unassigned and available for spending in the future at the government's discretion. However, approximately \$4.5 million of the General Fund's unassigned fund balance is needed to comply with the City's minimum fund balance policy.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund

The assets in the General Fund realized an increase of 7% whereas liabilities increased by slightly .2%. The total fund balance for General Fund ended the year at \$13,123,591 with \$8,709,292 as unassigned and available for discretionary use. This was an overall fund balance increase of 7% from the previous fiscal year. The significant reasons for the increase to the total general fund balance was due to growth in property and sales tax revenues. Further analysis of the General Fund budget is discussed below under the "General Fund Budgetary Highlights".

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

Impact Fee Fund. These funds account for fees collected from developers for new development and used for future impact of capital needs within the City. At June 30, 2018 the impact fee funds had a total fund balance of \$16.4 million. The entire amount of the fund balance has been committed for capital projects. During the current year funds were expended towards expansion of City Hall and renovation of the soccer fields at Oliveira Park. Most of the remaining fund equity position will be used on expanding public safety facilities in order to mitigate the safety impact from new development.

CDBG and HOME Grants. These funds account for grant funding received from the State of California to assist low to moderate income homeowners. The total fund balance at June 30, 2018 was \$156,982 and was generated from repayment of loans. These funds are restricted and are required to be sent back to the State or used back into the program. The City will utilize all program income available.

Public Safety Special Revenue. These funds are generated from a half cent sales tax for public safety known as Measure P. In November 2009 Measure A was passed that amended Measure P to allow building funds generated by the half cent sales tax to be utilized for Police and Fire personnel. In November 2014 Measure K was passed which extended Measure A for an additional 7 years. The majority of Measure P funds are used for personnel. The total fund balance at June 30, 2018 was \$3.9 million. These funds also account for revenues received for public safety grants, impact fees, and community facility districts.

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

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

General Fund Budgetary Highlights

Original budget compared to final budget. At mid-year the City Council approved budget adjustments for the general fund. The most significant adjustment to expenditures was a decrease to technical services of \$232,000 due to less building permits issued. In accordance with this adjustment permit revenue was also decreased by \$225,000 to reflect the reduced permit activity.

Final budget compared to actual results. Total revenues exceeded budget expectations by \$484,610 or 3%. The most significant differences between estimated revenues and actual revenues were property taxes and sales taxes. Revenue for property taxes was anticipated at \$6,110,604 but the actual amount received was \$6,200,655 for a \$90,051 amount over budget. Estimated revenues for sales taxes were \$4,179,503 and the actual amount received was \$4,613,579 exceeding the budget by \$434,076. These positive variances exceeded the budget by 3% or \$524,127. This was due to increased property values, home sales and a rise in consumer spending.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Expenditure variances were positive coming in 8.9% under the amended budget. The most significant savings were found in public safety, community development, and capital outlay. Public safety realized a variance of \$384,723, community development \$329,023, and capital outlay \$491,550. There was a total variance of \$1,492,279 between the amended budget and actual expenditures.

Capital Assets and Debt Administration

Capital assets. City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$125,870,319 (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 \$332,913.

For governmental activities, capital assets decreased \$4,237,044. Depreciation for the City's governmental activities is \$6,458,546. For business-type activities, capital assets increased by \$3,904,129. Depreciation for the business-type funds was \$2,216,506.

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

(in thousands of dollars)

Description	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 7,121	\$ 7,121	\$ 8,068	\$ 8,068	\$ 15,189	\$ 15,189
Buildings and improvements	22,084	22,329	10,041	10,041	32,125	32,370
Equipment	15,249	15,902	8,862	9,597	24,111	25,499
Infrastructure	129,629	130,324	56,365	57,958	185,994	188,282
Construction in progress	190	572	1,975	5,725	2,165	6,297
Less: accumulated depreciation	(96,205)	(102,417)	(37,176)	(39,348)	(133,381)	(141,765)
Total capital assets	<u>\$ 78,068</u>	<u>\$ 73,831</u>	<u>\$ 48,135</u>	<u>\$ 52,041</u>	<u>\$ 126,203</u>	<u>\$ 125,872</u>

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

- City Hall Expansion paid for by City Hall Impact Fees for \$277,378
- Communications Center Radio Console Upgrade paid for by the Police Department for \$69,752
- 2018 Ford F-450 Paint and Stencil Truck paid for by the Streets Department for \$126,034
- ADA Ramp K Street Project paid for by Street Funds for \$250,000
- 2018 Weiler Asphalt Paver paid for by the Streets Department for \$147,814
- Council Chambers AV Upgrade paid for by PEG funding for \$147,346
- 2018 Street Sweeper paid for by the Solid Waste Fund for \$293,800
- K Street Storm Drain Improvements paid for by the Wastewater Fund for \$1,170,099
- Taco Bell/Rally's Sewer Line Repair paid for by the Wastewater Fund for \$188,223

More detailed information about the City's capital assets is presented in Note 6 to the financial statements on pages 49-51 of this report.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Long-term Debt: A recap of the City's long-term debt is shown below. Changes in the total outstanding long-term debt include a decrease of \$377,854 or 16% for the current fiscal year. This decrease in bonded debt was due to the City making its regularly scheduled bond payments as required. An increase of \$86,012 was recorded for employee compensated absences.

(in thousands of dollars)

Debt Types	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
COPs	\$ -	\$ -	\$ 1,229	\$ 868	\$ 1,229	\$ 868
Capital leases	254	151	-	-	254	151
Comp. absences	593	666	214	228	807	894
Total debt	<u>\$ 847</u>	<u>\$ 817</u>	<u>\$ 1,443</u>	<u>\$ 1,096</u>	<u>\$ 2,290</u>	<u>\$ 1,913</u>

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

Economic Factors and Next Year's Budgets and Rates

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

Personnel costs will increase for next fiscal year due to step increases for all employee groups, a 2.5% cost of living increase, and increases due to the Memorandum of Understandings entered into with the bargaining groups in 2018. Health benefits continue to rise as well as employer contributions to CalPERS for retirement benefits for employees.

The City is a member of a public entity risk pool (see notes to these financial statements). The City will again see a 10% increase in the self-insured pooling. This is an overall increase to property and auto premiums as well as liability and workers compensation premiums.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The City participates in the CalPERS retirement program for its employees. Changes that will affect the City's employer's rates include CalPERS' plan to change the amortization period for the unfunded accrued liability from a 30 year to a 20 year amortization period. CalPERS is also phasing down the discount rate to 7% which will effect employer contributions in future fiscal years starting in FY 2018-2019. Below is the employee rate, employer's normal cost rate, and unfunded accrued liability (UAL) by fiscal year:

	2.7% @ 55 Miscellaneous			3% @ 50 Safety		
	Employer			Employer		
	Employee	Normal Cost	UAL	Employee	Normal Cost	UAL
2017	8.00%	12.429%	\$680,906	9.00%	21.230%	\$680,220
2018	8.00%	12.470%	\$768,224	9.00%	21.418%	\$773,265
2019	8.00%	13.084%	\$888,583	9.00%	22.346%	\$524,844

	2.0% @ 60 Miscellaneous			3% @ 55 Safety		
	Employer			Employer		
	Employee	Normal Cost	UAL	Employee	Normal Cost	UAL
2017	8.00%	7.809%	\$0	9.00%	18.301%	\$0
2018	8.00%	7.850%	\$171	9.00%	18.487%	\$0
2019	8.00%	8.346%	\$527	9.00%	19.353%	\$452

	2.0% @ 62 Miscellaneous			2.7% @ 57 Safety		
	Employer			Employer		
	Employee	Normal Cost	UAL	Employee	Normal Cost	UAL
2017	6.50%	6.930%	\$53	12.25%	12.821%	\$21
2018	6.50%	6.908%	\$163	12.25%	12.729%	\$51
2019	6.50%	7.266%	\$600	12.25%	12.965%	\$1,046

The City completed an actuarial study to be in compliance with Governmental Accounting Standards Board (GASB) pronouncement 75 to determine the unfunded liability for other post-employment benefits (OPEB). The City complied with GASB by currently funding the retiree health benefits on a yearly basis and paid \$684,805 for retirement health benefits and sent another \$1,162,280 for future retirement health benefits to the California Employers' Retiree Benefit Trust (CERBT) in order to comply with the City's Actuarially Determined Contribution (ADC).

A five-year utility rate plan concluded in FY 2015-2016 that increased water, wastewater, and solid waste rates. These rate changes complied with Prop 218 and were approved by the City Council. Changes to these utility rates have not occurred since FY 2015-2016. The City will need to conduct further rate studies in the coming fiscal years to determine if the current water, wastewater, and solid waste rates will require adjusting in the future.

In FY 2017-2018, the City began work on an impact fee rate study as well as a comprehensive fee study to determine if the current fees in place are cost effective or if there is a need to increase those fees to meet future demands on the City. These studies will be completed in FY 2018-2019 with recommendations coming to the City Council for approval.

**CITY OF LOS BANOS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

REQUESTS FOR INFORMATION

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

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

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BASIC FINANCIAL STATEMENTS

**CITY OF LOS BANOS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 36,453,718	\$ 33,151,065	\$ 69,604,783
Restricted cash and investments with fiscal agent	-	487,021	487,021
Restricted cash and investments	-	14,260,916	14,260,916
Receivables:			
Accounts receivable	400,219	1,515,575	1,915,794
Taxes receivable	1,862,667	-	1,862,667
Interest receivable	97,019	121,776	218,795
Intergovernmental receivables	817,950	10,208	828,158
Loans receivable	3,147,252	-	3,147,252
Internal balances	(652,956)	652,956	-
Inventories	-	58,053	58,053
Prepaid items	17,276	24,154	41,430
Capital assets, not being depreciated:			
Land	7,121,007	8,067,666	15,188,673
Construction in progress	571,957	5,725,002	6,296,959
Capital assets, being depreciated:			
Building and structures	22,329,104	10,040,692	32,369,796
Machinery and equipment	15,901,694	9,596,729	25,498,423
Infrastructure	130,324,074	57,958,009	188,282,083
Less: accumulated depreciation	(102,417,319)	(39,348,296)	(141,765,615)
Total assets	115,973,662	102,321,526	218,295,188
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	7,140,571	1,802,120	8,942,691
Deferred outflows from OPEB	1,458,602	539,505	1,998,107
Total deferred outflows of resources	8,599,173	2,341,625	10,940,798
LIABILITIES			
Accounts payable	1,237,270	1,375,708	2,612,978
Interest payable	-	3,263	3,263
Deposits	40,075	516,885	556,960
Compensated absences:			
Due within one year	575,561	188,374	763,935
Due in more than one year	90,635	39,032	129,667
Long-term debt:			
Due within one year	85,610	440,000	525,610
Due in more than one year	65,593	428,159	493,752
Net pension liability	17,286,878	5,132,646	22,419,524
Net OPEB liability	13,055,113	4,828,811	17,883,924
Landfill closure and postclosure care payable	-	5,324,287	5,324,287
Total liabilities	32,436,735	18,277,165	50,713,900

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

CITY OF LOS BANOS
STATEMENT OF NET POSITION
JUNE 30, 2018
(Continued)

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	422,315	137,549	559,864
Deferred inflows from OPEB	<u>75,580</u>	<u>27,955</u>	<u>103,535</u>
 Total deferred inflows of resources	 <u>497,895</u>	 <u>165,504</u>	 <u>663,399</u>
NET POSITION			
Net investment in capital assets	73,679,314	51,171,643	124,850,957
Restricted for:			
Debt service	-	487,021	487,021
Public safety	3,953,684	-	3,953,684
Highways and streets	3,742,932	-	3,742,932
Parks and recreation	607,338	-	607,338
Development projects	16,434,750	-	16,434,750
Capital projects	-	13,257,650	13,257,650
Economic development	3,304,234	-	3,304,234
Landfill closure and postclosure costs	<u>-</u>	<u>1,003,266</u>	<u>1,003,266</u>
Total restricted	28,042,938	14,747,937	42,790,875
 Unrestricted	 <u>(10,084,047)</u>	 <u>20,300,902</u>	 <u>10,216,855</u>
 Total net position	 <u>\$ 91,638,205</u>	 <u>\$ 86,220,482</u>	 <u>\$ 177,858,687</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, 2018**

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	
Primary government:							
Governmental activities:							
General government	\$ 1,487,571	\$ 698,014	\$ -	\$ 283,890	\$ (505,667)	\$ -	\$ (505,667)
Public safety	15,813,709	2,580,192	2,925,101	1,029,068	(9,279,348)	-	(9,279,348)
Highways and streets	6,436,759	183,360	1,969,715	2,156,203	(2,127,481)	-	(2,127,481)
Parks and recreation	4,612,509	4,462,825	-	-	(149,684)	-	(149,684)
Economic development	945,745	112,763	277,497	-	(555,485)	-	(555,485)
Interest on long-term debt	9,779	-	-	-	(9,779)	-	(9,779)
Total governmental activities	<u>29,306,072</u>	<u>8,037,154</u>	<u>5,172,313</u>	<u>3,469,161</u>	<u>(12,627,444)</u>	<u>-</u>	<u>(12,627,444)</u>
Business-type activities:							
Water	4,772,454	6,505,292	-	78,414	-	1,811,252	1,811,252
Wastewater	4,527,236	7,263,362	-	80,884	-	2,817,010	2,817,010
Airport	336,645	225,521	10,000	-	-	(101,124)	(101,124)
Solid waste	5,745,491	7,574,500	17,363	-	-	1,846,372	1,846,372
Total business-type activities	<u>15,381,826</u>	<u>21,568,675</u>	<u>27,363</u>	<u>159,298</u>	<u>-</u>	<u>6,373,510</u>	<u>6,373,510</u>
Total primary government	\$ 44,687,898	\$ 29,605,829	\$ 5,199,676	\$ 3,628,459	(12,627,444)	6,373,510	(6,253,934)
General revenues:							
Taxes:							
Property taxes					6,229,501	3,860	6,233,361
Sales taxes					4,613,579	-	4,613,579
Transient taxes and other taxes					652,890	-	652,890
Franchise taxes					563,611	-	563,611
Use of money and property					1,287,188	529,413	1,816,601
Motor vehicle in-lieu					21,052	-	21,052
Gain on sale of capital assets					19,081	3,712	22,793
Miscellaneous					105,832	154,964	260,796
Transfers					(3,776)	3,776	-
Total general revenues and transfers					<u>13,488,958</u>	<u>695,725</u>	<u>14,184,683</u>
Change in net position					861,514	7,069,235	7,930,749
Net position - beginning (restated)					<u>90,776,691</u>	<u>79,151,247</u>	<u>169,927,938</u>
Net position - ending					<u>\$ 91,638,205</u>	<u>\$ 86,220,482</u>	<u>\$ 177,858,687</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 2018. Individual nonmajor funds may be found in the Combining Financial Statements and Schedules.

GENERAL FUND

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

IMPACT FEES SPECIAL REVENUE FUND

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

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

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

PUBLIC SAFETY SPECIAL REVENUE FUND

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

CAPITAL GRANTS CAPITAL PROJECTS FUND

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

CITY OF LOS BANOS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds				Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants		
ASSETS							
Cash and investments	\$ 13,166,280	\$ 15,595,224	\$ 155,020	\$ 3,478,554	\$ 147,206	\$ 3,654,590	\$ 36,196,874
Accounts receivable	384,524	-	4,294	501	2,535	7,799	399,653
Taxes receivable	1,252,805	-	-	464,684	-	145,178	1,862,667
Interest receivable	33,296	42,262	471	9,207	382	10,454	96,072
Intergovernmental receivables	17,036	-	50,485	-	-	750,429	817,950
Prepaid items	2,970	-	-	7,293	-	-	10,263
Advances to other funds	-	807,611	-	-	-	-	807,611
Loans receivable	-	-	3,147,252	-	-	-	3,147,252
Total assets	\$ 14,856,911	\$ 16,445,097	\$ 3,357,522	\$ 3,960,239	\$ 150,123	\$ 4,568,450	\$ 43,338,342
LIABILITIES							
Accounts payable	\$ 894,230	\$ 10,347	\$ 53,288	\$ 6,555	\$ 1,651	\$ 218,180	\$ 1,184,251
Deposits	40,075	-	-	-	-	-	40,075
Advances from other funds	705,000	-	-	-	807,611	-	1,512,611
Total liabilities	1,639,305	10,347	53,288	6,555	809,262	218,180	2,736,937
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	94,015	-	-	-	-	-	94,015
Unavailable revenue - loans	-	-	3,147,252	-	-	-	3,147,252
Total deferred inflows of resources	94,015	-	3,147,252	-	-	-	3,241,267
FUND BALANCES (DEFICITS)							
Nonspendable	2,970	-	-	7,293	-	-	10,263
Restricted	-	16,434,750	156,982	3,946,391	-	4,350,270	24,888,393
Committed	494,657	-	-	-	-	-	494,657
Assigned	3,916,672	-	-	-	-	-	3,916,672
Unassigned	8,709,292	-	-	-	(659,139)	-	8,050,153
Total fund balances (deficit)	13,123,591	16,434,750	156,982	3,953,684	(659,139)	4,350,270	37,360,138
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 14,856,911	\$ 16,445,097	\$ 3,357,522	\$ 3,960,239	\$ 150,123	\$ 4,568,450	\$ 43,338,342

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, 2018**

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

Total fund balances - governmental funds	\$ 37,360,138
Capital assets used in governmental activities are not current assets or financial resources and, therefore, were not reported in the governmental funds.	73,557,700
Pension related deferrals are reported as deferred outflows and inflows of resources on the statement of net position.	6,429,398
OPEB related deferrals are reported as deferred outflows and inflows of resources on the statement of net position.	1,323,946
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	256,844
Interest receivable	947
Accounts receivable	566
Prepaid items	7,013
Capital assets, net of accumulated depreciation	272,817
Deferred outflows from pensions	312,777
Deferred outflows from OPEB	62,305
Accounts payable and other current liabilities	(53,019)
Capital lease	(117,658)
Compensated absences	(15,337)
Net pension liability	(892,582)
Net OPEB liability	(557,660)
Deferred inflows from pensions	(23,919)
Deferred inflows from OPEB	(3,229)
Internal balances	52,044
Revenues which are deferred on the fund balance sheets, because they are not available currently, are taken into revenue in the statement of activities.	94,015
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	3,147,252
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability	(16,394,296)
Net OPEB liability	(12,497,453)
Compensated absences	(650,859)
Long-term debt	<u>(33,545)</u>
Net position of governmental activities	<u>\$ 91,638,205</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, 2018

	Special Revenue Funds				Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants		
REVENUES							
Taxes:							
Property	\$ 6,200,655	\$ -	\$ -	\$ 997,604	\$ -	\$ -	\$ 7,198,259
Sales	4,613,579	-	-	2,533,212	-	928,832	8,075,623
Franchise	563,611	-	-	-	-	-	563,611
Other	652,890	-	-	-	-	-	652,890
Licenses and permits	1,012,757	-	-	-	-	-	1,012,757
Intergovernmental	191,182	-	148,458	143,866	-	1,658,289	2,141,795
Charges for services	1,564,516	4,774,818	129,039	12,724	-	2,057,457	8,538,554
Fines	67,496	-	-	-	-	-	67,496
Use of property and money	1,079,559	108,688	776	24,661	43,100	30,404	1,287,188
Miscellaneous	117,369	-	27,659	142,711	7,595	60,999	356,333
Total revenues	16,063,614	4,883,506	305,932	3,854,778	50,695	4,735,981	29,894,506
EXPENDITURES							
Current:							
General government	1,233,640	42,660	-	-	-	-	1,276,300
Public safety	11,403,778	13,476	186,072	2,988,712	-	-	14,592,038
Highways and streets	166,224	13,842	-	-	-	1,904,437	2,084,503
Parks and recreation	1,260,105	-	-	-	25,611	1,942,969	3,228,685
Economic development	744,074	-	59,640	-	-	-	803,714
Debt service:							
Interest and fiscal charges	7,950	-	-	-	-	-	7,950
Capital outlay:							
General government	147,521	265,202	-	-	-	-	412,723
Public safety	249,676	-	-	70,447	-	-	320,123
Highways and streets	37	-	-	-	-	250,000	250,037
Parks and recreation	116	298,632	-	-	11,521	48,330	358,599
Economic development	100	-	-	-	-	-	100
Total expenditures	15,213,221	633,812	245,712	3,059,159	37,132	4,145,736	23,334,772
Excess (deficiency) of revenues over (under) expenditures	850,393	4,249,694	60,220	795,619	13,563	590,245	6,559,734
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of capital assets	13,396	2,574	-	3,111	-	-	19,081
Transfers in	3,466	-	-	23,559	-	-	27,025
Transfers out	(27,335)	-	(3,466)	-	-	-	(30,801)
Total other financing sources (uses)	(10,473)	2,574	(3,466)	26,670	-	-	15,305
Net change in fund balances	839,920	4,252,268	56,754	822,289	13,563	590,245	6,575,039
Fund balances (deficit) - beginning	12,283,671	12,182,482	100,228	3,131,395	(672,702)	3,760,025	30,785,099
Fund balances (deficit) - ending	<u>\$ 13,123,591</u>	<u>\$ 16,434,750</u>	<u>\$ 156,982</u>	<u>\$ 3,953,684</u>	<u>\$ (659,139)</u>	<u>\$ 4,350,270</u>	<u>\$ 37,360,138</u>

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, 2018**

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

Net change in fund balances - total governmental funds	\$ 6,575,039
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are capitalized and allocated over their estimated useful lives, and reported as depreciation expense.</p>	
The capital outlay expenditures are, therefore, added back to fund balance.	1,690,669
Depreciation expense is deducted from the fund balance. Depreciation expense is net of internal service fund depreciation of \$129,866 which has already been allocated to internal service funds.	(6,328,680)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	413,121
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	13,865
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,181,769)
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(134,945)
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).	
Unavailable revenue	94,015
Deferred loans	(249,361)
Compensated absences	(84,792)
Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of net revenue (expense) of these internal service funds arising out of the transactions with governmental funds is reported with governmental activities because they service those activities.	
Change in net position - Internal Service Fund	<u>54,352</u>
Change in net position of governmental activities	<u>\$ 861,514</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, 2018**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property	\$ 5,757,396	\$ 6,110,604	\$ 6,200,655	\$ 90,051
Sales	4,048,275	4,179,503	4,613,579	434,076
Franchise	547,000	547,000	563,611	16,611
Motor vehicle	591,800	630,000	652,890	22,890
Licenses and permits	1,039,000	1,034,012	1,012,757	(21,255)
Intergovernmental	109,600	185,960	191,182	5,222
Charges for services	1,515,371	1,720,217	1,564,516	(155,701)
Fines	60,000	63,000	67,496	4,496
Use of property and money	1,015,806	1,031,093	1,079,559	48,466
Miscellaneous	78,100	77,615	117,369	39,754
Total revenues	<u>14,762,348</u>	<u>15,579,004</u>	<u>16,063,614</u>	<u>484,610</u>
EXPENDITURES				
Current:				
General government:				
Administration	1,241,049	1,282,581	1,184,292	98,289
Contingency	50,000	50,000	49,348	652
Total general government	<u>1,291,049</u>	<u>1,332,581</u>	<u>1,233,640</u>	<u>98,941</u>
Public safety:				
Police	8,741,432	8,988,854	8,762,546	226,308
Fire	1,623,704	1,758,661	1,647,527	111,134
Building	848,288	751,657	738,259	13,398
Code enforcement	279,625	289,328	255,446	33,882
Total public safety	<u>11,493,049</u>	<u>11,788,501</u>	<u>11,403,778</u>	<u>384,723</u>
Highways and streets:				
Engineering	103,915	164,450	166,224	(1,774)
Streets	-	43,974	-	43,974
Total highway and streets	<u>103,915</u>	<u>208,424</u>	<u>166,224</u>	<u>42,200</u>
Parks and recreation:				
Recreation	355,743	359,821	345,109	14,712
Maintenance	763,715	824,113	709,687	114,426
Senior citizens	20,097	20,097	17,964	2,133
Community center	195,666	201,916	187,345	14,571
Total parks and recreation	<u>1,335,221</u>	<u>1,405,947</u>	<u>1,260,105</u>	<u>145,842</u>
Economic development:				
Community development	859,431	1,073,097	744,074	329,023
Total economic development	<u>859,431</u>	<u>1,073,097</u>	<u>744,074</u>	<u>329,023</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, 2018
(Continued)**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Debt service:				
Interest and fiscal charges	7,950	7,950	7,950	-
Capital outlay	<u>871,652</u>	<u>889,000</u>	<u>397,450</u>	<u>491,550</u>
Total expenditures	<u>15,962,267</u>	<u>16,705,500</u>	<u>15,213,221</u>	<u>1,492,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,199,919)</u>	<u>(1,126,496)</u>	<u>850,393</u>	<u>1,976,889</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	13,396	13,396
Transfers in	-	-	3,466	3,466
Transfers out	<u>(190,807)</u>	<u>(100,337)</u>	<u>(27,335)</u>	<u>73,002</u>
Total other financing sources (uses)	<u>(190,807)</u>	<u>(100,337)</u>	<u>(10,473)</u>	<u>89,864</u>
Net change in fund balances	(1,390,726)	(1,226,833)	839,920	2,066,753
Fund balance - beginning	<u>12,283,671</u>	<u>12,283,671</u>	<u>12,283,671</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,892,945</u>	<u>\$ 11,056,838</u>	<u>\$ 13,123,591</u>	<u>\$ 2,066,753</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, 2018**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 2,500,303	\$ 2,500,303	\$ 4,774,818	\$ 2,274,515
Use of property and money	<u>54,300</u>	<u>54,300</u>	<u>108,688</u>	<u>54,388</u>
Total revenues	<u>2,554,603</u>	<u>2,554,603</u>	<u>4,883,506</u>	<u>2,328,903</u>
EXPENDITURES				
Current:				
General government:				
Administration	-	42,660	42,660	-
Total general government	-	<u>42,660</u>	<u>42,660</u>	-
Public safety:				
Police	60,000	60,000	4,028	55,972
Fire	<u>10,000</u>	<u>10,000</u>	<u>9,448</u>	<u>552</u>
Total public safety	<u>70,000</u>	<u>70,000</u>	<u>13,476</u>	<u>56,524</u>
Highways and streets:				
Road	85,000	85,000	13,842	71,158
Total highway and streets	<u>85,000</u>	<u>85,000</u>	<u>13,842</u>	<u>71,158</u>
Parks and recreation:				
Park development	<u>372,598</u>	<u>372,598</u>	-	372,598
Total parks and recreation	<u>372,598</u>	<u>372,598</u>	-	372,598
Capital outlay	<u>1,165,000</u>	<u>1,230,784</u>	<u>563,834</u>	<u>666,950</u>
Total expenditures	<u>1,692,598</u>	<u>1,801,042</u>	<u>633,812</u>	<u>1,167,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>862,005</u>	<u>753,561</u>	<u>4,249,694</u>	<u>3,496,133</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	2,574	2,574
Total other financing sources (uses)	-	-	<u>2,574</u>	<u>2,574</u>
Net change in fund balances	862,005	753,561	4,252,268	3,498,707
Fund balance - beginning	<u>12,182,482</u>	<u>12,182,482</u>	<u>12,182,482</u>	-
Fund balance - ending	<u>\$ 13,044,487</u>	<u>\$ 12,936,043</u>	<u>\$ 16,434,750</u>	<u>\$ 3,498,707</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, 2018**

	<u>Budgeted Amount</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 135,000	\$ 150,300	\$ 148,458	\$ (1,842)
Charges for services	60,600	60,600	129,039	68,439
Use of property and money	120	120	776	656
Miscellaneous	<u>4,900</u>	<u>27,400</u>	<u>27,659</u>	<u>259</u>
Total revenues	<u>200,620</u>	<u>238,420</u>	<u>305,932</u>	<u>67,512</u>
EXPENDITURES				
Current:				
Public safety:				
Code enforcement	<u>135,000</u>	<u>172,800</u>	<u>186,072</u>	<u>(13,272)</u>
Total public safety	<u>135,000</u>	<u>172,800</u>	<u>186,072</u>	<u>(13,272)</u>
Economic development	<u>65,000</u>	<u>75,200</u>	<u>59,640</u>	<u>15,560</u>
Total expenditures	<u>200,000</u>	<u>248,000</u>	<u>245,712</u>	<u>2,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>620</u>	<u>(9,580)</u>	<u>60,220</u>	<u>69,800</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(3,466)</u>	<u>(3,466)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,466)</u>	<u>(3,466)</u>
Net change in fund balances	620	(9,580)	56,754	66,334
Fund balance - beginning	<u>100,228</u>	<u>100,228</u>	<u>100,228</u>	<u>-</u>
Fund balance - ending	<u>\$ 100,848</u>	<u>\$ 90,648</u>	<u>\$ 156,982</u>	<u>\$ 66,334</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, 2018**

	Budgeted Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 879,404	\$ 998,623	\$ 997,604	\$ (1,019)
Sales	2,321,796	2,321,796	2,533,212	211,416
Intergovernmental	175,000	175,000	143,866	(31,134)
Charges for services	15,250	15,250	12,724	(2,526)
Use of property and money	12,800	12,800	24,661	11,861
Miscellaneous	-	144,903	142,711	(2,192)
	<u>3,404,250</u>	<u>3,668,372</u>	<u>3,854,778</u>	<u>186,406</u>
EXPENDITURES				
Current:				
Public safety:				
Police	1,459,451	1,503,856	1,335,608	168,248
Fire	1,549,941	1,720,162	1,653,104	67,058
Total public safety	<u>3,009,392</u>	<u>3,224,018</u>	<u>2,988,712</u>	<u>235,306</u>
Capital outlay	<u>150,000</u>	<u>150,000</u>	<u>70,447</u>	<u>79,553</u>
	<u>3,159,392</u>	<u>3,374,018</u>	<u>3,059,159</u>	<u>314,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>244,858</u>	<u>294,354</u>	<u>795,619</u>	<u>501,265</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	3,111	3,111
Transfers in	190,807	100,337	23,559	(76,778)
	<u>190,807</u>	<u>100,337</u>	<u>26,670</u>	<u>(73,667)</u>
Net change in fund balances	435,665	394,691	822,289	427,598
Fund balance - beginning	<u>3,131,395</u>	<u>3,131,395</u>	<u>3,131,395</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,567,060</u>	<u>\$ 3,526,086</u>	<u>\$ 3,953,684</u>	<u>\$ 427,598</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 2018.

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, 2018**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service
	Water	Wastewater	Airport	Solid Waste	Total	Fund
ASSETS						
Current assets:						
Cash and investments	\$ 19,833,001	\$ 6,688,781	\$ 533,233	\$ 6,096,050	\$ 33,151,065	\$ 256,844
Restricted cash and investments with fiscal agent	-	487,021	-	-	487,021	-
Restricted cash and investments	7,230,895	6,026,755	-	1,003,266	14,260,916	-
Interest receivable	69,426	32,725	1,374	18,251	121,776	947
Accounts receivable	409,996	508,986	17,673	578,920	1,515,575	566
Intergovernmental receivables	-	-	-	10,208	10,208	-
Inventories	7,867	-	50,186	-	58,053	-
Prepaid items	17,758	5,698	-	698	24,154	7,013
	<u>27,568,943</u>	<u>13,749,966</u>	<u>602,466</u>	<u>7,707,393</u>	<u>49,628,768</u>	<u>265,370</u>
Total current assets						
Noncurrent assets:						
Advances to other funds	705,000	-	-	-	705,000	-
Capital assets:						
Land	760,822	7,306,844	-	-	8,067,666	-
Construction in progress	481,595	5,177,203	60,752	5,452	5,725,002	37
Buildings and improvements	318,155	9,034,927	655,452	32,158	10,040,692	5,976
Machinery and equipment	4,663,320	2,961,944	414,522	1,556,943	9,596,729	1,233,365
Infrastructure	27,935,184	27,263,664	2,739,243	19,918	57,958,009	-
Less: accumulated depreciation	(15,367,514)	(20,345,194)	(2,678,647)	(956,941)	(39,348,296)	(966,561)
	<u>19,496,562</u>	<u>31,399,388</u>	<u>1,191,322</u>	<u>657,530</u>	<u>52,744,802</u>	<u>272,817</u>
Total noncurrent assets						
Total assets	<u>47,065,505</u>	<u>45,149,354</u>	<u>1,793,788</u>	<u>8,364,923</u>	<u>102,373,570</u>	<u>538,187</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pensions	694,148	690,830	-	417,142	1,802,120	312,777
Deferred outflows from OPEB	201,579	189,009	-	148,917	539,505	62,305
	<u>895,727</u>	<u>879,839</u>	<u>-</u>	<u>566,059</u>	<u>2,341,625</u>	<u>375,082</u>
Total deferred outflows of resources						

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, 2018
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	310,815	684,345	28,451	352,097	1,375,708	53,019
Interest payable	-	3,263	-	-	3,263	-
Deposits	508,305	5,000	3,580	-	516,885	-
Current portion of certificates of participation	-	440,000	-	-	440,000	-
Current portion of capital leases	-	-	-	-	-	71,115
Current portion of compensated absences	71,192	67,538	-	49,644	188,374	13,922
Total current liabilities	890,312	1,200,146	32,031	401,741	2,524,230	138,056
Noncurrent liabilities:						
Certificates of participation bonds payable	-	428,159	-	-	428,159	-
Capital leases	-	-	-	-	-	46,543
Compensated absences	13,099	16,098	-	9,835	39,032	1,415
Net pension liability	1,977,360	1,973,822	-	1,181,464	5,132,646	892,582
Net OPEB liability	1,804,222	1,691,715	-	1,332,874	4,828,811	557,660
Landfill closure and postclosure care payable	-	-	-	5,324,287	5,324,287	-
Total noncurrent liabilities	3,794,681	4,109,794	-	7,848,460	15,752,935	1,498,200
Total liabilities	4,684,993	5,309,940	32,031	8,250,201	18,277,165	1,636,256
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	52,991	52,896	-	31,662	137,549	23,919
Deferred inflows from pensions	10,445	9,794	-	7,716	27,955	3,229
Total deferred inflows of resources	63,436	62,690	-	39,378	165,504	27,148
NET POSITION						
Net investment in capital assets	18,791,562	30,531,229	1,191,322	657,530	51,171,643	161,839
Restricted for debt service	-	487,021	-	-	487,021	-
Restricted for capital projects	7,230,895	6,026,755	-	-	13,257,650	-
Restricted for landfill closure and postclosure costs	-	-	-	1,003,266	1,003,266	-
Unrestricted	17,190,346	3,611,558	570,435	(1,019,393)	20,352,946	(911,974)
Total net position	\$ 43,212,803	\$ 40,656,563	\$ 1,761,757	\$ 641,403	86,272,526	\$ (750,135)
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					(52,044)	
Net position of business-type activities (page 16)					<u>\$ 86,220,482</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, 2018

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Wastewater	Airport	Solid Waste	Total	
Operating revenues:						
Water charges	\$ 6,505,292	\$ -	\$ -	\$ -	\$ 6,505,292	\$ -
Wastewater charges	-	7,263,362	-	-	7,263,362	-
Solid waste charges	-	-	-	7,574,500	7,574,500	-
Airport	-	-	314,955	-	314,955	-
Interdepartmental charges	-	-	-	-	-	3,264,259
Miscellaneous	151,159	36,989	-	1,366	189,514	2,407
Total operating revenues	<u>6,656,451</u>	<u>7,300,351</u>	<u>314,955</u>	<u>7,575,866</u>	<u>21,847,623</u>	<u>3,266,666</u>
Operating expenses:						
Personnel services	2,009,415	1,841,615	5,293	1,284,281	5,140,604	2,503,782
Contractual services	220,974	352,557	10,635	4,469,948	5,054,114	78,823
Utilities	710,418	188,030	208,881	55,548	1,162,877	183,526
Repairs and maintenance	476,440	668,410	9,579	677,581	1,832,010	291,235
Insurance	53,728	45,694	11,185	33,435	144,042	11,906
Other supplies and expenses	269,651	292,011	1,142	59,382	622,186	39,236
Depreciation	1,026,118	1,019,393	89,930	81,065	2,216,506	129,866
Total operating expenses	<u>4,766,744</u>	<u>4,407,710</u>	<u>336,645</u>	<u>6,661,240</u>	<u>16,172,339</u>	<u>3,238,374</u>
Operating income (loss)	<u>1,889,707</u>	<u>2,892,641</u>	<u>(21,690)</u>	<u>914,626</u>	<u>5,675,284</u>	<u>28,292</u>
Nonoperating revenues (expenses):						
Investment earnings	201,869	151,821	3,621	48,118	405,429	7,614
Interest and fiscal charges	-	(112,379)	-	-	(112,379)	(8,636)
Intergovernmental revenue	-	-	10,000	17,363	27,363	-
Property tax revenue	-	-	3,860	-	3,860	-
Gain (loss) on sale of assets	-	3,712	-	-	3,712	-
Landfill closure/postclosure expense	-	-	-	929,985	929,985	-
Total nonoperating revenues (expenses)	<u>201,869</u>	<u>43,154</u>	<u>17,481</u>	<u>995,466</u>	<u>1,257,970</u>	<u>(1,022)</u>
Income (loss) before capital contributions and transfers	<u>2,091,576</u>	<u>2,935,795</u>	<u>(4,209)</u>	<u>1,910,092</u>	<u>6,933,254</u>	<u>27,270</u>
Developer contributions	78,414	80,884	-	-	159,298	-
Transfers in	3,776	-	-	-	3,776	-
Change in net position	2,173,766	3,016,679	(4,209)	1,910,092	7,096,328	27,270
Net position - beginning (restated)	<u>41,039,037</u>	<u>37,639,884</u>	<u>1,765,966</u>	<u>(1,268,689)</u>		<u>(777,405)</u>
Net position - ending	<u>\$ 43,212,803</u>	<u>\$ 40,656,563</u>	<u>\$ 1,761,757</u>	<u>\$ 641,403</u>		<u>\$ (750,135)</u>
Adjustments for the net effect of the current year activity between the internal service funds and the enterprise funds					<u>(27,093)</u>	
Changes in net position of business-type activities (page 18)					<u>\$ 7,069,235</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, 2018**

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service
	Water	Wastewater	Airport	Solid Waste	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 6,548,133	\$ 7,212,522	\$ 322,676	\$ 7,548,659	\$ 21,631,990	\$ -
Receipts from interfund services provided	-	-	-	-	-	3,264,280
Payments to suppliers	(1,598,089)	(1,171,499)	(242,123)	(5,333,734)	(8,345,445)	(604,425)
Payments to or on behalf of employees for services	(1,797,503)	(1,688,687)	(5,293)	(1,175,796)	(4,667,279)	(2,518,657)
Receipts from other operating revenues	151,159	36,989	-	1,366	189,514	2,407
Net cash provided (used) by operating activities	<u>3,303,700</u>	<u>4,389,325</u>	<u>75,260</u>	<u>1,040,495</u>	<u>8,808,780</u>	<u>143,605</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	3,776	-	-	-	3,776	-
Advances to other funds	90,000	-	-	-	90,000	-
Property taxes and grants received	-	-	13,860	17,273	31,133	-
Landfill closure/postclosure liability	-	-	-	70,820	70,820	-
Landfill closure/postclosure revenue	-	-	-	929,985	929,985	-
Net cash provided (used) by noncapital financing activities	<u>93,776</u>	<u>-</u>	<u>13,860</u>	<u>1,018,078</u>	<u>1,125,714</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on long-term debt	-	(361,318)	-	-	(361,318)	(88,682)
Acquisition of capital assets	(628,516)	(4,938,693)	-	(394,128)	(5,961,337)	(117,710)
Proceeds from the sale of assets	-	3,712	-	-	3,712	-
Interest paid	-	(113,875)	-	-	(113,875)	(8,636)
Net cash provided (used) by capital and related financing activities	<u>(628,516)</u>	<u>(5,410,174)</u>	<u>-</u>	<u>(394,128)</u>	<u>(6,432,818)</u>	<u>(215,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash received from interest and land rentals	163,993	136,958	2,826	36,951	340,728	7,161
Net cash provided (used) by investing activities	<u>163,993</u>	<u>136,958</u>	<u>2,826</u>	<u>36,951</u>	<u>340,728</u>	<u>7,161</u>
Net increase (decrease) in cash and cash equivalents	2,932,953	(883,891)	91,946	1,701,396	3,842,404	(64,262)
Cash and cash equivalents - beginning	<u>24,130,943</u>	<u>14,086,448</u>	<u>441,287</u>	<u>5,397,920</u>	<u>44,056,598</u>	<u>321,106</u>
Cash and cash equivalents - ending	<u>\$ 27,063,896</u>	<u>\$ 13,202,557</u>	<u>\$ 533,233</u>	<u>\$ 7,099,316</u>	<u>\$ 47,899,002</u>	<u>\$ 256,844</u>

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

Operating income (loss)	\$ 1,889,707	\$ 2,892,641	\$ (21,690)	\$ 914,626	\$ 5,675,284	\$ 28,292
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,026,118	1,019,393	89,930	81,065	2,216,506	129,866
(Increase) decrease in:						
Accounts receivable	16,011	(50,840)	7,721	(25,841)	(52,949)	21
Inventories	(3,492)	-	(25,007)	-	(28,499)	-
Prepaid items	(17,510)	(450)	-	(450)	(18,410)	(7,013)
Deferred outflows of resources for pensions	(9,445)	3,178	-	42,850	36,583	16,158
Deferred outflows of resources for OPEB	(75,553)	(68,609)	-	(63,161)	(207,323)	(19,834)
Increase (decrease) in:						
Accounts payable and other liabilities	154,124	375,653	24,306	(37,390)	516,693	7,314
Customer deposits	26,830	-	-	-	26,830	-
Compensated absences	4,045	11,539	-	(2,598)	12,986	(11,766)
Net pension liability	243,619	194,208	-	(3,458)	434,369	38,871
Net OPEB liability	53,541	19,183	-	141,604	214,328	(32,315)
Deferred inflows of resources for pensions	(14,740)	(16,365)	-	(14,468)	(45,573)	(9,218)
Deferred inflows of resources for OPEB	10,445	9,794	-	7,716	27,955	3,229
Net cash provided (used) by operating activities	<u>\$ 3,303,700</u>	<u>\$ 4,389,325</u>	<u>\$ 75,260</u>	<u>\$ 1,040,495</u>	<u>\$ 8,808,780</u>	<u>\$ 143,605</u>

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

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FIDUCIARY FUND

AGENCY FUNDS

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

CITY OF LOS BANOS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash	\$ 41,926
Accounts receivable	1,176
Total assets	43,102
LIABILITIES	
Due to others	43,102
Total liabilities	\$ 43,102

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, 2018

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, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

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

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

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

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

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

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

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

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

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

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

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

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

The City also reports the following fund types:

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

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

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's business-type activities and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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

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

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$ 593,170	\$ 214,420	\$ 807,590
Additions	685,770	197,064	882,834
Payments	<u>(612,744)</u>	<u>(184,078)</u>	<u>(796,822)</u>
Ending balance	<u>\$ 666,196</u>	<u>\$ 227,406</u>	<u>\$ 893,602</u>
Current portion	<u>\$ 575,561</u>	<u>\$ 188,374</u>	<u>\$ 763,935</u>

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory of Supplies and Prepaid Items

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

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

J. Pensions

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

K. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City Retirees Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – BUDGET AND BUDGETARY ACCOUNTING (Continued)

B. Excess of Expenditures Over Appropriations

The following major funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

General Fund

Current:

Highways and streets:	
Engineering	\$ 1,774

CDBG and HOME Grants Special Revenue

Current:

Public safety:	
Code enforcement	13,272

C. Deficit Fund Balance/Net Position

The following funds contained a deficit fund balance or net position as of June 30, 2018. Future revenues are expected to offset these deficits.

Governmental Funds

Capital Grants Capital Projects	\$ 659,139
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Internal Service Funds

Fleet Maintenance	447,326
Information Technology	506,262

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.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Policies (Continued)

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

B. Classifications

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

Cash and investments available for operations	\$ 69,604,783
Restricted cash and investments with fiscal agents	487,021
Restricted cash and investments	<u>14,260,916</u>
Cash and investments in primary government	<u>84,352,720</u>
Fiduciary Fund:	
Cash	<u>41,926</u>
Total cash and investments	<u>\$ 84,394,646</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand and in bank	\$ 18,283,525
Investments	<u>66,111,121</u>
Total cash and investments	<u>\$ 84,394,646</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 \$13,744,671 are held in the Water and Wastewater Enterprise Funds for debt service and for capital projects for future infrastructure impacted by development.

Restricted cash and investments of \$1,003,266 are held in the Solid Waste Enterprise Fund to pay for landfill closure and postclosure costs.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

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

D. Investments Authorized by Debt Agreements

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

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

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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
<i>Held by City:</i>					
Agency Bonds	\$ -	\$ -	\$ -	\$ 1,460,865	\$ 1,460,865
State Local Agency Investment Fund	53,481,040	-	-	-	53,481,040
Money Market Mutual Funds	3,979,681	-	-	-	3,979,681
Certificates of Deposit	734,973	1,166,151	-	4,801,390	6,702,514
<i>Held by Trustee:</i>					
Money Market Mutual Funds	<u>487,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,021</u>
Total investments	<u>\$ 58,682,715</u>	<u>\$ 1,166,151</u>	<u>\$ -</u>	<u>\$ 6,262,255</u>	66,111,121
Cash on hand and in bank					<u>18,283,525</u>
Total cash and investments					<u>\$ 84,394,646</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, 2018, these investments matured in an average of 193 days.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 were provided by Standard and Poor's investment rating system. The Local Agency Investment Fund was not rated as of June 30, 2018.

Investment Type	AAAm	AA-	Total
Held by City:			
Agency Bonds	\$ -	\$ 1,460,865	\$ 1,460,865
Money Market Mutual Funds	3,979,681	-	3,979,681
Held by Trustee:			
Money Market Mutual Funds	<u>487,021</u>	<u>-</u>	<u>487,021</u>
 Total	 <u>\$ 4,466,702</u>	 <u>\$ 1,460,865</u>	 5,927,567
 <i>Not rated:</i>			
State Local Agency Investment Fund			53,481,040
Certificates of Deposit			6,702,514
Cash on hand and in banks			<u>18,283,525</u>
 Total			 <u>\$ 84,394,646</u>

G. Concentration of Credit Risk

The City's potential losses from credit risk are increased if a significant portion of its resources are invested in a single issuer. If the issuer did not make good on its obligation to the City, the impact could be potentially damaging. At June 30, 2018, the City did not have any investments in any one issuer, other than money market mutual funds and the Local Agency Investment Fund, that represent 5% or more of the total investments.

H. Custodial Credit Risk

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

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

As of June 30, 2018, the carrying amount of the City's bank deposits was \$18,283,525. Bank balances before reconciling items were \$18,809,728 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed above.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (Continued)

I. Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2018:

Investments	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
Agency bonds	\$ 1,460,865	\$ -	\$ 1,460,865	\$ -
Certificates of Deposit	<u>6,702,514</u>	<u>-</u>	<u>6,702,514</u>	<u>-</u>
Total debt securities	<u>\$ 8,163,379</u>	<u>\$ -</u>	<u>\$ 8,163,379</u>	<u>\$ -</u>

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

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred
CDBG and Home Special Revenue Fund	General Fund	\$ 3,466 (A)
General Fund	Public Safety Special Revenue Fund	23,559 (B)
General Fund	Water Fund	<u>3,776 (C)</u>
		<u>\$ 30,801</u>

- (A) Program income received from grant
- (B) Offset fund deficit

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Advances Between Funds

At June 30, 2018, the following funds had long-term advances that were not expected to be repaid within one year.

<u>Funds Making Advances</u>	<u>Funds Receiving Advances</u>	<u>Amount</u>
Water Enterprise Fund	General Fund	\$ 705,000
Impact Fees Special Revenue Fund	Capital Grants Capital Projects Fund	<u>807,611</u>
		<u>\$ 1,512,611</u>

In July 2012, the Water Enterprise Fund provided an interfund loan to the General Fund in the amount of \$1,200,000 to pay off the City's 1993 Certificates of Participation and 2002 Lease Revenue Bonds early, thereby reducing future interest costs. The interfund advance bears an interest rate equivalent to the yield of the average quarterly investment portfolio or 1%, whichever is greater. The General Fund repaid \$90,000 in principal during the fiscal year ended June 30, 2018, and expects to repay the entire advance by fiscal year ending June 30, 2024.

The amount payable to the Impact Fee Special Revenue Fund relates to a capital loan made to the Capital Project Fund for the construction cost of the Child Development Center. The total cost for the facility was \$4,602,371. The City received funding (through federal and state grants) of \$3,533,061, leaving a deficit construction cost of \$1,069,310. Due to the fact that the site is located on a major park and thus part of the construction cost involved park improvements, the City loaned the amount needed to complete the project from the Impact Fees Fund. The loan carries no interest and is paid back from the net operational revenue generated by the Child Development Center. The outstanding balance of the loan at June 30, 2018 is \$807,611.

NOTE 5 – LOANS RECEIVABLE

At June 30, 2018, the City had the following loans receivable:

	<u>Outstanding Balance as of June 30, 2018</u>
Residential Rehabilitation Program	\$ 1,303,027
Commercial Micro-Enterprise Program	34,190
First-Time Home Buyer Program	923,423
Neighborhood Stabilization Program	<u>886,612</u>
	<u>\$ 3,147,252</u>

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, 2018, outstanding loans of this program amounted to \$1,303,027.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – LOANS RECEIVABLE (Continued)

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, 2018, outstanding loans of this program amounted to \$34,190.

C. First-Time Home Buyer Program

The City along with Merced County Association of Governments (MCAG) administered a First-Time Home Buyer Program using the Housing and Community Development Act Funds. Under this program, residents with incomes below a certain level are eligible to receive low or no interest loans, secured by deeds of trust, for the purchase of their first home. The First-Time Home Buyer Program encourages those that would not be able to receive a bank loan due to low income to be able to purchase their own home. Upon approval of the loan, the City disburses the funds, and arranges for and collects repayments. As of June 30, 2018, outstanding loans of this program amounted to \$923,423.

D. Neighborhood Stabilization Program

In fiscal year 2012-13, the City was awarded the Neighborhood Stabilization Program (NSP) grant from the State of California Housing and Community Development Department. The purpose of the NSP is to address the housing crisis occurring within the City by providing funds to purchase, rehabilitate, and resell vacant and foreclosed properties. The City entered into various loan agreements with residents, with zero interest and a maturity of 20/30 years. At June 30, 2018, loans outstanding totaled \$886,612.

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.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

A. Governmental Activities

Capital assets activity of the governmental activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 7,121,007	\$ -	\$ -	\$ -	\$ 7,121,007
Construction in progress	190,236	627,268	-	(245,547)	571,957
Total capital assets not being depreciated	<u>7,311,243</u>	<u>627,268</u>	<u>-</u>	<u>(245,547)</u>	<u>7,692,964</u>
Capital assets being depreciated:					
Buildings, structures and improvements	22,083,557	-	-	245,547	22,329,104
Machinery and equipment	15,248,935	898,782	(246,023)	-	15,901,694
Infrastructure	129,628,622	695,452	-	-	130,324,074
Total capital assets being depreciated	<u>166,961,114</u>	<u>1,594,234</u>	<u>(246,023)</u>	<u>245,547</u>	<u>168,554,872</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(6,409,087)	(640,286)	-	-	(7,049,373)
Machinery and equipment	(11,773,184)	(849,137)	246,023	-	(12,376,298)
Infrastructure	(78,022,525)	(4,969,123)	-	-	(82,991,648)
Total accumulated depreciation	<u>(96,204,796)</u>	<u>(6,458,546)</u>	<u>246,023</u>	<u>-</u>	<u>(102,417,319)</u>
Total capital assets being depreciated, net	<u>70,756,318</u>	<u>(4,864,312)</u>	<u>-</u>	<u>245,547</u>	<u>66,137,553</u>
Governmental activities capital assets, net	<u>\$ 78,067,561</u>	<u>\$ (4,237,044)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,830,517</u>

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

B. Business-Type Activities

Capital assets activity of the business-type activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 8,067,666	\$ -	\$ -	\$ -	\$ 8,067,666
Construction in progress	<u>1,975,170</u>	<u>5,108,154</u>	<u>-</u>	<u>(1,358,322)</u>	<u>5,725,002</u>
Total capital assets not being depreciated	<u>10,042,836</u>	<u>5,108,154</u>	<u>-</u>	<u>(1,358,322)</u>	<u>13,792,668</u>
Capital assets being depreciated:					
Buildings, structures and improvements	10,040,692	-	-	-	10,040,692
Machinery and equipment	8,862,546	778,305	(44,122)	-	9,596,729
Infrastructure	<u>56,365,511</u>	<u>234,176</u>	<u>-</u>	<u>1,358,322</u>	<u>57,958,009</u>
Total capital assets being depreciated	<u>75,268,749</u>	<u>1,012,481</u>	<u>(44,122)</u>	<u>1,358,322</u>	<u>77,595,430</u>
Less accumulated depreciation for:					
Buildings, structures and improvements	(8,842,561)	(166,405)	-	-	(9,008,966)
Machinery and equipment	(5,815,848)	(481,734)	44,122	-	(6,253,460)
Infrastructure	<u>(22,517,503)</u>	<u>(1,568,367)</u>	<u>-</u>	<u>-</u>	<u>(24,085,870)</u>
Total accumulated depreciation	<u>(37,175,912)</u>	<u>(2,216,506)</u>	<u>44,122</u>	<u>-</u>	<u>(39,348,296)</u>
Total capital assets being depreciated, net	<u>38,092,837</u>	<u>(1,204,025)</u>	<u>-</u>	<u>1,358,322</u>	<u>38,247,134</u>
Business-type activities capital assets, net	<u>\$ 48,135,673</u>	<u>\$ 3,904,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,039,802</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:

Depreciation Allocation

Governmental Activities:

General government	\$ 97,960
Public safety	466,484
Economic development	27,479
Parks and recreation	1,203,460
Highways and streets	4,533,297
Internal service fund	<u>129,866</u>
Total governmental activities	<u>\$ 6,458,546</u>

Business-type Activities:

Water	\$ 1,026,118
Wastewater	1,019,393
Airport	89,930
Solid Waste	<u>81,065</u>
Total business-type activities	<u>\$ 2,216,506</u>

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, including prepaid bond insurance, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Governmental Activities:						
Capital Leases						
Fleet Equipment Lease 5.20%, due 01/03/2019	\$ 234,114	\$ 80,456	\$ -	\$ 50,041	\$ 30,415	\$ 30,416
Fleet Equipment Lease 5.20%, due 07/11/2020	195,413	125,884	-	38,641	87,243	40,699
Fleet Equipment Lease 4.45%, due 09/05/2020	70,501	<u>47,410</u>	<u>-</u>	<u>13,865</u>	<u>33,545</u>	<u>14,495</u>
Total Governmental Activity Debt		<u>\$ 253,750</u>	<u>\$ -</u>	<u>\$ 102,547</u>	<u>\$ 151,203</u>	<u>\$ 85,610</u>
	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Business-type Activities:						
Certificates of Participation						
2003 Wastewater Revenue Bonds 2.5-4.4%, due 12/01/19	\$ 5,680,000	\$ 1,325,000	\$ -	\$ 425,000	\$ 900,000	\$ 440,000
Less: unamortized discounts		<u>(95,522)</u>	<u>-</u>	<u>(63,681)</u>	<u>(31,841)</u>	<u>-</u>
Total Certificates of Participation		<u>1,229,478</u>	<u>-</u>	<u>361,319</u>	<u>868,159</u>	<u>440,000</u>
Total Business-Type Activities Debt		<u>\$ 1,229,478</u>	<u>\$ -</u>	<u>\$ 361,319</u>	<u>\$ 868,159</u>	<u>\$ 440,000</u>

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM DEBT (Continued)

B. Fleet Equipment Lease

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

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

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

C. 2003 Wastewater Revenue Certificates of Participation

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

The City has pledged all future wastewater customer revenues to repay the Wastewater Revenue Bonds through 2020. The Wastewater Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$939,820. The Wastewater Enterprise Fund's principal and interest paid for the current year and total customer revenues were \$471,598 and \$7,263,362, respectively.

D. Debt Service Requirements

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

For the Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 85,609	\$ 5,302	\$ 440,000	\$ 29,700
2020	58,020	1,949	460,000	10,120
2021	<u>7,574</u>	<u>43</u>	-	-
Subtotal	151,203	7,294	900,000	39,820
Less: deferred amounts	-	-	(31,841)	-
Total	<u>\$ 151,203</u>	<u>\$ 7,294</u>	<u>\$ 868,159</u>	<u>\$ 39,820</u>

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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

The City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,324,287 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

Due to the closure extension, the City delayed funding the trust. The City has also requested an additional extension to pursue alternate cleaning methods. This request is currently under review by the State Water Resource Control Board and will delay the process until further notice. Once the final determination is made by the Board the City will be ready to immediately fund the trust and proceed with the closure process. At June 30, 2018, there is \$1,003,266 restricted for closure and postclosure costs. The City expects to fund the closure and postclosure costs from revenues of the solid waste collection operations, interest earnings on the accumulated assets held in trust, and internal financing if necessary.

NOTE 9 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

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

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

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

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

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

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

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

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

Detailed classifications of the City's fund balances as of June 30, 2018 are as follows:

Fund Balance Classifications	General Fund	Impact Fees	CDBG and Home Grants	Public Safety	Capital Grants	Other Governmental Funds	Total
Nonspendable:							
Items not in spendable form:							
Prepaid items	\$ 2,970	\$ -	\$ -	\$ 7,293	\$ -	\$ -	\$ 10,263
Total nonspendable	<u>2,970</u>	<u>-</u>	<u>-</u>	<u>7,293</u>	<u>-</u>	<u>-</u>	<u>10,263</u>
Restricted for:							
Public safety	-	-	-	3,946,391	-	-	3,946,391 (A)
Highways and streets	-	-	-	-	-	3,742,932	3,742,932 (B)
Parks and recreation	-	-	-	-	-	607,338	607,338 (B)
Development projects	-	16,434,750	-	-	-	-	16,434,750 (C)
Capital projects	-	-	-	-	-	-	-
Economic development	-	-	156,982	-	-	-	156,982 (C)
Total restricted	<u>-</u>	<u>16,434,750</u>	<u>156,982</u>	<u>3,946,391</u>	<u>-</u>	<u>4,350,270</u>	<u>24,888,393</u>
Committed for:							
Public safety	121,865	-	-	-	-	-	121,865 (D)
Economic development	372,792	-	-	-	-	-	372,792 (E)
Total Committed	<u>494,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,657</u>
Assigned for:							
General government	1,500,000	-	-	-	-	-	1,500,000 (F)
Public safety	922,512	-	-	-	-	-	922,512 (G)
Economic development	395,694	-	-	-	-	-	395,694 (H)
Pension reserve	1,000,000	-	-	-	-	-	1,000,000 (I)
Subsequent year budget deficit	98,466	-	-	-	-	-	98,466 (J)
Total assigned	<u>3,916,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,916,672</u>
Unassigned:	<u>8,709,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(659,139)</u>	<u>-</u>	<u>8,050,153</u>
Total Fund Balances	<u>\$ 13,123,591</u>	<u>\$ 16,434,750</u>	<u>\$ 156,982</u>	<u>\$ 3,953,684</u>	<u>\$ (659,139)</u>	<u>\$ 4,350,270</u>	<u>\$ 37,360,138</u>

- (A) Projects include a new Police facility and a Fire training tower
- (B) Projects include various street improvements such as overlays throughout the City as needed and various park improvements such as playground equipment for the parks located in the assessment districts
- (C) Projects include improvements to City Hall, improvements to the Community Center, traffic related improvements due to new development, Police and Fire equipment purchases and facility improvements
- (D) Purchase of police and fire vehicles for future fleet replacement
- (E) Costs associated with the completion of the City's General Plan Update
- (F) Purchase land for future infrastructure and various one-time expenditures for equipment and capital improvements
- (G) Acquisition of land for a new police facility and fire infrastructure ADA compliance
- (H) Projects include relocation of the municipal airport, development of an industrial park and various other economic development projects
- (I) Costs associated with anticipated future increases in employer pension contributions
- (J) Fiscal year 2019 budget deficit related to operating costs

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, 2018**

NOTE 10 – PENSION PLAN

A. General Information about the Pension Plan

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

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

The rate plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous 1st Tier	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 63	52 to 67
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.000%	7.000%	6.500%
Required employer contribution rates	12.470%	7.850%	6.908%
	Safety 1st Tier	Safety 2nd Tier	Safety PEPRA
Hire Date	Prior to January 1, 2013	January 1, 2011 thru December 31, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 to 55	50 to 57
Monthly benefits, as a % of annual salary	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.000%	9.000%	12.250%
Required employer contribution rates	21.418%	18.487%	12.729%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$1,487,116 for the fiscal year ended June 30, 2018.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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

The City’s contributions to the plan recognized as a part of pension expense for the year ended June 30, 2018 were \$2,720,626.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$22,419,524.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.2311%
Proportion - June 30, 2017	0.2261%
Change - Increase (Decrease)	-0.0050%

For the year ended June 30, 2018, the City recognized pension expense of \$4,590,878. At June 30, 2018, 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	\$ 2,937,919	\$ -
Changes of assumptions	3,293,215	251,887
Differences between actual and expected experience	29,265	122,474
Net difference between projected and actual earning on plan investments	731,433	-
Change in employer's proportion	1,091,309	185,503
Differences between the employer's actual contributions and the employer's proportionate share of contributions	859,550	-
Total	\$ 8,942,691	\$ 559,864

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – PENSION PLAN (Continued)

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

\$2,937,919 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, 2018. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	
2019	\$ 1,906,010
2020	2,434,610
2021	1,535,516
2022	(431,228)
2023	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.0% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

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

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

Changes in Assumption – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – PENSION PLAN (Continued)

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1- 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

- (a) An expected inflation of 2.5% used for this period.
- (b) An expected inflation of 3.0% used for this period.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – PENSION PLAN (Continued)

D. Discount Rate (Continued)

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

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 33,286,909	\$ 22,419,524	\$ 13,477,477

E. Pension Plan Fiduciary Net Position

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

F. Payable to the Pension Plan

The City did not have any outstanding contributions to the pension plan required for the year ended June 30, 2018.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Plan Description

The City administers the City Retirees Benefits Plan (OPEB Plan), single-employer defined benefit post-employment healthcare plan. Benefits are provided to eligible employees as follows:

	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

Dependents are eligible to enroll, and benefits continue on to surviving spouses.

Eligible employees hired after the dates listed above, or with less than 10 years of service will receive the Public Employees Medical and Hospital Act minimum benefit.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

B. Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

Active employees	155
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	102
Inactive employees entitled to, but not yet receiving benefits	-
Total	257

C. Contributions

The OPEB Plan and its contribution requirements were established by a resolution incorporated into the City's policies and procedures manual and Memoranda of Understanding with the applicable employee bargaining units and has since been eliminated for all employees hired after the dates provided in the plan description chart found in Section A of this note. The City makes contributions based on an actuarially determined rate. For the fiscal year ended June 30, 2018, the City's cash contributions were \$1,847,085 in payments to the trust and the estimated implied subsidy was \$150,022 resulting in total payments of \$1,998,107.

D. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	7.00%	
Inflation	2.50%	
Salary Increases	2.75% per anum, in aggregate	
Investment Rate of Return	7.00%	
Mortality Rate ⁽¹⁾	Derived from CalPERS Membership Data for all Funds	
Pre-Retirement Turnover ⁽²⁾	Derived from CalPERS Membership Data for all Funds	
Healthcare cost trend rates	7.00% in the first year, trending down to 3.84% over 59 years	

⁽¹⁾ Pre-retirement mortality information was derived from data collected during the 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CALPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

⁽²⁾ Pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

D. Net OPEB Liability (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Inflation Assets	5.00%	1.25%
Global Debt Securities	27.00%	2.25%
Global Equities	57.00%	5.25%
REITs	8.00%	4.50%
Commodities	3.00%	1.25%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total OPEB liability is 7.00%. This is the expected long-term rate of return on District assets using investment Strategy 1 within the California Employers' Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

F. Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	OPEB Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (Valuation Date June 30, 2017)	<u>\$ 21,989,323</u>	<u>\$ 4,890,030</u>	<u>\$ 17,099,293</u>
Changes recognized for the measurement period:			
Service cost	948,983	-	948,983
Interest	1,580,117	-	1,580,117
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions:			
Employer - City's Contribution	-	1,080,904	(1,080,904)
Employer - Implicit Subsidy	-	150,022	(150,022)
Net investment income	-	516,055	(516,055)
Benefit payments, including refunds of employee contributions	(580,388)	(580,388)	-
Implicit Rate Subsidy Fulfilled	(150,022)	(150,022)	-
Administrative expenses	-	(2,512)	2,512
Net changes	<u>1,798,690</u>	<u>1,014,059</u>	<u>784,631</u>
Balance at June 30, 2018 (Measurement Date June 30, 2017)	<u>\$ 23,788,013</u>	<u>\$ 5,904,089</u>	<u>\$ 17,883,924</u>

CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – POST EMPLOYMENT BENEFITS (Continued)

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$ 21,123,303	\$ 17,883,924	\$ 15,202,980

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
6.00% decreasing to 2.84%	7.00% decreasing to 3.84%	8.00% decreasing to 4.84%
\$ 14,514,729	\$ 17,883,924	\$ 22,336,793

I. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized an OPEB expense of \$2,119,092. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 1,998,107	\$ -
Net difference between projected and actual earning on OPEB		
Plan investments	-	103,535
Total	\$ 1,998,107	\$ 103,535

The \$1,998,107 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30		
2019	\$	(25,884)
2020		(25,884)
2021		(25,884)
2022		(25,883)
2023		-
Thereafter		-

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – 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.

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 various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The City signed a Letter of Intent ("LOI") in FY2019 to purchase land for the construction of a new police building. The agreed-upon purchase price of the land amounts to \$1.3 million. The City expects to finalize the sale in the second half of the fiscal year.

**CITY OF LOS BANOS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 – CHANGE IN ESTIMATE

During the fiscal year ending June 30, 2018, the City increased 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 starting the actual construction phase beginning in fiscal year 2017-18, the City revised the estimate for closure/postclosure care liability. During the fiscal year ending June 30, 2018, the City increased the liability by \$41,748 in order to comply with GASB 18. As a result, of the items previously stated, the City then increased the closure/postclosure liability by \$112,568 and correspondingly increased nonoperating expenses by the same amount. After the increase, closure/postclosure liability amounted to \$5,324,287 for the fiscal year ending June 30, 2018.

NOTE 15 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning net OPEB liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2017). As a result, net position decreased as follows:

Government-Wide Financial Statements

Governmental Activities	\$ (11,757,480)
Business-Type Activities	<u>(4,282,300)</u>
Total Government-Wide Financial Statements	<u>\$ (16,039,780)</u>

Proprietary Fund Financial Statements

Enterprise funds:	
Water Fund	\$ (1,624,655)
Wastewater Fund	(1,552,132)
Solid Waste Fund	<u>(1,105,514)</u>
Total Enterprise funds	<u>\$ (4,282,301)</u>

Internal Service Funds:

Fleet Maintenance	\$ (232,238)
Information Technology	(315,266)
Information Technology	<u>(171,412)</u>
Total Internal Service funds	<u>\$ (718,916)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2016	2017	2018
Proportion of the net pension liability	0.2286%	0.2416%	0.2311%	0.2261%
Proportionate share of the net pension liability	\$ 14,362,655	\$ 16,582,007	\$ 19,994,163	\$ 22,419,524
Covered payroll	\$ 7,839,915	\$ 8,075,142	\$ 8,274,888	\$ 9,052,650
Proportionate share of the net pension liability as percentage of covered payroll	183.20%	205.35%	241.62%	247.66%
Plan fiduciary net position as a percentage of the total pension liability	78.86%	75.82%	71.81%	71.38%

NOTES TO SCHEDULE

Changes in Benefit Terms - None

Changes in Assumptions - In 2017, the discount rate decreased from 7.65 percent to 7.15 percent

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially required contribution (actuarially determined)	\$ 2,007,582	\$ 2,092,368	\$ 2,438,630	\$ 2,720,626	\$ 2,960,775
Contributions in relation to the actuarially determined contributions	<u>2,007,582</u>	<u>2,092,368</u>	<u>2,438,630</u>	<u>2,720,626</u>	<u>2,960,775</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 7,839,915	\$ 8,075,142	\$ 8,274,888	\$ 9,052,650	\$ 9,437,456
Contributions as a percentage of covered payroll	25.61%	25.91%	29.47%	30.05%	31.37%

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

**CITY OF LOS BANOS
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	2018
Total OPEB Liability:	
Service cost	\$ 948,983
Interest on total opeb liability	1,580,117
Changes of assumptions	-
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(580,388)
Implicit rate subsidy	(150,022)
Net change in total pension liability	1,798,690
Total pension liability - beginning	21,989,323
Total pension liability - ending (a)	\$ 23,788,013
 OPEB Plan Fiduciary Net Position:	
Net investment income	\$ 516,055
Contributions	
Employer - City's Contribution	1,080,904
Employer - Implicit Subsidy	150,022
Administrative expenses	(2,512)
Benefit payments, including refunds of employee contributions	(580,388)
Implicit rate subsidy fulfilled	(150,022)
Net change in plan fiduciary net position	1,014,059
Plan fiduciary net position beginning	4,890,030
Plan fiduciary net position - ending (b)	\$ 5,904,089
 Net OPEB liability - ending (a) - (b)	\$ 17,883,924
 Plan fiduciary net position as a percentage of the total OPEB liability	24.82%
 Covered-employee payroll	9,057,433
 Net OPEB liability as a percentage of covered payroll	197.45%

Notes to Schedule:

Change in Assumption - None

*Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

**CITY OF LOS BANOS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS***

	2018
Actuarially Determined Contribution (ADC)	\$ 1,997,107
Contributions in relation to the actuarially determined contributions	(1,230,926)
Contribution deficiency (excess)	\$ 766,181
 Covered payroll	 \$ 9,057,433
 Contributions as a percentage of covered payroll	 13.59%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	30 years
Inflation	2.50%
Assumed Payroll Growth	2.75%
Health Trend Rates	7.00%, trending down to 3.84%
Investment Rate of Return	7.00%
Retirement Age	50 years
	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2011
 Mortality	 Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering all CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

*Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

STREETS AND ROADS

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

ASSESSMENT DISTRICTS

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

**CITY OF LOS BANOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue Funds		
	Streets and Roads	Assessment Districts	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 3,016,687	\$ 637,903	\$ 3,654,590
Accounts receivable	94	7,705	7,799
Taxes receivable	-	145,178	145,178
Interest receivable	7,354	3,100	10,454
Intergovernmental receivables	750,429	-	750,429
 Total assets	 \$ 3,774,564	 \$ 793,886	 \$ 4,568,450
LIABILITIES			
Accounts payable	\$ 31,632	\$ 186,548	\$ 218,180
 Total liabilities	 31,632	 186,548	 218,180
Fund balances:			
Restricted	3,742,932	607,338	4,350,270
 Total fund balances (deficits)	 3,742,932	 607,338	 4,350,270
 Total liabilities and fund balances	 \$ 3,774,564	 \$ 793,886	 \$ 4,568,450

**CITY OF LOS BANOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Streets and Roads	Assessment Districts	
REVENUES			
Taxes:			
Sales	\$ 928,832	\$ -	\$ 928,832
Intergovernmental	1,658,289	-	1,658,289
Charges for services	-	2,057,457	2,057,457
Use of property and money	21,283	9,121	30,404
Miscellaneous	347	60,652	60,999
Total revenues	2,608,751	2,127,230	4,735,981
EXPENDITURES			
Current:			
Highways and streets	1,904,437	-	1,904,437
Parks and recreation	-	1,942,969	1,942,969
Capital outlay:			
Highways and streets	250,000	-	250,000
Parks and recreation	-	48,330	48,330
Total expenditures	2,154,437	1,991,299	4,145,736
Excess (deficiency) of revenues over (under) expenditures	454,314	135,931	590,245
Net change in fund balances	454,314	135,931	590,245
Fund balances - beginning	3,288,618	471,407	3,760,025
Fund balances - ending	\$ 3,742,932	\$ 607,338	\$ 4,350,270

**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, 2018**

	Streets and Roads		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Sales	\$ 750,000	\$ 928,832	\$ 178,832
Intergovernmental	1,502,853	1,658,289	155,436
Charges for services	-	-	-
Use of property and money	12,000	21,283	9,283
Miscellaneous	400	347	(53)
Total revenues	<u>2,265,253</u>	<u>2,608,751</u>	<u>343,498</u>
EXPENDITURES			
Current:			
Highways and streets	2,089,746	1,904,437	185,309
Parks and recreation	-	-	-
Capital outlay:			
Highways and streets	250,000	250,000	-
Parks and recreation	-	-	-
Total expenditures	<u>2,339,746</u>	<u>2,154,437</u>	<u>185,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,493)</u>	<u>454,314</u>	<u>528,807</u>
Fund balances - beginning	<u>3,288,618</u>	<u>3,288,618</u>	-
Fund balances - ending	<u>\$ 3,214,125</u>	<u>\$ 3,742,932</u>	<u>\$ 528,807</u>

**CITY OF LOS BANOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

Assessment Districts			Totals		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 750,000	\$ 928,832	\$ 178,832
-	-	-	1,502,853	1,658,289	155,436
2,061,218	2,057,457	(3,761)	2,061,218	2,057,457	(3,761)
3,705	9,121	5,416	15,705	30,404	14,699
<u>-</u>	<u>60,652</u>	<u>60,652</u>	<u>400</u>	<u>60,999</u>	<u>60,599</u>
<u>2,064,923</u>	<u>2,127,230</u>	<u>62,307</u>	<u>4,330,176</u>	<u>4,735,981</u>	<u>405,805</u>
-	-	-	2,089,746	1,904,437	185,309
2,187,518	1,942,969	244,549	2,187,518	1,942,969	244,549
-	-	-	250,000	250,000	-
<u>283,500</u>	<u>48,330</u>	<u>235,170</u>	<u>283,500</u>	<u>48,330</u>	<u>235,170</u>
<u>2,471,018</u>	<u>1,991,299</u>	<u>479,719</u>	<u>4,810,764</u>	<u>4,145,736</u>	<u>665,028</u>
<u>(406,095)</u>	<u>135,931</u>	<u>542,026</u>	<u>(480,588)</u>	<u>590,245</u>	<u>1,070,833</u>
<u>471,407</u>	<u>471,407</u>	<u>-</u>	<u>3,760,025</u>	<u>3,760,025</u>	<u>-</u>
<u>\$ 65,312</u>	<u>\$ 607,338</u>	<u>\$ 542,026</u>	<u>\$ 3,279,437</u>	<u>\$ 4,350,270</u>	<u>\$ 1,070,833</u>

**CITY OF LOS BANOS
CAPITAL PROJECTS FUNDS
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Capital Projects Fund - Capital Grants		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of property and money	\$ 42,000	\$ 43,100	\$ 1,100
Miscellaneous	<u>8,000</u>	<u>7,595</u>	<u>(405)</u>
Total revenues	<u>50,000</u>	<u>50,695</u>	<u>695</u>
EXPENDITURES			
Current:			
Parks and recreation	31,887	25,611	6,276
Capital outlay:			
Parks and recreation	<u>11,525</u>	<u>11,521</u>	<u>4</u>
Total expenditures	<u>43,412</u>	<u>37,132</u>	<u>6,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,588</u>	<u>13,563</u>	<u>6,975</u>
Fund balances (deficit) - beginning	<u>(672,702)</u>	<u>(672,702)</u>	<u>-</u>
Fund balances (deficit) - ending	<u><u>\$ (666,114)</u></u>	<u><u>\$ (659,139)</u></u>	<u><u>\$ 6,975</u></u>

INTERNAL SERVICE FUNDS

FLEET MAINTENANCE

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

INFORMATION TECHNOLOGY

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

RETIREE'S HEALTH BENEFITS

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

**CITY OF LOS BANOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
ASSETS				
Current assets:				
Cash and investments	\$ 5,059	\$ 48,856	\$ 202,929	\$ 256,844
Interest receivable	265	158	524	947
Accounts receivable	-	566	-	566
Prepaid items	-	7,013	-	7,013
Total current assets	5,324	56,593	203,453	265,370
Noncurrent assets:				
Capital assets:				
Construction in progress	37	-	-	37
Buildings and improvements	5,976	-	-	5,976
Machinery and equipment	757,386	475,979	-	1,233,365
Less: accumulated depreciation	(652,421)	(314,140)	-	(966,561)
Total noncurrent assets	110,978	161,839	-	272,817
Total assets	116,302	218,432	203,453	538,187
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	101,514	211,263	-	312,777
Deferred outflows from OPEB	26,281	36,024	-	62,305
Total deferred outflows of resources	127,795	247,287	-	375,082
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	28,096	24,923	-	53,019
Current portion of capital leases	71,115	-	-	71,115
Compensated absences	6,199	7,723	-	13,922
Total current liabilities	105,410	32,646	-	138,056
Noncurrent liabilities:				
Capital leases	46,543	-	-	46,543
Compensated absences	1,415	-	-	1,415
Net pension liability	293,597	598,985	-	892,582
Net OPEB liability	235,229	322,431	-	557,660
Total long-term liabilities	576,784	921,416	-	1,498,200
Total liabilities	682,194	954,062	-	1,636,256
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	7,867	16,052	-	23,919
Deferred inflows from OPEB	1,362	1,867	-	3,229
Total deferred inflows of resources	9,229	17,919	-	27,148
NET POSITION (DEFICIT)				
Net investment in capital assets	-	161,839	-	161,839
Unrestricted	(447,326)	(668,101)	203,453	(911,974)
Total net position (deficit)	\$ (447,326)	\$ (506,262)	\$ 203,453	\$ (750,135)

**CITY OF LOS BANOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
Operating revenues:				
Interdepartmental charges	\$ 810,762	\$ 606,412	\$ 1,847,085	\$ 3,264,259
Miscellaneous	<u>657</u>	<u>1,750</u>	<u>-</u>	<u>2,407</u>
Total operating revenues	<u>811,419</u>	<u>608,162</u>	<u>1,847,085</u>	<u>3,266,666</u>
Operating expenses:				
Personnel services	282,972	373,725	1,847,085	2,503,782
Contractual services	9,380	69,443	-	78,823
Utilities	183,241	285	-	183,526
Repairs and maintenance	289,705	1,530	-	291,235
Insurance	5,054	6,852	-	11,906
Other supplies and expenses	33,496	5,740	-	39,236
Depreciation	<u>87,401</u>	<u>42,465</u>	<u>-</u>	<u>129,866</u>
Total operating expenses	<u>891,249</u>	<u>500,040</u>	<u>1,847,085</u>	<u>3,238,374</u>
Operating income (loss)	<u>(79,830)</u>	<u>108,122</u>	<u>-</u>	<u>28,292</u>
Nonoperating revenues (expenses):				
Investment earnings	3,211	2,049	2,354	7,614
Interest and fiscal charges	<u>(8,636)</u>	<u>-</u>	<u>-</u>	<u>(8,636)</u>
Total nonoperating revenues (expenses)	<u>(5,425)</u>	<u>2,049</u>	<u>2,354</u>	<u>(1,022)</u>
Change in net position	(85,255)	110,171	2,354	27,270
Net position - beginning (restated)	<u>(362,071)</u>	<u>(616,433)</u>	<u>201,099</u>	<u>(777,405)</u>
Net position (deficit) - ending	<u>\$ (447,326)</u>	<u>\$ (506,262)</u>	<u>\$ 203,453</u>	<u>\$ (750,135)</u>

**CITY OF LOS BANOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fleet Maintenance	Information Technologies	Retiree's Health Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 810,762	\$ 606,433	\$ 1,847,085	\$ 3,264,280
Payments to suppliers	(531,591)	(72,834)	-	(604,425)
Payments to or on behalf of employees for services	(263,976)	(407,596)	(1,847,085)	(2,518,657)
Receipts from other operating revenue	657	1,750	-	2,407
Net cash provided (used) by operating activities	<u>15,852</u>	<u>127,753</u>	<u>-</u>	<u>143,605</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on long-term debt	(88,682)	-	-	(88,682)
Acquisition of capital assets	(36)	(117,674)	-	(117,710)
Proceed from sale of capital assets	-	-	-	-
Interest paid	(8,636)	-	-	(8,636)
Net cash provided (used) by capital and related financing activities	<u>(97,354)</u>	<u>(117,674)</u>	<u>-</u>	<u>(215,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>3,135</u>	<u>1,934</u>	<u>2,092</u>	<u>7,161</u>
Net cash provided (used) by investing activities	<u>3,135</u>	<u>1,934</u>	<u>2,092</u>	<u>7,161</u>
Increase (decrease) in cash and cash equivalents	(78,367)	12,013	2,092	(64,262)
Cash and equivalents - beginning	<u>83,426</u>	<u>36,843</u>	<u>200,837</u>	<u>321,106</u>
Cash and equivalents - ending	<u>\$ 5,059</u>	<u>\$ 48,856</u>	<u>\$ 202,929</u>	<u>\$ 256,844</u>

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

Operating income (loss)	\$ (79,830)	\$ 108,122	\$ -	\$ 28,292
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	87,401	42,465	-	129,866
(Increase) decrease in:				
Accounts receivable	-	21	-	21
Prepaid items	-	(7,013)	-	(7,013)
Deferred outflows of resources for pensions	(7,872)	24,030	-	16,158
Deferred outflows of resources for OPEB	(8,266)	(11,568)	-	(19,834)
Increase (decrease) in:				
Accounts payable and other liabilities	(10,715)	18,029	-	7,314
Compensated absences	258	(12,024)	-	(11,766)
Net pension Liability	50,116	(11,245)	-	38,871
Net OPEB liability	(15,024)	(17,291)	-	(32,315)
Deferred inflows of resources for pensions	(1,578)	(7,640)	-	(9,218)
Deferred inflows of resources for OPEB	1,362	1,867	-	3,229
Net cash provided (used) by operating activities	<u>\$ 15,852</u>	<u>\$ 127,753</u>	<u>\$ -</u>	<u>\$ 143,605</u>

AGENCY FUND

NSP IMPOUND FUND

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

**CITY OF LOS BANOS
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<hr/>				
<u>NSP Impound Fund</u>				
<u>Assets</u>				
Restricted cash and investments	\$ 9,011	\$ 87,333	\$ 54,418	\$ 41,926
Accounts receivable	<u>465</u>	<u>19,800</u>	<u>19,089</u>	<u>1,176</u>
Total assets	<u>\$ 9,476</u>	<u>\$ 107,133</u>	<u>\$ 73,507</u>	<u>\$ 43,102</u>
<u>Liabilities</u>				
Due to others	<u>\$ 9,476</u>	<u>\$ 107,133</u>	<u>\$ 73,507</u>	<u>\$ 43,102</u>
Total liabilities	<u>\$ 9,476</u>	<u>\$ 107,133</u>	<u>\$ 73,507</u>	<u>\$ 43,102</u>

STATISTICAL SECTION

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STATISTICAL SECTION – OVERVIEW

This part of the City of Los Banos' 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									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Governmental activities										
Net investment in capital assets	\$ 76,666,275	\$ 85,183,899	\$ 83,345,450	\$ 90,435,796	\$ 87,022,967	\$ 83,335,435	\$ 74,482,065	\$ 83,051,535	\$ 77,813,813	\$ 73,679,314
Restricted	34,213,696	22,816,089	19,931,470	10,791,141	9,415,962	11,942,215	12,507,436	14,014,590	19,345,542	28,042,938
Unrestricted	<u>8,568,645</u>	<u>7,566,224</u>	<u>12,244,204</u>	<u>11,272,314</u>	<u>12,020,755</u>	<u>10,906,999</u>	<u>(639,257)</u>	<u>4,527,558</u>	<u>5,374,816</u>	<u>(10,084,047)</u>
Total governmental activities net position	<u>\$ 119,448,616</u>	<u>\$ 115,566,212</u>	<u>\$ 115,521,124</u>	<u>\$ 112,499,251</u>	<u>\$ 108,459,684</u>	<u>\$ 106,184,649</u>	<u>\$ 86,350,244</u>	<u>\$ 101,593,683</u>	<u>\$ 102,534,171</u>	<u>\$ 91,638,205</u>
Business-type activities										
Net investment in capital assets	\$ 42,007,838	\$ 42,203,158	\$ 41,988,815	\$ 42,580,463	\$ 42,539,669	\$ 46,049,921	\$ 45,206,093	\$ 45,816,837	\$ 46,906,196	\$ 51,171,643
Restricted	1,231,796	10,484,114	8,762,153	8,453,426	8,349,804	8,154,696	8,748,625	10,468,024	12,796,446	14,747,937
Unrestricted	<u>19,163,780</u>	<u>11,774,359</u>	<u>14,064,398</u>	<u>14,670,827</u>	<u>17,934,205</u>	<u>16,092,089</u>	<u>18,127,680</u>	<u>21,106,896</u>	<u>23,730,905</u>	<u>20,300,902</u>
Total business-type activities net position	<u>\$ 62,403,414</u>	<u>\$ 64,461,631</u>	<u>\$ 64,815,366</u>	<u>\$ 65,704,716</u>	<u>\$ 68,823,678</u>	<u>\$ 70,296,706</u>	<u>\$ 72,082,398</u>	<u>\$ 77,391,757</u>	<u>\$ 83,433,547</u>	<u>\$ 86,220,482</u>
Primary government										
Net investment in capital assets	\$ 118,674,113	\$ 127,387,057	\$ 125,334,265	\$ 133,024,845	\$ 129,562,636	\$ 129,385,356	\$ 119,688,158	\$ 128,868,372	\$ 124,720,009	\$ 124,850,957
Restricted	35,445,492	33,300,203	28,693,623	19,244,567	17,765,766	20,096,911	21,256,061	24,482,614	32,141,988	42,790,875
Unrestricted	<u>27,732,425</u>	<u>19,340,583</u>	<u>26,308,602</u>	<u>25,934,572</u>	<u>29,954,960</u>	<u>26,999,088</u>	<u>17,488,423</u>	<u>25,634,454</u>	<u>29,105,721</u>	<u>10,216,855</u>
Total primary government net position	<u>\$ 181,852,030</u>	<u>\$ 180,027,843</u>	<u>\$ 180,336,490</u>	<u>\$ 178,203,984</u>	<u>\$ 177,283,362</u>	<u>\$ 176,481,355</u>	<u>\$ 158,432,642</u>	<u>\$ 178,985,440</u>	<u>\$ 185,967,718</u>	<u>\$ 177,858,687</u>

Source: City of Los Banos Finance Department

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Expenses										
Governmental activities:										
General government	\$ 2,611,384	\$ 1,844,157	\$ 1,864,857	\$ 2,010,394	\$ 1,574,303	\$ 1,075,846	\$ 1,142,994	\$ 1,371,651	\$ 1,186,905	\$ 1,487,571
Public safety	11,897,709	11,116,070	10,969,903	10,886,906	11,001,775	11,462,611	11,382,513	9,687,489	12,473,523	15,813,709
Highways and streets	5,295,711	5,934,471	5,628,571	5,671,224	5,845,904	5,509,207	5,581,131	6,023,160	6,222,855	6,436,759
Parks and recreation	3,822,086	2,879,562	2,848,886	3,157,117	3,110,563	3,246,159	3,319,476	4,281,104	4,735,095	4,612,509
Redevelopment	3,808,607	6,545,659	1,487,704	1,727,676	-	-	-	-	-	-
Economic development	-	25,136	25,136	25,133	97,369	898,589	770,417	582,985	681,828	945,745
Interest on long-term debt	1,662,142	1,710,107	1,640,803	367,517	62,042	11,251	10,451	11,594	11,232	9,779
Total governmental activities	29,097,639	30,055,162	24,465,860	23,845,967	21,691,956	22,203,663	22,206,982	21,957,983	25,311,438	29,306,072
Business-type activities:										
Water	4,132,906	3,974,370	4,166,837	4,228,356	4,043,632	4,116,815	4,012,484	4,400,180	4,356,044	4,772,454
Wastewater	4,435,859	3,915,757	3,902,206	4,174,243	4,131,577	4,127,310	3,996,860	4,418,235	4,197,226	4,527,236
Airport	502,348	478,511	577,713	508,541	595,136	509,952	427,161	361,224	330,699	336,645
Solid waste	5,119,773	4,659,231	4,822,258	5,019,961	5,626,173	6,964,870	5,419,558	6,060,817	6,282,604	5,745,491
Total business-type activities	14,190,886	13,027,869	13,469,014	13,931,101	14,396,518	15,718,947	13,856,063	15,240,456	15,166,573	15,381,826
Total primary government expenses	\$ 43,288,525	\$ 43,083,031	\$ 37,934,874	\$ 37,777,068	\$ 36,088,474	\$ 37,922,610	\$ 36,063,045	\$ 37,198,439	\$ 40,478,011	\$ 44,687,898
Program Revenue										
Governmental activities:										
Charges for services	\$ 3,512,252	\$ 3,548,629	\$ 3,526,597	\$ 3,581,268	\$ 4,348,894	\$ 3,629,571	\$ 4,022,788	\$ 5,001,906	\$ 5,593,570	\$ 8,037,154
Operating grants and contributions	3,566,327	3,242,183	2,936,400	2,782,009	3,386,608	3,625,821	3,596,504	3,385,289	3,808,707	5,172,313
Capital grants and contributions	4,956,470	5,846,289	1,952,807	4,873,145	1,137,908	1,469,956	1,775,933	2,623,070	4,753,878	3,469,161
Total governmental activities	12,035,049	12,637,101	8,415,804	11,236,422	8,873,410	8,725,348	9,395,225	11,010,265	14,156,155	16,678,628
Business-type activities:										
Charges for services	13,579,350	14,629,989	13,346,234	14,390,214	16,074,638	16,802,170	17,823,033	19,539,564	20,693,974	21,568,675
Operating grants and contributions	21,122	82,930	161,247	90,611	22,455	24,737	15,334	24,812	34,588	27,363
Capital grants and contributions	90,759	-	-	-	-	-	-	-	-	159,298
Total business-type activities	13,691,231	14,712,919	13,507,481	14,480,825	16,097,093	16,826,907	17,838,367	19,564,376	20,728,562	21,755,336
Total primary government program revenue	\$ 25,726,280	\$ 27,350,020	\$ 21,923,285	\$ 25,717,247	\$ 24,970,503	\$ 25,552,255	\$ 27,233,592	\$ 30,574,641	\$ 34,884,717	\$ 38,433,964

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Net (expense)/revenue:										
Governmental activities	\$ (17,062,590)	\$ (17,418,061)	\$ (16,050,056)	\$ (12,609,545)	\$ (12,818,546)	\$ (13,478,315)	\$ (12,811,757)	\$ (10,947,718)	\$ (11,155,283)	\$ (12,627,444)
Business-type activities	(499,655)	1,685,050	38,467	549,724	1,700,575	1,107,960	3,982,304	4,323,920	5,561,989	6,373,510
Total primary government (expenses) revenue, net	\$ (17,562,245)	\$ (15,733,011)	\$ (16,011,589)	\$ (12,059,821)	\$ (11,117,971)	\$ (12,370,355)	\$ (8,829,453)	\$ (6,623,798)	\$ (5,593,294)	\$ (6,253,934)
General Revenues										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,680,089	\$ 9,027,831	\$ 9,363,711	\$ 7,427,582	\$ 4,946,843	\$ 5,676,238	\$ 6,031,996	\$ 5,578,732	\$ 5,704,220	\$ 6,229,501
Sales taxes	2,028,316	2,481,027	3,980,909	4,226,624	2,571,065	2,740,697	2,786,423	3,829,042	4,012,401	4,613,579
Other taxes	929,978	873,260	1,457,350	746,254	758,928	844,820	925,402	1,072,950	1,158,812	1,237,553
Use of money and property	1,749,064	1,254,479	831,036	140,885	1,024,908	1,150,414	1,092,444	1,205,110	1,145,645	1,287,188
Insurance recoveries	-	-	-	-	-	-	-	240,396	-	-
Developer contributions	-	-	-	-	-	-	-	1,975,532	-	-
Miscellaneous	-	-	-	-	-	146,716	(4,264,350)	243,265	80,389	124,913
Transfers	31,917	(100,940)	371,962	(2,953,656)	(522,782)	15,432	(6,762)	(5,124)	(5,696)	(3,776)
Extraordinary item	-	-	-	-	-	-	-	12,051,254	-	-
Total governmental activities	16,419,364	13,535,657	16,004,968	9,587,689	8,778,962	10,574,317	6,565,153	26,191,157	12,095,771	13,488,958
Business-type activities:										
Property taxes	16,063	10,815	2,374	2,412	2,390	4,598	4,493	7,626	8,454	3,860
Use of money and property	677,290	260,912	312,856	339,943	209,252	433,926	307,030	384,004	334,106	529,413
Developer contributions	-	-	-	-	-	-	-	427,312	-	-
Miscellaneous	2,790	500	38	(2,729)	1,206,745	66,655	99,360	161,373	131,545	158,676
Transfers (Note 4)	-	100,940	-	-	-	(15,432)	6,762	5,124	5,696	3,776
Total business-type activities	696,143	373,167	315,268	339,626	1,418,387	489,747	417,645	985,439	479,801	695,725
Total primary government general revenues	\$ 17,115,507	\$ 13,908,824	\$ 16,320,236	\$ 9,927,315	\$ 10,197,349	\$ 11,064,064	\$ 6,982,798	\$ 27,176,596	\$ 12,575,572	\$ 14,184,683
Changes in Net Position										
Governmental	\$ (643,226)	\$ (3,882,404)	\$ (45,088)	\$ (3,021,856)	\$ (4,039,584)	\$ (2,903,998)	\$ (6,246,604)	\$ 15,243,439	\$ 940,488	\$ 861,514
Business-type	196,488	2,058,217	353,735	889,350	3,118,962	1,597,707	4,399,949	5,309,359	6,041,790	7,069,235
Total primary government	\$ (446,738)	\$ (1,824,187)	\$ 308,647	\$ (2,132,506)	\$ (920,622)	\$ (1,306,291)	\$ (1,846,655)	\$ 20,552,798	\$ 6,982,278	\$ 7,930,749

Source: City of Los Banos Finance Department

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011 (1)	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
General Fund:										
Reserved	\$ 322,046	\$ 2,252,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,968,264	3,305,998	-	-	-	-	-	-	-	-
Nonspendable	-	-	26,804	5,752	1,506	698	2,933	3,938	248	2,970
Restricted	-	-	59,102	283,826	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	494,657
Assigned	-	-	-	-	-	693,821	2,179,757	3,335,429	3,266,323	3,916,672
Unassigned	-	-	5,426,571	5,603,832	6,339,177	7,202,640	7,843,490	8,638,970	9,017,100	8,709,292
Total general funds (2)(3)	<u>\$ 4,290,310</u>	<u>\$ 5,558,351</u>	<u>\$ 5,512,477</u>	<u>\$ 5,893,410</u>	<u>\$ 6,340,683</u>	<u>\$ 7,897,159</u>	<u>\$ 10,026,180</u>	<u>\$ 11,978,337</u>	<u>\$ 12,283,671</u>	<u>\$ 13,123,591</u>
All other governmental funds:										
Reserved	\$ 16,323,331	\$ 4,137,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	13,998,862	14,426,214	-	-	-	-	-	-	-	-
Capital project funds	5,219,967	5,626,458	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	852,459	-	-	7,293
Restricted	-	-	20,850,874	12,898,904	12,237,064	11,732,860	12,294,820	13,818,032	19,174,130	24,888,393
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	755,211	(1,094,103)	(1,038,011)	(751,255)	(733,613)	(701,772)	(672,702)	(659,139)
Total all other governmental funds (4)(5)	<u>\$ 35,542,160</u>	<u>\$ 24,190,050</u>	<u>\$ 21,606,085</u>	<u>\$ 11,804,801</u>	<u>\$ 11,199,053</u>	<u>\$ 10,981,605</u>	<u>\$ 11,561,207</u>	<u>\$ 13,968,719</u>	<u>\$ 18,501,428</u>	<u>\$ 24,236,547</u>

Source: City of Los Banos Finance Department

Notes:

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

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Revenues										
Taxes:										
Property	\$ 12,319,475	\$ 9,715,042	\$ 9,363,711	\$ 7,427,582	\$ 5,642,221	\$ 6,262,533	\$ 6,863,634	\$ 6,316,878	\$ 6,504,693	\$ 7,198,259
Sales	3,645,256	4,174,239	3,980,909	4,226,624	4,463,919	4,671,192	5,026,830	6,094,290	6,458,115	8,075,623
Franchise	420,785	422,655	440,594	445,375	456,482	480,391	511,545	534,702	546,061	563,611
Motor vehicle	131,190	679,546	1,064,988	1,010,544	815,527	1,124,654	919,197	-	-	-
Other taxes	942,382	344,271	284,114	282,145	286,742	364,429	398,625	523,261	595,119	652,890
Licenses and permits	333,409	307,714	217,358	200,091	305,599	305,953	456,341	855,171	1,123,244	1,012,757
Intergovernmental	2,289,668	3,310,820	2,816,860	768,206	1,261,856	1,686,798	1,050,293	1,595,939	2,019,191	2,141,795
Charges for services	3,557,475	3,630,001	4,011,466	3,916,232	3,337,523	2,824,440	3,477,841	5,581,250	7,702,436	8,538,554
Fines	-	82,295	93,399	97,735	68,731	60,509	62,505	50,546	64,129	67,496
Use of property and money	2,265,389	1,411,870	1,293,039	1,237,070	1,069,142	1,150,414	1,092,444	1,205,110	1,145,645	1,287,188
Contributions and donations	4,619	59,059	1,820	2,055	-	-	-	-	-	-
Miscellaneous	348,349	169,708	273,658	199,061	66,593	141,901	98,708	250,317	280,468	356,333
Total revenues	26,257,997	24,307,220	23,841,916	19,812,720	17,774,335	19,073,214	19,957,963	23,007,464	26,439,101	29,894,506
Expenditures										
Current:										
General government	2,238,261	1,687,325	1,715,484	1,696,680	1,495,941	1,046,961	1,067,648	1,083,155	1,117,098	1,276,300
Public safety	11,301,041	10,245,666	10,286,114	10,253,039	10,255,576	10,912,197	11,167,699	12,202,688	13,423,807	14,592,038
Highways and streets	1,017,452	1,636,472	1,328,743	1,385,767	1,025,978	1,135,565	1,158,587	1,248,137	1,583,281	2,084,503
Parks and recreation	3,016,885	2,067,216	2,082,479	2,348,142	2,261,394	2,422,510	2,555,130	2,858,994	3,546,943	3,228,685
Economic development	-	-	-	-	67,515	700,675	550,212	503,184	630,829	803,714
Redevelopment	2,263,913	6,624,111	4,577,305	1,420,339	-	-	-	-	-	-
Debt service:										
Principal	577,663	1,969,465	804,075	645,000	1,405,000	-	-	9,828	13,263	-
Interest	1,691,218	1,680,963	1,611,864	834,188	62,042	11,251	10,451	11,594	11,232	7,950

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Capital outlay:										
General government	5,869	-	-	-	36,895	86,723	5,425	5,000	28,245	412,723
Public safety	317,831	40,936	260,745	307,962	427,961	468,591	349,660	477,051	1,191,984	320,123
Redevelopment	1,246,108	9,766,513	1,375,849	7,528	-	-	-	-	-	-
Highways and streets	1,833,585	1,055,488	1,478,973	246,028	1,034,416	934,291	254,298	199,387	-	250,037
Parks and recreation	371,219	52,276	54,045	-	112,161	35,150	200,162	372,016	65,670	358,599
Economic development	-	-	-	-	-	519	473	6,521	3,348	100
Total expenditures	<u>25,881,045</u>	<u>36,826,431</u>	<u>25,575,676</u>	<u>19,144,673</u>	<u>18,184,879</u>	<u>17,754,433</u>	<u>17,319,745</u>	<u>18,977,555</u>	<u>21,615,700</u>	<u>23,334,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>376,952</u>	<u>(12,519,211)</u>	<u>(1,733,760)</u>	<u>668,047</u>	<u>(410,544)</u>	<u>1,318,781</u>	<u>2,638,218</u>	<u>4,029,909</u>	<u>4,823,401</u>	<u>6,559,734</u>
Other Financing Sources (Uses)										
Loss on property held for resale	-	-	-	(893,899)	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	70,501	-	-
Insurance recoveries	-	-	-	-	-	-	-	240,396	-	-
Transfer in	2,530,959	2,139,339	3,030,293	4,629,361	218,461	164,497	130,932	235,979	126,993	27,025
Transfer out	(2,530,959)	(2,240,279)	(2,658,331)	(4,652,302)	(741,243)	(149,065)	(137,694)	(241,102)	(132,688)	(30,801)
Proceeds from sale of capital assets	-	-	-	-	24,851	-	-	-	-	-
Sale of capital assets	3,673	-	-	-	-	4,815	83,243	17,910	20,337	19,081
Claims and judgements	-	-	-	-	750,000	-	-	-	-	-
Total other financing sources (uses)	<u>3,673</u>	<u>(100,940)</u>	<u>371,962</u>	<u>(916,840)</u>	<u>252,069</u>	<u>20,247</u>	<u>76,481</u>	<u>323,684</u>	<u>14,642</u>	<u>15,305</u>
Extraordinary Items										
Assets transferred to housing Successor Agency	-	-	-	(1,124,645)	-	-	-	-	-	-
Assets transferred to/liability assumed by Successor Agency	-	-	-	(8,046,913)	-	-	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,171,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 380,625</u>	<u>\$ (12,620,151)</u>	<u>\$ (1,361,798)</u>	<u>\$ (9,420,351)</u>	<u>\$ (158,475)</u>	<u>\$ 1,339,028</u>	<u>\$ 2,714,699</u>	<u>\$ 4,353,593</u>	<u>\$ 4,838,043</u>	<u>\$ 6,575,039</u>
Debt service as a percentage of noncapital expenditures	10.26%	14.09%	10.78%	7.96%	8.85%	0.07%	0.06%	0.12%	0.12%	0.04%

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					
2008-2009	846,217	2,023,461	51,917	2,149	2,923,744	61,572	2,862,172	1.00%
2009-2010	439,964	1,385,997	55,642	2,149	1,883,752	69,417	1,814,335	1.00%
2010-2011	304,764	1,400,629	52,030	2,149	1,759,572	72,196	1,687,376	1.00%
2011-2012	317,257	1,445,927	51,882	2,429	1,817,495	73,779	1,743,716	1.00%
2012-2013	313,862	1,454,449	50,534	2,429	1,821,274	72,002	1,749,272	1.00%
2013-2014	338,088	1,530,444	50,653	2,429	1,921,614	77,042	1,844,572	1.00%
2014-2015	448,810	1,686,158	67,439	3,167	2,205,574	78,314	2,127,260	1.00%
2015-2016	543,391	1,738,793	67,619	3,163	2,352,966	82,650	2,270,316	1.00%
2016-2017	573,208	1,881,326	67,928	3,335	2,525,797	103,904	2,421,893	1.00%
2017-2018	633,774	2,025,405	67,987	3,223	2,730,389	109,628	2,620,761	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>
2008-2009	7,117,539	2,028,316	420,785	131,190	357,813	10,055,643
2009-2010	4,518,769 (1)	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)	2,842,662	511,545	15,232	398,625	9,880,834
2015-2016	5,551,292	3,829,042 (3)	534,702	-	523,261	10,438,297
2016-2017	5,675,697	4,012,401	546,061	-	595,119	10,829,278
2017-2018	6,200,655	4,613,579	563,611	-	652,890	12,030,735

Source: City of Los Banos Finance Department

Notes:

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

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

Fiscal Year	City Direct Rates			Overlapping Rates		Total Rate
	City of Los Banos	County of Merced	Total District	Los Banos Unified School District Bond	Merced College Bond	
2011-2012	0.1750	0.8250	1.0000	0.1087	0.0264	0.1351
2012-2013	0.1750	0.8250	1.0000	0.0145	0.0251	0.0396
2013-2014	0.1953	0.8047	1.0000	0.0868	0.0250	0.1118
2014-2015	0.1953	0.8047	1.0000	0.0961	0.0234	0.1195
2015-2016	0.1953	0.8047	1.0000	0.1070	0.0214	0.1284
2016-2017	0.1953	0.8047	1.0000	0.1144	0.0207	0.1351
2017-2018	0.1953	0.8047	1.0000	0.7920	0.0209	0.8129

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	2017-2018			2007-2008		
	Assessed Value	Rank	Percent of Total City Assessed Value	Assessed Value	Rank	Percent of Total City Assessed Value
CALIFORNIA MILK PRODUCERS	\$ 31,376,195	1	1.20%	-	-	-
WAL-MART REAL ESTATE BUSINESS TRUST	28,611,756	2	1.09%	-	-	-
WARD ROAD APARTMENTS LP	24,971,434	3	0.95%	-	-	-
TARGET CORP	21,692,212	4	0.83%	-	-	-
FRANCISCAN HOSPITALLER SISTERS	21,293,308	5	0.81%	-	-	-
KAGOME USA INC	21,146,866	6	0.81%	18,047,310	1	0.60%
SUTTER CENTRAL VALLEY HOSPITALS	20,165,171	7	0.77%	-	-	-
STONEFIELD HOME INC	19,233,800	8	0.73%	-	-	-
TREVINO PIONEER LLC	17,435,182	9	0.67%	-	-	-
SUTTER CENTRAL VALLEY HOSPITALS	12,736,480	10	0.49%	-	-	-
LOWES HIW INC	-	-	-	16,104,162	2	0.53%
MCCORDUCK PROPERTIES LOS BANOS LLC	-	-	-	16,100,675	3	0.53%
LOS BANOS DAIRYMEN ASSN	-	-	-	14,284,864	4	0.47%
ANDERSON HOMES A CORP	-	-	-	13,778,089	5	0.46%
FARM CREDIT LEASING SERVICES CORP	-	-	-	12,579,550	6	0.42%
SOLOMON FRANK JR	-	-	-	9,458,623	7	0.31%
CAMERA PROPERTIES LLC	-	-	-	8,463,441	8	0.28%
HOVNANIAN K FORECAST HOMES NORTHERN INC	-	-	-	7,455,954	9	0.25%
COMCAST OF SAN JOAQUIN INC	-	-	-	6,646,369	10	0.22%
Top 10 Assessed Values	\$ 218,662,404		8.36%	\$ 122,919,037		4.07%
Total Assessed Value 2007-2008	\$ 3,022,057,000					
Total Assessed Value 2017-2018	\$ 2,620,685,704					

Source: Merced County Assessors Office

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

Fiscal Year	Current Tax Levies	Current Tax Collections	Percent of Current Taxes Collected ⁽¹⁾	Delinquent Tax Collections	Total Tax Collections
2008-2009	3,293,827	3,293,827	100%	-	3,293,827
2009-2010	2,118,459	2,118,459	100%	-	2,118,459
2010-2011	1,946,307	1,946,307	100%	-	1,946,307
2011-2012	1,929,638	1,929,638	100%	-	1,929,638
2012-2013	2,129,214	2,129,214	100%	-	2,129,214
2013-2014	2,352,266	2,352,266	100%	-	2,352,266
2014-2015	2,861,634	2,861,634	100%	-	2,861,634
2015-2016	3,006,979	3,006,979	100%	-	3,006,979
2016-2017	3,197,238	3,197,238	100%	-	3,197,238
2017-2018	3,537,012	3,537,012	100%	-	3,537,012

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 ⁽³⁾					Business-Type Activities				Total Primary Government	Population	Per Capita	Percent of Assessed Valuation ⁽²⁾
	Lease Revenue Bond	Tax Allocation Bonds ⁽¹⁾	Capital Leases	COP's	Notes Payable	Bonds	Capital Leases	COP's	Notes Payable				
2008-2009	2,320,000	30,673,271	495,737	750,000	-	-	-	11,620,765	170,574	46,030,347	36,198	1,272	1.61%
2009-2010	870,000	28,000,600	361,288	700,000	-	-	-	10,888,352	151,370	40,971,610	36,421	1,125	2.26%
2010-2011	845,000	27,502,929	115,803	645,000	-	-	-	10,130,942	131,128	39,370,802	36,525	1,078	2.33%
2011-2012	815,000	-	56,684	590,000	-	-	-	9,343,530	109,848	10,915,062	36,546	299	0.63%
2012-2013	-	-	-	-	-	-	-	8,521,119	87,530	8,608,649	37,017	233	0.49%
2013-2014	-	-	215,905	-	-	-	-	2,208,432	64,174	2,488,511	37,168	67	0.13%
2014-2015	-	-	173,077	-	-	-	-	1,897,114	39,780	2,109,971	38,670	55	0.10%
2015-2016	-	-	351,212	-	-	-	-	1,570,796	14,347	1,936,355	39,359	49	0.09%
2016-2017	-	-	253,750	-	-	-	-	1,229,477	-	1,483,227	39,993	37	0.06%
2017-2018	-	-	151,203	-	-	-	-	868,159	-	1,019,362	40,986	25	0.04%

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 ⁽²⁾	Redevelopment Bonds ⁽¹⁾	Total				
2008-2009	3,565,737	30,673,271	34,239,008	2,862,172,000	36,198	1.20%	946
2009-2010	1,931,288	28,000,600	29,931,888	1,814,335,000	36,421	1.65%	822
2010-2011	1,605,803	27,502,929	29,108,732	1,687,376,000	36,525	1.73%	797
2011-2012	1,461,684	-	1,461,684	1,743,715,991	36,546	0.08%	40
2012-2013	-	-	-	1,749,273,122	37,017	0.00%	-
2013-2014	215,905	-	215,905	1,844,571,341	37,168	0.01%	6
2014-2015	173,077	-	173,077	2,127,260,281	38,670	0.01%	4
2015-2016	351,212	-	351,212	2,270,316,588	39,359	0.02%	9
2016-2017	253,750	-	253,750	2,620,761,000	39,993	0.01%	6
2017-2018	151,203	-	151,203	2,620,685,704	40,986	0.01%	4

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**

2017-2018 Assessed Valuation: \$ 2,620,685,704

	Total Debt 06/30/18	Percent Applicable ⁽¹⁾	City's Share of Debt 6/30/18
<u>Direct and Overlapping Tax and Assessment Debt</u>			
Merced Community College District School Facilities Improvement District No. 2	\$ 7,954,847	54.698%	\$ 4,351,142
Los Banos Unified School District	47,817,477	64.861%	<u>31,014,894</u>
Total Overlapping Tax and Assessment Debt			<u><u>35,366,036</u></u>
 <u>Direct and Overlapping General Fund Debt</u>			
Merced County Certificates of Participation	\$ 28,400,434	11.526%	3,273,434
Los Banos Unified School District Certificate of Participation	22,475,000	64.861%	14,577,510
Merced County Office of Education Certificate of Participation	3,000,000	11.526%	345,780
City of Los Banos Capital Lease Obligations	151,203	100.000%	<u>151,203</u>
Total Direct and Overlapping General Fund Debt			<u><u>18,347,927</u></u>
 Overlapping Tax Increment Debt (Successor Agency)	 \$ 22,797,158	 99.252%	 22,626,635
Total Direct Debt			151,203
Total Overlapping Debt			<u>76,189,395</u>
 Combined Total Debt			 <u><u>\$ 76,340,598</u></u> ⁽²⁾

Ratios to 2017-2018 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.35%
Total Direct Debt (\$151,202)	0.01%
Combined Total Debt	2.91%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$495,028,291):

Total Overlapping Tax Increment Debt	4.57%
--------------------------------------	-------

Source: California Municipal Statistics

Notes: (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable estimated value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, and non-bonded capital lease obligations.

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Assessed value	\$ 2,862,172	\$ 1,814,335	\$ 1,687,376	\$ 1,743,716	\$ 1,749,272	\$ 1,844,572	\$ 2,127,260	\$ 2,270,317	\$ 2,421,710	\$ 2,620,686
25% of full assessed value	715,543	453,584	421,844	435,929	437,318	461,143	531,815	567,579	605,428	655,172
Debt limit (15% of reduced assessed value)	107,331	68,038	63,277	65,389	65,598	69,171	79,772	85,137	90,814	98,276
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 107,331</u>	<u>\$ 68,038</u>	<u>\$ 63,277</u>	<u>\$ 65,389</u>	<u>\$ 65,598</u>	<u>\$ 69,171</u>	<u>\$ 79,772</u>	<u>\$ 85,137</u>	<u>\$ 90,814</u>	<u>\$ 98,276</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Assessed Valuation California Municipal Statistics

Note: We have no General Obligation Bonds

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

	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Water Revenue Bonds:										
Water revenue	\$ 5,521,030	\$ 5,303,822	\$ 4,503,897	\$ 4,834,313	\$ 5,130,735	\$ 5,301,489	\$ 5,413,681	\$ 6,001,003	\$ 6,342,156	\$ 6,653,861
Less: operating expenses ⁽³⁾	<u>(4,863,293)</u>	<u>(3,704,228)</u>	<u>(3,127,961)</u>	<u>(3,082,750)</u>	<u>(2,904,393)</u>	<u>(3,004,186)</u>	<u>(3,107,370)</u>	<u>(3,115,891)</u>	<u>(3,342,002)</u>	<u>(3,528,711)</u>
Net available revenue	<u>657,737</u>	<u>1,599,594</u>	<u>1,375,936</u>	<u>1,751,563</u>	<u>2,226,342</u>	<u>2,297,303</u>	<u>2,306,311</u>	<u>2,885,112</u>	<u>3,000,154</u>	<u>3,125,150</u>
Debt service ⁽¹⁾	<u>563,923</u>	<u>563,462</u>	<u>566,904</u>	<u>559,523</u>	<u>561,385</u>	<u>4,434,626</u>	-	-	-	-
Coverage ratio	1.17	2.84	2.43	3.13	3.97	0.52	N/A	N/A	N/A	N/A
Wastewater Revenue Bonds:										
Wastewater revenue ⁽⁴⁾	3,295,789	4,140,798	3,075,645	3,844,014	4,549,108	4,989,878	5,565,988	6,184,581	6,930,523	7,345,806
Less: operating expenses ⁽³⁾	<u>(3,040,440)</u>	<u>(3,534,678)</u>	<u>(2,540,594)</u>	<u>(2,605,734)</u>	<u>(2,705,074)</u>	<u>(2,773,005)</u>	<u>(2,752,898)</u>	<u>(2,832,174)</u>	<u>(3,077,148)</u>	<u>(3,235,389)</u>
Net available revenue	<u>255,349</u>	<u>606,120</u>	<u>535,051</u>	<u>1,238,280</u>	<u>1,844,034</u>	<u>2,216,873</u>	<u>2,813,090</u>	<u>3,352,407</u>	<u>3,853,375</u>	<u>4,110,417</u>
Debt service ⁽²⁾	<u>823,867</u>	<u>654,017</u>	<u>814,101</u>	<u>817,148</u>	<u>810,501</u>	<u>2,379,577</u>	<u>470,309</u>	<u>470,115</u>	<u>468,929</u>	<u>471,598</u>
Coverage ratio	0.31	0.93	0.66	1.52	2.28	0.93	5.98	7.13	8.22	8.72

Source: City of Los Banos Finance Department

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

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

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

(4) Revenue includes Ag Farming Income

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

Calendar Year	City of Los Banos			Merced County			Unemployment	
	Population ⁽¹⁾	Labor Force ⁽²⁾	Employment	Population ⁽¹⁾	Labor Force ⁽²⁾	Employment	Rate ⁽²⁾	Numbers
2009	36,198	13,200	10,800	256,450	105,400	87,900	16.6%	17,500
2010	36,421	15,800	12,900	258,495	113,600	93,200	18.0%	20,400
2011	36,525	15,900	13,100	257,984	114,700	94,500	17.6%	20,200
2012	36,546	16,000	13,300	258,736	115,200	96,400	16.3%	18,800
2013	37,017	15,900	13,500	262,478	114,900	98,200	14.5%	16,700
2014	37,168	15,800	13,800	264,922	115,000	100,200	12.8%	14,700
2015	38,670	15,800	14,000	266,134	115,100	102,000	11.4%	13,100
2016	39,359	15,900	14,100	271,579	115,500	103,000	10.7%	12,400
2017	39,993	15,789	14,178	274,665	114,578	103,022	10.1%	10,676
2018	40,986	16,100	14,700	279,977	115,700	106,500	8.0%	9,300

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	2017-2018			2009-2010*		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
Los Banos Unified School District	1,082	1	7.36%	850	1	6.59% Los Banos Unified School District
Wal-Mart	340	2	2.31%	130	5	1.01% Wal-Mart
Memorial Hospital	286	3	1.95%	217	2	1.68% Memorial Hospital
Kagome	206	4	1.40%	100	7	0.78% Kagome
City of Los Banos	178	5	1.21%	210	3	1.63% City of Los Banos
Target	153	6	1.04%	-		-
APEX	126	7	0.86%	-		-
Home Depot	125	8	0.85%	125	6	0.97% Home Depot
Save Mart	90	9	0.61%	85	8	0.66% Save Mart
Central California Irrigation	75	10	0.51%	-		-
Lowes	-		-	175	4	1.36% Lowes
Kmart	-		-	85	9	0.66% Kmart
California Dairies	-		-	70	10	0.54% California Dairies
Total	2,661		18.10%	2,047		15.87%

Source: (1) City of Los Banos Finance Department

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

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

FUNCTION/PROGRAM	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
General Government:										
Administration	5.60	5.30	4.88	4.88	5.21	5.18	5.35	5.35	5.68	5.13
Community and Economic	4.50	3.00	3.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Water Admin	4.44	4.54	3.78	3.79	4.33	4.34	4.27	4.27	4.60	4.72
Waterwaste Admin	4.35	4.45	3.70	3.70	4.33	4.25	4.19	4.19	4.52	4.72
Solid Waste Admin	4.36	4.46	3.05	3.70	4.21	4.22	4.17	4.17	4.49	4.72
Police:										
Sworn	48.00	38.00	40.00	39.00	39.00	39.00	39.00	39.00	40.00	41.00
Non-Sworn	26.00	20.00	20.00	19.00	20.00	19.50	19.50	20.50	23.50	24.50
Code Enforcement	1.00	1.50	0.50	1.20	1.50	2.50	2.50	2.50	2.50	2.50
Fire:										
Sworn	17.15	15.25	15.25	15.20	15.90	15.90	15.90	15.90	15.90	15.90
Non-Sworn	1.50	1.50	1.50	1.50	1.50	1.00	1.00	2.00	2.00	2.00
Building Sworn	1.85	0.75	0.75	0.75	0.10	0.10	0.10	0.10	0.10	0.10
Building Non-Sworn	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Works:										
Engineering	2.35	1.10	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Water	11.70	11.55	11.55	11.30	11.35	10.85	11.19	11.19	11.76	11.76
Wastewater	11.20	10.95	10.95	10.70	10.70	10.26	10.59	10.59	10.90	10.90
Solid Waste	6.05	6.00	6.00	6.00	6.00	6.00	6.33	6.33	7.65	7.65
Streets	9.00	8.80	8.80	7.80	7.80	7.80	7.80	8.80	11.05	11.05
Maintenance	9.30	8.20	7.20	7.15	7.15	7.15	7.15	7.15	9.40	10.40
Recreation	4.19	1.19	1.19	1.13	1.16	1.19	1.19	1.19	1.19	1.19
Airport	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fleet	2.21	1.21	1.20	1.20	1.21	2.21	2.22	2.22	2.21	2.21
Redevelopment	4.25	4.25	5.15	4.45	0.00	0.00	0.00	0.00	0.00	0.00
Information Technology	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	183.00	155.00	152.00	148.00	147.00	147.00	148.00	151.00	164.00	167.00

Source: City of Los Banos Finance Department

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

FUNCTION/PROGRAM	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Police:										
Jail Bookings ⁽³⁾	3,235	2,581	2,467	1,912	1,179	1,151	1,610	1,724	1,905	1,508
Traffic Collisions ⁽³⁾	323	342	435	349	358	407	421	546	631	361
Parking Citations ⁽³⁾	1,703	1,519	1,902	1,234	1,380	1,102	654	966	889	611
Moving Citations ⁽³⁾	4,517	3,105	3,555	3,308	2,513	3,017	2,929	3,803	2,919	1,509
Fire:										
Fire Calls	691	628	206	654	628	699	677	914	973	989
Medical Calls	1,164	1,268	1,190	1,430	1,406	1,557	1,664	1,793	1,737	1,923
Inspections	4,474	2,161	471	300	606	676	720	751	732	751
Public Works										
Streets:										
Street Surfacing (Miles)	-	-	-	-	-	0.14	0.55	0.52	1.04	1.04
Parks and Recreation:										
Rec. Youth Program Enrollments ⁽¹⁾⁽²⁾	1,799	1,105	1,079	1,108	1,198	1,158	1,240	1,202	1,266	1,295
Water:										
Water Delivered (millions)	3,549	3,017	2,689	2,515	2,737	2,765	2,389	2,169	2,158	2,415
Connections	11,054	10,681	10,996	10,894	10,967	10,871	10,816	11,369	11,648	11,974
Sewer:										
Average Daily Flow (mgd)	3.22	2.97	2.92	2.90	2.86	2.90	2.93	2.90	2.80	2.70
Connections	9,931	10,361	10,617	10,737	10,854	10,699	10,640	11,077	11,294	11,601
Solid Waste:										
Street Sweeping, Miles per Year	20,820	20,178	22,298	22,920	21,697	23,704	22,576	22,386	21,225	22,163
Green Waste Pick-ups	7,366	9,744	9,961	10,087	10,154	11,163	10,193	10,491	10,546	10,822
Recycling Pick-ups	6,704	9,655	9,969	10,067	10,245	11,059	10,205	10,600	10,535	10,807

Source: Various City Departments

Notes: (1) In FY 2009-2010 the City no longer offered the Aquatics or Summer Camp Basketball programs
(2) in FY 2014-2015 the city offered British Soccer
(3) Bookings, Collisions and Citation numbers have decreased due to Law changes and reduction in staffing.

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

FUNCTION/PROGRAM	Fiscal Years									
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	22	22	16	16	16	17	18	15	14	18
Motorcycle Units	2	2	2	2	2	2	2	2	2	2
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Service Units	15	15	15	15	15	14	13	14	16	16
Public Works										
Streets:										
Miles	107.6	108.9	109.85	109.85	109.85	110	123	123	123	123
Parks and Recreation:										
Acreage	233	233	233	233	233	233	233	233	233	233
Playgrounds	33	33	33	33	33	33	33	33	33	33
Baseball/Softball Diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/Football Fields	6	6	6	6	6	6	6	6	6	6
Basketball Courts	13	13	13	13	13	13	13	13	13	13
Water:										
Water Mains (miles)	165	170	170	170	170	170	172	172	172	172
Fire Hydrants	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Storage Capacity (gallons)	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
Sewer:										
Sanitary Sewers (miles)	130	130	130	130	130	130	130	130	130	131
Solid Waste:										
Street Sweepers	2	2	2	2	2	2	2	2	2	2

Source: Various City Departments