

**CITY OF OJAI
CALIFORNIA**

FINANCIAL STATEMENTS
June 30, 2017

CITY OF OJAI
BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

City Council of the City of Ojai
Ojai, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of Ojai, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 15, the budgetary comparison information on pages 61 through 63, the schedule of funding progress for post-employment benefits other than pensions on page 64, the schedule of proportionate share of net pension liability on page 65, and the schedule of pension contributions on page 66, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ojai's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and combining private-purpose trust funds financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and combining private-purpose trust funds 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 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2018, on our consideration of the City of Ojai'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 the City's internal control over financial reporting and compliance.

Moss, Levy & Hartgeim LLP

Santa Maria, California
February 5, 2018

CITY OF OJAI
For the fiscal year ended June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ojai, we provide this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and the Notes to Basic Financial Statements.

Financial Highlights

- The government-wide total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$21.5 million (total net position). The net position invested in capital assets was approximately \$20.1 million (93.6%), the unrestricted net position was approximately \$606,100 (2.8%) and approximately \$776,000 (3.6%) was restricted. The unrestricted total net position at June 30, 2017 increased approximately \$265,000 from the prior year, while the restricted net position decreased approximately \$25,000.
- At June 30, 2017, fund balances in the City's governmental funds totaled approximately \$7.65 million, an increase of approximately \$145,000 from the prior year. Governmental fund assets totaled \$9.58 million, an increase of approximately \$44,000 from the prior year balance, and total governmental fund liabilities totaled \$1.9 million, a decrease of approximately \$101,000 from the prior year balance. Approximately \$77,000 of the decrease was from repayment of loans from the Plaza Maintenance Fund to the General Fund and the remainder was due to minor changes in various funds.
- At June 30, 2017, the "Unassigned" fund balance for the City's General Fund was \$3.5 million, (approximately 38.5% of total General Fund operating expenditures for the current fiscal year). The balance increased by approximately \$280,000 from the \$3.2 million June 30, 2016 "Unassigned" fund balance, (which was approximately 36% of total General Fund operating expenditures).
- As shown in Note 7, non-current liabilities of the governmental and business-type activities total \$7.8 million, an increase of approximately \$952,000 from the prior year. Approximately \$913,000 of this increase can be attributed to an increase in the net pension liability that resulted from a decrease in the CalPERS investment returns and an increase in CalPERS interest costs.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference 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 government's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash in-flows and out-flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a portion of their costs, through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development, parks and recreation, libraries, and housing. The business-type activities of the City include public transit and a public cemetery. The government-wide financial statements can be found on pages 16 – 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' 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 thirteen (13) separate governmental funds. The basic governmental funds' financial statements are found on pages 20-26. The *General Fund, Plaza Maintenance Fund, Capital Improvements Fund, and the Transit Equipment Replacement Fund* are considered to be the "major funds" and information for these funds is presented separately in the governmental funds statements. Data from the other nine (9) governmental funds are combined into a single aggregated amount and is shown under the caption of *Other Governmental Funds*. Data for each of these non-major governmental funds is provided in the form of combining statements and can be found on pages 68-71 in the *Other Supplemental Information* section of this report.

Proprietary funds: Enterprise funds are presented as business-type activities on pages 27-29 of this report. The City maintains two individual enterprise funds to account for its local transit services and its public cemetery operations.

Proprietary funds statements provide the same type of information as the government-wide financial statements, but in more detail. The proprietary funds' financial statements provide separate information for the transit and cemetery operations.

Fiduciary funds: Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. All assets reported in agency funds are offset by liabilities. The fiduciary funds' financial statements can be found on pages 30-31 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 32 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on pages 61-66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table of *Statement of Net Position* provides the City's financial positions as of June 30, 2017 and 2016. As noted earlier, the changes in net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$21.5 million and \$21.5 for the years ended June 30, 2017 and 2016, respectively. The City's net financial position remained unchanged from the previous year.

CITY OF OJAI STATEMENT OF NET POSITION JUNE 30, 2017 AND 2016						
ASSETS	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,584,702	\$ 5,988,111	\$ 643,748	\$ 614,327	\$ 7,228,450	\$ 6,602,438
Due from successor agency	2,772,427	3,247,899	-	-	2,772,427	3,247,899
Capital assets	19,528,338	19,685,386	584,842	692,441	20,113,180	20,377,827
Total assets	28,885,467	28,921,396	1,228,590	1,306,768	30,114,057	30,228,164
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	1,626,844	652,412	88,594	47,330	1,715,438	699,742
LIABILITIES						
Long-term liabilities	7,372,367	6,313,833	350,443	431,553	7,722,810	6,745,386
Other liabilities	1,775,002	1,816,950	105,278	112,280	1,880,280	1,929,230
Total liabilities	9,147,369	8,130,783	455,721	543,833	9,603,090	8,674,616
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	703,350	659,191	27,874	74,043	731,224	733,234
NET POSITION						
Net investment in capital assets	19,528,338	19,685,386	584,842	692,441	20,113,180	20,377,827
Restricted	775,898	801,214	-	-	775,898	801,214
Unrestricted	357,356	297,234	248,747	43,781	606,103	341,015
Total net position	\$ 20,661,592	\$ 20,783,834	\$ 833,589	\$ 736,222	\$ 21,495,181	\$ 21,520,056

As previously noted, approximately 93.6% of the net position in the City's Governmental Activities is investment in capital assets at the end of the current year. This investment in capital assets (net of accumulated depreciation) decreased 1.3% (\$265,000) from the previous year. During

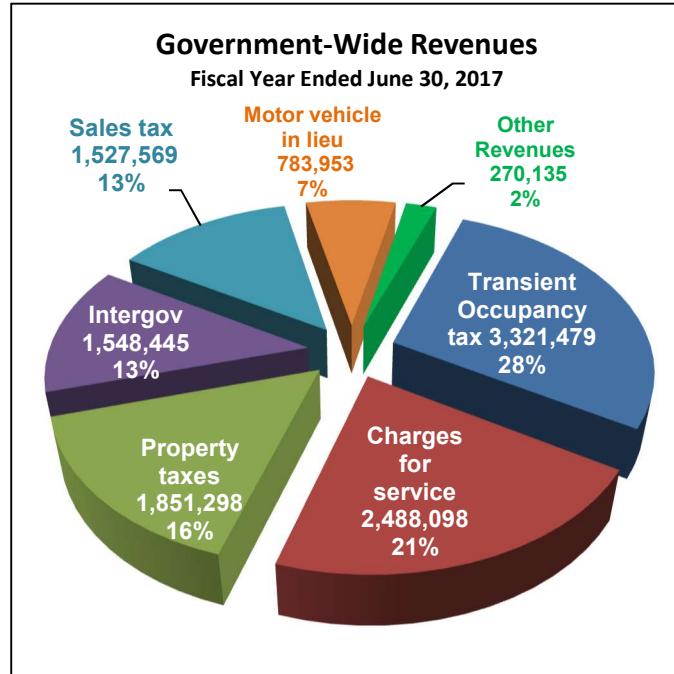
the prior fiscal year, City staff reviewed costs that had been accumulated in construction in progress over several years to determine the amounts that should be placed in service. Once placed in service, the City began depreciating these assets resulting in decreased net position invested in capital assets. Depreciation of \$1.1 million exceeded the \$868,000 asset additions by \$265,000. Street resurfacing has been scheduled to take advantage of economies of scale by planning major resurfacing projects other year.

The City uses capital assets to provide services to citizens and they are *not* available for future spending. With the exception of business-type assets, most capital assets do not generate direct revenue for the City. Although the City's investment in capital assets is reported net of related debt, it should be noted that there is no debt associated with the capital assets of the governmental or business-type activities.

As shown in the table on page 5, the approximately \$776,000 restricted portion of the City's total net position in the governmental activities represents resources that are subject to external restrictions on how they may be used. The remaining approximately \$357,000 of the net position is unrestricted and represents resources that can be used to meet the government's ongoing obligations to citizens and creditors. Of the \$7.7 million long-term liabilities, approximately \$350,000 is due to compensated absences (i.e. vacation and sick leave), almost \$2.6 million is from retiree medical coverage (an increase of approximately \$142,000), and \$4.9 million is due to net pension liabilities (an increase of approximately \$913,000). The retiree-medical and pension liabilities are determined by actuarial studies based on many factors including: funds set aside in trust to pay future liabilities, the discount rate (assumed rate of return) used in the computation, retiree longevity, current salaries of employees, PERS benefit formulas, and investment returns on plan assets.

The City has taken several steps to reduce the liability for retiree-health benefits. As discussed in Note 7, City Council has reduced benefits for future retirees. Additionally, the City began funding a trust to pay for future retiree-health benefits at a rate of \$100,000 per year beginning in fiscal year 2015. At June 30, 2017, the balance in the trust totaled approximately \$338,000.

Statement of Activities



The following table of *Statement of Activities* provides the City's operations for fiscal years ended June 30, 2017 and 2016 with comparative totals for the same periods.

Governmental Activities Revenue

Revenues of the Governmental Activities include charges for services, contributions and grants, taxes, intergovernmental revenues, and other revenues. Total revenue for Governmental Activities was approximately \$10.9 million, an increase of approximately \$779,000 (7%) from the previous year's revenues. Overall, tax revenues increased by \$520,000 (8.4%). Transient occupancy tax, sales tax, and property tax ("Big Three") revenues accounted for approximately 61.5% of total revenues and accounted for approximately \$520,000 of the increase. Transient occupancy tax revenue increased approximately \$160,000 (5%) and accounted for approximately 30.5% of total revenues, sales tax revenues increased \$177,000 (13.1%), and property tax revenues increased \$184,000 (11%). Sales tax revenues were growing from a reduced base in the fiscal year ended June 30, 2016 resulting from adjustments due to the unwinding of the "triple flip" that the state implemented in 2016 and negative adjustments to the countywide sales tax pool due to reclassifications caused by other cities in Ventura County.

CITY OF OJAI STATEMENT OF ACTIVITIES JUNE 30, 2017 AND 2016							
	Governmental Activities		Business-type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Revenues:							
Charges for services	\$ 2,390,271	\$ 2,353,534	\$ 97,827	\$ 109,819	\$ 2,488,098	\$ 2,463,353	
Operating contributions and grants	620,673	550,024	798,154	829,214	1,418,827	1,379,238	
Capital contributions & grants	129,618	62,704	-	-	129,618	62,704	
Property taxes	1,851,298	1,667,449	-	-	1,851,298	1,667,449	
Sales taxes	1,527,569	1,350,880	-	-	1,527,569	1,350,880	
Transient occupancy taxes	3,321,479	3,161,727	-	-	3,321,479	3,161,727	
Other	114,422	134,775	-	-	114,422	134,775	
Motor vehicle in lieu	783,953	745,521	-	-	783,953	745,521	
Investment earnings	60,192	28,581	1,058	1,594	61,250	30,175	
Miscellaneous	94,463	59,924	-	-	94,463	59,924	
Total revenues	10,893,938	10,115,119	897,039	940,627	11,790,977	11,055,746	
Expenses:							
General government	2,038,263	2,242,430	-	-	2,038,263	2,242,430	
Public safety	3,336,656	3,083,262	-	-	3,336,656	3,083,262	
Public works	2,640,166	2,457,795	-	-	2,640,166	2,457,795	
Community development	1,129,901	1,142,025	-	-	1,129,901	1,142,025	
Parks & recreation	1,085,308	910,890	-	-	1,085,308	910,890	
Libraries	124,847	107,063	-	-	124,847	107,063	
Unallocated depreciation	250,037	226,910	-	-	250,037	226,910	
Transit activities	-	-	910,479	899,549	910,479	899,549	
Cemetery activities	-	-	10,752	16,566	10,752	16,566	
Total expenses	10,605,178	10,170,375	921,231	916,115	11,526,409	11,086,490	
Net revenue over (under) expenses before transfers	288,760	(55,256)	(24,192)	24,512	264,568	(30,744)	
Transfers	9,860	63,914	(9,860)	(63,914)	-	-	
Change in net position	298,620	8,658	(34,052)	(39,402)	264,568	(30,744)	
Net position - beginning of fiscal year	20,783,834	20,775,176	736,222	754,483	21,520,056	21,529,659	
Prior period adjustment	(420,862)	-	131,419	21,141	(289,443)	21,141	
Net position - beginning of fiscal year, restated	20,362,972	20,775,176	867,641	775,624	21,230,613	21,550,800	
Net position - end of fiscal year	\$ 20,661,592	\$ 20,783,834	\$ 833,589	\$ 736,222	\$ 21,495,181	\$ 21,520,056	

Governmental Activities Expenses

Expenses of *Governmental Activities* totaled approximately \$10.6 million, an increase of \$435,000 (4.3%) from the prior year. **General government expenses** decreased approximately \$204,000 with approximately \$162,000 of this decrease in the City Manager's department. This decrease was attributable to unusually high salary and benefit expenditures in the prior fiscal year from benefit payouts at the retirement of the former City Manager and a key vacancy. Non-recurring in the City Manager's department decreased \$32,000. Attorney fees decreased \$64,000 from nonrecurring legal issues. City Clerk department expenses increased approximately \$25,000, due to contract City Clerk expenses. Arts Commission expenses increased \$19,000, with \$14,000 of that variance from an increase in the cultural arts program and an additional \$5,000 increase in payments to the Ojai Valley Museum. **Public Safety expenses** increased approximately \$253,000 (8.2%) from the prior year. The primary reasons for the increase in public safety expenses was the result of a \$20,000 increase in vehicle costs due to the ongoing program to replace Crown Victoria vehicles with Tahoes, \$52,000 (2%) increase in patrol services, \$13,000 new charges for body cameras, \$60,000 increase in the midyear retroactive adjustment for increased service costs during the fiscal year, and an increase of \$32,000 from a one-time credit for a change in methodology related to the vehicle fleet in the prior year. Depreciation and other adjustments to the full accrual basis of accounting account for the remaining variance. **Public Works expenses** increased approximately \$182,000 (7.4%) with an approximate \$64,000 increase in payroll and benefits. \$27,000 of the increase in salaries and benefits is attributable to salaries (\$17,000 part-time), \$20,000 increase in retirement expense, and \$17,000 increase in worker's compensation expense due to modified rates and a reallocation between departments. Park maintenance supplies increased \$35,000, contract services decreased -\$56,000, while tree maintenance costs increased by \$17,000. Depreciation expense increased \$51,000 from the prior year.

Business-type Activities: The net position from the City's Business-type Activities increased by approximately \$97,000 from the prior year; however, this increase is entirely due to a \$131,000 prior period adjustment due to a change in the allocation of pension costs and unfunded liabilities between these funds and Governmental Activities. Revenues from business-type activities decreased \$44,000 (4.6%) from the prior year due to a \$12,000 decrease in charges for services and a \$31,000 decrease in grants received from other agencies. User revenues provide only a small portion, \$76,000 (8.7%), of the total revenues of the Transit Fund with the balance in the Transit Fund come from federal, state, and local grants. Expenses for Transit activities increased by approximately \$10,000 and Cemetery expenses decreased by approximately \$6,000 during the year.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the City of Ojai uses fund accounting to account for its revenues and expenditures. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As shown in the following table, the total fund balance in the Governmental Funds was approximately \$7.7 million at fiscal year-end, an increase of approximately \$144,000 from the prior year. The total *Nonspendable* General Fund balance at June 30, 2017 was \$2.8 million, consisting almost entirely of the amount due from the Redevelopment Successor Agency (RDASA). This amount decreased in the General Fund due to receipt of the annual principal payment from the RDASA and, as discussed in note 13 to the financial statements, 20% of the note receivable balance was transferred to the Redevelopment Successor Agency Housing Fund in the current year. *Nonspendable* Fund Balance was approximately 43.4% of the total fund

balance in the *General Fund* and 36.3% of total governmental fund balance as of June 30, 2017. The *Nonspendable* fund balance is not available for spending.

CITY OF OJAI BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2017 AND 2016							
	Other Governmental Funds				Total		
	General Fund		Funds		2017	2016	
	2017	2016	2017	2016	2017	2016	
ASSETS							
Cash & investments	\$ 3,420,321	\$ 3,500,354	\$ 1,767,801	\$ 1,477,052	\$ 5,188,122	\$ 4,977,406	
Cash & investments with fiscal agent	983	638	-	-	983	638	
Accounts & interest receivable	920,879	934,105	30,778	20,489	951,657	954,594	
Pre-paid expenditures	225	-	-	-	225	-	
Due from other funds	666,600	355,505	-	-	666,600	355,505	
Due from successor agency	2,772,427	3,247,899	-	-	2,772,427	3,247,899	
Total assets	\$ 7,781,435	\$ 8,038,501	\$ 1,798,579	\$ 1,497,541	\$ 9,580,014	\$ 9,536,042	
LIABILITIES							
Accounts payable	\$ 698,904	\$ 604,582	\$ 113,914	\$ 124,678	\$ 812,818	\$ 729,260	
Other liabilities	695,278	801,865	418,247	495,781	1,113,525	1,297,646	
Total liabilities	1,394,182	1,406,447	532,161	620,459	1,926,343	2,026,906	
FUND BALANCES							
Nonspendable	2,772,652	3,247,899	-	-	2,772,652	3,247,899	
Restricted	983	638	774,915	605,576	775,898	606,214	
Unrestricted but assigned or committed	100,000	150,000	712,462	575,637	812,462	725,637	
Unassigned	3,513,618	3,233,517	(220,959)	(304,131)	3,292,659	2,929,386	
Total fund balances	6,387,253	6,632,054	1,266,418	877,082	7,653,671	7,509,136	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,781,435	\$ 8,038,501	\$ 1,798,579	\$ 1,497,541	\$ 9,580,014	\$ 9,536,042	

The *Restricted* fund balances are legally restricted for specific purposes by legislation or requirements outside the control of the City and they are only available for specific purposes. At

June 30, 2017, the restricted fund balance in the Governmental funds was approximately \$776,000, consisting almost entirely of fund balances in several Special Revenue Funds of the City. The total *Unrestricted but assigned or committed* fund balance was \$100,000 in the General Fund at June 30, 2017 and the balance in the other governmental funds was approximately \$712,000, with \$471,000 in the Capital Improvements Fund and \$241,000 in the Equipment Replacement Fund. The amounts in the capital improvements and the equipment replacement fund have been set aside for equipment replacement and infrastructure needs of the City.

The \$3.5 million *Unassigned* fund balance in the City's General Fund is designated as a "Rainy Day Reserve" by the City Council. This reserve balance increased by approximately \$280,000 in the current year. The *Unassigned* fund balance in the other Governmental funds was negative \$221,000. This negative balance represents a deficit position in the Plaza Maintenance Fund.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

As shown in the following table, total revenues in the Governmental funds increased approximately \$761,000. Overall, General Fund revenues increased approximately \$845,000 while revenues from Other Governmental Funds decreased approximately \$85,000. Governmental expenditures decreased \$648,000, with approximately \$163,000 of the decrease coming from the general fund and approximately \$811,000 of the decrease attributable to the other governmental funds.

CITY OF OJAI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the fiscal years ended June 30, 2017 and 2016

	General Fund		Other Governmental		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Property taxes	\$ 1,851,298	\$ 1,667,449	\$ -	\$ -	\$ 1,851,298	\$ 1,667,449
Sales Taxes	1,527,569	1,230,351	-	120,529	1,527,569	1,350,880
Transient Occupancy taxes	2,652,274	2,526,926	669,205	634,801	3,321,479	3,161,727
Other taxes and assessments	-	-	350,590	333,154	350,590	333,154
Licenses, permits, and fees	1,136,882	1,250,385	-	-	1,136,882	1,250,385
Fines and forfeitures	28,171	16,046	-	-	28,171	16,046
Use of money and property	55,322	71,565	7,969	10,784	63,291	82,349
Intergovernmental:						
Motor vehicle in lieu	783,953	745,521	-	-	783,953	745,521
Other	445,619	302,501	317,142	254,022	762,761	556,523
Charges for services	943,440	802,881	26,539	26,349	969,979	829,230
Other revenue	94,465	59,926	3,500	79,912	97,965	139,838
Total revenues	9,518,993	8,673,551	1,374,945	1,459,551	10,893,938	10,133,102
Expenditures:						
Current:						
General Government	2,044,895	2,294,644	-	-	2,044,895	2,294,644
Public Safety	3,299,158	3,123,625	-	-	3,299,158	3,123,625
Public Works	1,851,566	1,772,313	85,782	73,724	1,937,348	1,846,037
Community development	922,691	911,379	115,947	172,023	1,038,638	1,083,402
Parks and recreation	1,016,266	854,608	950	16,487	1,017,216	871,095
Libraries	-	-	123,493	106,000	123,493	106,000
Non current:						
Capital Outlay	-	14,970	1,018,968	1,788,103	1,018,968	1,803,073
Debt service	-	-	-	-	-	-
Total expenditures	9,134,576	8,971,539	1,345,140	2,156,337	10,479,716	11,127,876
Excess of revenues over (under) expenditures	384,417	(297,988)	29,805	(696,786)	414,222	(994,774)
Transfers in	-	121,344	604,129	471,582	604,129	592,926
Transfers out	(349,671)	(237,950)	(244,598)	(291,062)	(594,269)	(529,012)
Total other financing sources (uses)	(349,671)	(116,606)	359,531	180,520	9,860	63,914
Net change in fund balances	34,746	(414,594)	389,336	(516,266)	424,082	(930,860)
Fund balances (deficit) - beginning of fiscal year	6,632,054	7,046,648	877,082	1,393,348	7,509,136	8,439,996
Prior period adjustment	(279,547)	-	-	-	(279,547)	-
Fund balances (deficit) - beginning of fiscal year	6,352,507	7,046,648	877,082	1,393,348	7,229,589	8,439,996
Fund balances (deficit) - end of fiscal year	\$ 6,387,253	\$ 6,632,054	\$ 1,266,418	\$ 877,082	\$ 7,653,671	\$ 7,509,136

Governmental Fund Revenues

In the General Fund, Property tax revenues increased \$184,000 (11%), Transient Occupancy tax (TOT) revenues increased \$125,000 (5.0%) and Sales Tax revenues increased \$297,000 (24.2%). Other revenues in the General Fund increased \$239,000 (7.4%). The large percentage increase in sales tax in the current year is partially due to building off of an abnormally low balance in the prior year due to a negative adjustment in the County sales tax pool and the unwinding of the “triple flip”. Additionally, the growth in sales tax revenue is indicative of an overall increase in the City of Ojai’s economy

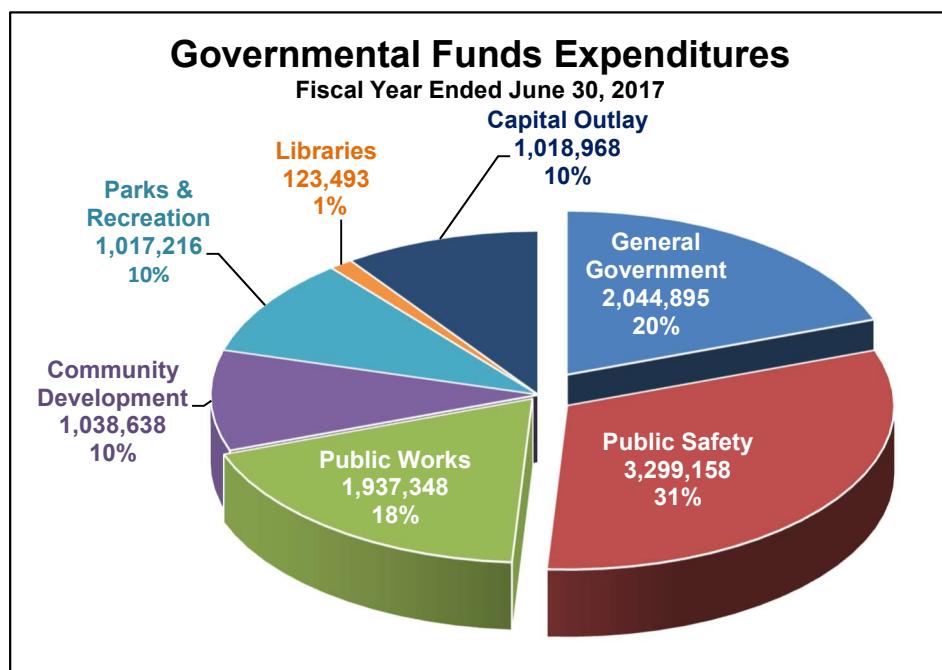
Revenues in the other governmental funds decreased approximately -\$85,000. Revenues in the Plaza Maintenance Fund increased \$11,000 as assessments have included increased slightly to allow the fund to liquidate its negative fund balance. Following a trend that we have seen in the past few years, Gas Tax revenues received from the state decreased approximately \$13,000. This declining trend is expected to reverse in future years as the state enacted new legislation to increase the gas tax beginning in November 2017.

Governmental Fund Expenditures

Expenditures of the Governmental Funds decreased approximately \$648,000 with General Fund expenditures increasing \$163,000 while expenditures in other governmental funds decreased by approximately \$811,000.

General Fund

The most significant General Fund expenditures increased as follows: General government activities (including the City Council, City Manager, City Treasurer, Finance, City Attorney, City Clerk, Non-Departmental, and Arts Commission departments) decreased \$250,000, Public Safety activities increased \$176,000, Public Works activities increased \$79,000, and Parks & Recreation activities increased \$162,000. Expenditures in the other governmental funds decreased by approximately \$811,000, which was almost entirely due to reduced road paving expenditures in the Capital Improvements Fund. This is consistent with the City's capital improvement plan to complete paving activities every two years in order to obtain economies of scale in these projects.



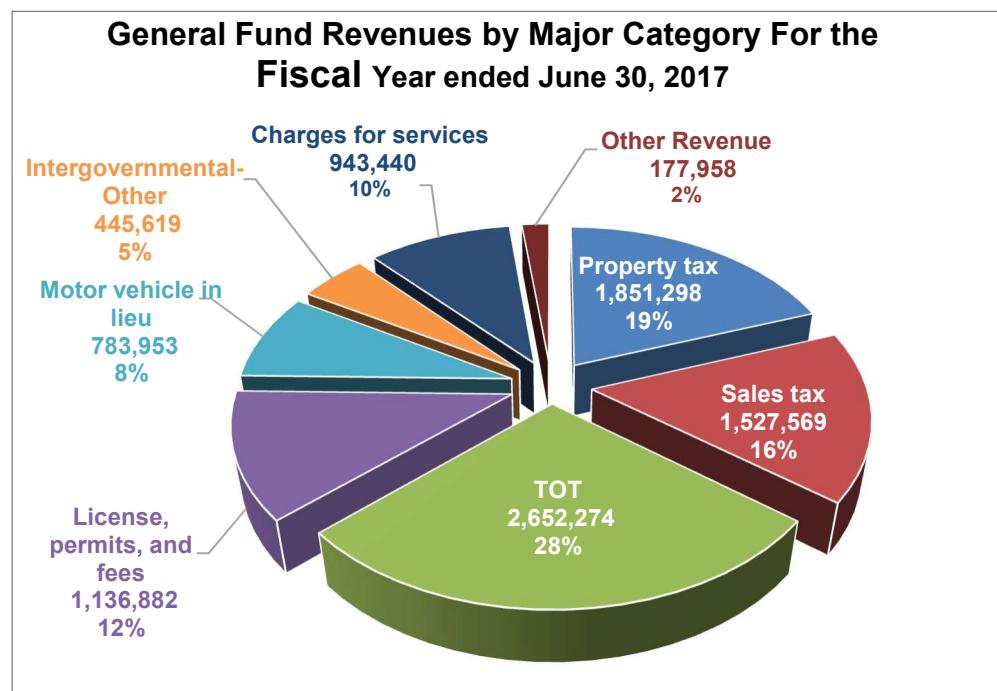
General Fund-General Government

The largest decrease in general government expenditures (\$193,000) was in the City Manager's department. Approximately \$162,000 of this decrease was attributable to unusually high salary expenditures in the prior fiscal year, including \$92,000 for payouts incurred with the retirement of the former City Manager and a key vacancy for most of the current fiscal year. An additional \$27,000 reduction in the City Manager's department was due to a decrease in contract services, \$32,500 of which was a one-time expenditure for the Community Development Department audit in the prior fiscal year. We were able to recognize a \$64,000 reduction in legal fees charged to the City Attorney Department, with \$63,000 of this decrease from nonrecurring vacant property issues in the City. Expenditures in the City Clerk department increased approximately \$25,000, which was the result of almost \$72,000 for contract City Clerk expenditures offset by approximately \$43,000 salary and benefit savings due to a vacancy in the Records Manager position. Expenditures in the arts commission department increased by \$19,000 this fiscal year, with \$14,000 of that variance from an increase in the cultural arts program expenditures and an additional \$5,000 increase in payments to the Ojai Valley Museum.

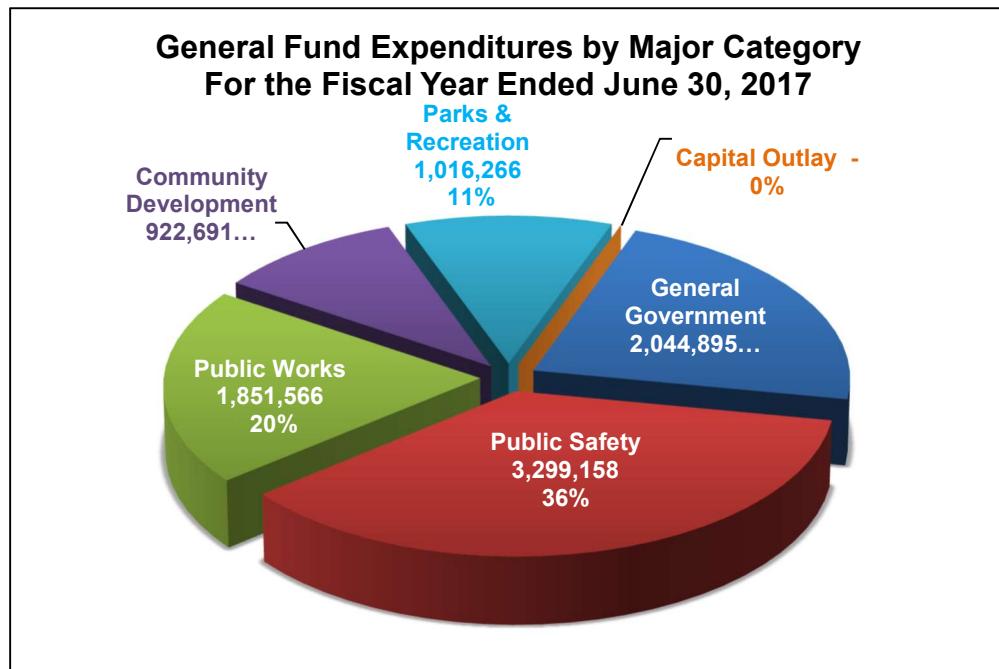
Other General Fund Departments

Public Safety expenditures increased \$176,000 and **Public Works** expenditures increased \$79,000 in the current year. Please see the discussion above in the Government-wide section. The primary difference is that the full accrual accounting method is used in the Statement of Activities presented previously. Under that method, expenses include depreciation of capital assets, and accounts payable while the expenditures included in the Governmental Fund statements do not. **Parks and Recreation** department expenditures increased \$162,000, with \$73,000 of the increase coming from the after school program that began in September 2016, \$16,000 from a one-time Park Acquisition Fund expenditure in the prior year, fringe benefits increased \$28,000 (\$5,000 increased PERS costs, \$8,000 increased Social Security and Medicare, and \$12,000 increase in worker's compensation cost resulting from a change in premiums and an improved allocation formula), and the cost of recreation classes increased approximately \$11,000 which is in line with revenue increases.

General Fund Budgetary Highlights: The City Council adopted a General Fund revenue budget totaling approximately \$9,270,000 and an expenditure budget of approximately \$9,030,000. Council approved \$200,000 increase in budgeted revenues for loan repayments from the Redevelopment Successor Agency that were intended to be used for the purchase of a small piece of property on Grand Avenue and a \$10,000 expenditure budget adjustment in the City Manager's department to complete a City Hall space needs assessment. Actual revenues exceeded budgeted revenues by approximately \$47,000. Tax revenues, Charges for Services, and revenues from interest and rentals exceeded budget by approximately \$317,000, \$129,000, and \$43,000, respectively. Actual revenues fell short of budget for "Licenses, Permits, and Fees", Other Revenue, and Intergovernmental revenue by \$215,000, \$191,000, and \$47,000, respectively. Sales tax revenues exceeded budget by approximate \$257,000 due to conservative estimates, charges for services, primarily in Parks and Recreation, exceeded revenue projections by \$129,000 with approximately \$74,000 of that due to the unbudgeted afterschool program and the remainder was generally due to increased revenues in recreation classes. The negative variance in for "Licenses, Permits, and Fees" was due to extremely optimistic projections from the Community Development Department. The negative variance and other revenues was due to revenues budgeted from loan repayments, which was not a true revenue item as these payments are recognized on the balance sheet.



The General Fund's top three revenues are *Property Taxes, Sales Taxes and Transient Occupancy Taxes*, which generated approximately \$6.0 million total revenue, which is 63.4% of the total General Fund revenues.



The Public Safety expenditures represent 36.1% of the total General Fund expenditures, while General Government services and Public Works expenditures account for 22.4% and 20.3% of General Fund Expenditures, respectively. This is a change of 1.3 (34.8%), -3.2 (25.6%), and 1.1 (19.2%) percentage point change from the prior year.

Proprietary funds: The City's proprietary fund statements provide the same type of information that is found in the government-wide financial statements (see more detail on pages 27-29 of this report). The net position of the Transit enterprise fund is \$545,000, an increase of \$76,000 (16.1%) due to the \$117,000 restatement of prior year net position (see Note 13 on page 60). Net position of the Cemetery Fund is approximately \$288,000, an increase of \$22,000 (8.2%) with approximately \$15,000 of this increase is due to the restatement of prior year net position (see Note 13 on page 60). The net position in the Transit and Cemetery Funds included an adjustment of \$117,000 and \$15,000, respectively, from a reallocation of the unfunded pension liability throughout all City funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets is reported in the financial statements for the governmental and business-type activities but not the governmental fund financial statements. The investment in capital assets includes non-depreciable assets (rights-of-way, land, artwork, and construction in progress) and depreciable assets (buildings, land and other improvements, equipment and machinery, infrastructure, and vehicles). The table on the following page provides a summary of the City's capital assets net of accumulated depreciation as of June 30, 2017 and 2016. Additional information on the City's capital assets is found in the Notes to Basic Financial Statements Number 6 on pages 44-46 of this report.

CITY OF OJAI
CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable Assets						
Rights of way	\$ 798,250	\$ 798,250	\$ -	\$ -	\$ 798,250	\$ 798,250
Land	1,603,700	1,400,798	110,500	110,500	1,714,200	1,511,298
Artwork	60,982	60,982	-	-	60,982	60,982
Construction in Progress	537,895	90,545	8,837	-	546,732	90,545
Depreciable Assets						
Buildings	9,711,182	10,012,934	-	-	9,711,182	10,012,934
Land Improvements	1,288,156	1,440,765	305,973	328,914	1,594,129	1,769,679
Equipment and machinery	599,452	692,193	13,959	37,488	613,411	729,681
Infrastructure	4,834,328	5,115,693	-	-	4,834,328	5,115,693
Vehicles	94,393	73,226	145,573	215,539	239,966	288,765
Total capital assets	\$ 19,528,338	\$ 19,685,386	\$ 584,842	\$ 692,441	\$ 20,113,180	\$ 20,377,827

Long-term liabilities: At June 30, 2017, the City had no loans or notes payable outstanding, but had a total of \$7.8 million in long-term liabilities with \$7.4 million in the governmental activities and \$366,000 in the business-type activities. Total long-term liabilities increased \$952,000 in the current fiscal year. Approximately \$913,000 of this increase can be attributed to an increase in the net pension liability that resulted from a decrease in the CalPERS investment returns and an increase in CalPERS interest costs. Pursuant to GASB 45, the City has recorded an actuarially determined liability of \$2.6 million for Other Postemployment Benefits (OPEB), for future costs of the City's retiree medical insurance obligation. The OPEB liability amount increased approximately \$142,000 from the prior year due to changes required to the actuarially computed liability. Additional information on the City's long-term liabilities and OPEB is found in the Notes to Basic Financial Statements Numbers 7- 8, pages 47-52 of this report.

CITY OF OJAI
LONG-TERM LIABILITIES
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Net pension obligations						
OPEB	\$ 4,559,865	\$ 3,587,574	\$ 302,772	\$ 362,396	\$ 4,862,637	\$ 3,949,970
Compensated absences	2,597,869	2,456,030	-	-	2,597,869	2,456,030
Total long-term liabilities	\$ 7,443,911	\$ 6,403,909	\$ 366,333	\$ 454,605	\$ 7,810,244	\$ 6,858,514

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET OUTLOOK

The City has been taking steps to mitigate potential future economic downturns such as the Thomas fire, including increasing its reserve requirement and currently funding \$100,000 a year to an OPEB trust in addition to the annual pay-as-you-go funding. The City has established a fund to pay for future equipment replacement, and technology improvements, with initial funding of \$40,000 per year. As of June 30, 2017, this fund has accumulated \$243,000 for this purpose. The City's internal policy is to hold 50% of the current year General Fund operating budget in reserves. At June 30, 2017, the City held \$3.5 million (76.9% of the reserve requirement) in unassigned fund balance (reserves) compared to a requirement of \$4.6 million, leaving reserves \$1.1 million under the internal reserve requirement. Over the past few years, the City's top two priorities have been 1) to bring its General Fund reserves to the required level, and 2) to perform deferred maintenance on the City's capital assets. In the current fiscal year, an additional objective to balance revenues and spending in order to position the City for increased pension costs and to pay down the unfunded pension and retiree medical liabilities of the City.

The economy in the Ojai Valley has continued to grow, albeit slowly, over the past several years and staff anticipates that this growth will continue. Sales tax revenue declined in FY 16 due to adjustments to the County sales tax pool but rebounded in the current year. Staff has projected a 2% increase in FY18 sales tax revenue. Property tax and TOT revenue growth has slowed recently with an average 4% and 7.4% growth, respectively, over the past five years. Various economists have projecting 2-4% revenue growth in California in FY 18 and staff generally anticipates growth in this range. Staff also projects that expenditures will continue to increase in the coming years due to two primary factors: 1) City staffing levels have been kept artificially low to provide funds for the capital improvement program; however, these levels are not sustainable and we have slowly been increasing staffing levels as needed; and 2) Pension costs will continue to increase over the next seven years as changes made by the CalPERS governing board to actuarial assumptions will require additional pension contributions to increase the funded status of pension plans throughout the state. Out of necessity, the City has been using contract services to meet the growing needs in several departments. While the benefit of contractors is that they can be adjusted at any time, as the City's needs change, the cost of contract services can be significantly higher than permanent staffing.

Tourism significantly affects the City's economy and its annual TOT and sales tax revenue. The Ojai Valley Business Bureau, the Ojai Valley Chamber of Commerce and the City created the Ojai Tourism Improvement District (OTID) on November 1, 2012. The OTID used the self-assessment (1% of the cost of hotel room rates) to promote tourism in the Ojai Valley. These efforts have helped increase TOT revenues to approximately 30.5% of the City's total governmental fund revenues. The City has used 20% of total TOT revenue to maintain and improve streets, roads, and City facilities. The OTID sunset on October 31, 2017 and was not renewed. Staff anticipates that this will have a negative impact on sales tax and TOT revenues in the coming years as the advertising costs funded by the OTID cease. It is too soon to quantify the impact so staff reduced the estimated TOT revenue growth from 2.3% to 2% for FY 18. Subsequent to the balance sheet date, on December 4, 2017, the Thomas fire broke out in Upper Ojai. The fire did not damage any property in the Ojai City limits, but most of the Ojai Valley was evacuated and the heavy smoke and ash caused the closure of the Ojai Valley Inn and several other hotels, as well as most restaurants in the Valley. We will not know the impact on TOT or sales tax revenue for several months but staff has estimated that these revenues will be reduced by approximately \$280,000-\$350,000 in FY 18.

REQUESTS FOR INFORMATION

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

Rudolf J. Livingston, CPA
Director of Finance
City of Ojai
401 S. Ventura St.
Ojai, CA 93023
Livingston@ojaicity.org

CITY OF OJAI
 STATEMENT OF NET POSITION
 June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,188,122	\$ 194,014	\$ 5,382,136
Cash and investments with fiscal agents	983	-	983
Accounts receivable, net	951,657	892,399	1,844,056
Internal balances	443,715	(443,715)	-
Prepaid expenses	225	-	225
Inventory	-	1,050	1,050
Due from successor agency	2,772,427	-	2,772,427
Capital assets not being depreciated	3,000,827	119,337	3,120,164
Capital assets, net of accumulated depreciation	16,527,511	465,505	16,993,016
 Total assets	 28,885,467	 1,228,590	 30,114,057
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,626,844	88,594	1,715,438
 Total deferred outflows of resources	 1,626,844	 88,594	 1,715,438
LIABILITIES			
Accounts payable	812,818	18,681	831,499
Accrued liabilities	102,748	88	102,836
Deposits payable	2,665	-	2,665
Unearned revenue	785,227	70,619	855,846
Noncurrent liabilities:			
Due within one year	71,544	15,890	87,434
Due in more than one year	7,372,367	350,443	7,722,810
 Total liabilities	 9,147,369	 455,721	 9,603,090
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	703,350	27,874	731,224
 Total deferred inflows of resources	 703,350	 27,874	 731,224
NET POSITION			
Net investment in capital assets	19,528,338	584,842	20,113,180
Restricted for:			
Employee benefits	983	-	983
Libraries	27,360	-	27,360
Streets, bikeways, parks, and other related purposes	625,205	-	625,205
Transit	122,104	-	122,104
Community development	246	-	246
Unrestricted	357,356	248,747	606,103
 Total net position	 \$ 20,661,592	 \$ 833,589	 \$ 21,495,181

See Notes to Basic Financial Statements

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CITY OF OJAI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ (2,038,263)	\$ 689,098	\$ 3,744	\$ -
Public safety	(3,336,656)	37,939	155,116	-
Public works	(2,640,166)	361,254	461,813	129,618
Community development	(1,129,901)	521,735	-	-
Parks and recreation	(1,085,308)	667,701	-	-
Libraries	(124,847)	112,544	-	-
Unallocated depreciation	(250,037)	-	-	-
Total governmental activities	<u>(10,605,178)</u>	<u>2,390,271</u>	<u>620,673</u>	<u>129,618</u>
Business-type Activities:				
Transit	(910,479)	75,860	798,154	-
Cemetery	<u>(10,752)</u>	<u>21,967</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>(921,231)</u>	<u>97,827</u>	<u>798,154</u>	<u>-</u>
Total government	<u>\$ (11,526,409)</u>	<u>\$ 2,488,098</u>	<u>\$ 1,418,827</u>	<u>\$ 129,618</u>
General Revenues and Transfers:				
Taxes:				
Property taxes				
Sales taxes				
Transient occupancy tax				
Other				
Motor vehicle in lieu tax, unrestricted				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of fiscal year				
Prior period adjustments				
Net position at beginning of fiscal year-restated				
Net position at end of fiscal year				

Net (Expenses) Revenues and Changes in Net Position			
	Governmental Activities	Business-type Activities	Total
\$	(1,345,421)	\$ -	\$ (1,345,421)
	(3,143,601)	-	(3,143,601)
	(1,687,481)	-	(1,687,481)
	(608,166)	-	(608,166)
	(417,607)	-	(417,607)
	(12,303)	-	(12,303)
	(250,037)	-	(250,037)
	<u>(7,464,616)</u>	<u>-</u>	<u>(7,464,616)</u>
	-	(36,465)	(36,465)
	-	<u>11,215</u>	<u>11,215</u>
	-	(25,250)	(25,250)
	<u>(7,464,616)</u>	<u>(25,250)</u>	<u>(7,489,866)</u>
	1,851,298	-	1,851,298
	1,527,569	-	1,527,569
	3,321,479	-	3,321,479
	114,422	-	114,422
	783,953	-	783,953
	60,192	1,058	61,250
	94,463	-	94,463
	9,860	(9,860)	-
	<u>7,763,236</u>	<u>(8,802)</u>	<u>7,754,434</u>
	298,620	(34,052)	264,568
	20,783,834	736,222	21,520,056
	(420,862)	<u>131,419</u>	<u>(289,443)</u>
	20,362,972	867,641	21,230,613
\$	<u>20,661,592</u>	<u>\$ 833,589</u>	<u>\$ 21,495,181</u>

CITY OF OJAI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Plaza Maintenance Fund
ASSETS		
Cash and investments	\$ 3,420,321	\$ -
Cash and investments with fiscal agents	983	-
Accounts receivable, net	920,879	4,674
Prepaid items	225	-
Due from other funds	666,600	-
Due from successor agency	<u>2,772,427</u>	<u>-</u>
 Total assets	 <u>\$ 7,781,435</u>	 <u>\$ 4,674</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 698,904	\$ 2,386
Accrued liabilities	102,386	362
Deposits payable	2,665	-
Due to other funds	-	222,885
Unearned revenue	<u>590,227</u>	<u>-</u>
 Total liabilities	 <u>1,394,182</u>	 <u>225,633</u>
Fund balances:		
Nonspendable:		
Prepaid items	225	-
Due from successor agency	2,772,427	-
Restricted	983	-
Committed	100,000	-
Assigned	-	-
Unassigned	<u>3,513,618</u>	<u>(220,959)</u>
 Total fund balances (deficits)	 <u>6,387,253</u>	 <u>(220,959)</u>
 Total liabilities, and fund balances	 <u>\$ 7,781,435</u>	 <u>\$ 4,674</u>

See Notes to Basic Financial Statements

Capital Improvements Fund	Transit Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
\$ 552,833	\$ 317,104	\$ 897,864	\$ 5,188,122
-	-	-	983
33	-	26,071	951,657
-	-	-	225
-	-	-	666,600
-	-	-	2,772,427
<u>\$ 552,866</u>	<u>\$ 317,104</u>	<u>\$ 923,935</u>	<u>\$ 9,580,014</u>
\$ 81,219	\$ -	\$ 30,309	\$ 812,818
-	-	-	102,748
-	-	-	2,665
-	-	-	222,885
-	195,000	-	785,227
<u>81,219</u>	<u>195,000</u>	<u>30,309</u>	<u>1,926,343</u>
-	-	-	225
-	-	-	2,772,427
-	122,104	652,811	775,898
-	-	-	100,000
471,647	-	240,815	712,462
-	-	-	3,292,659
<u>471,647</u>	<u>122,104</u>	<u>893,626</u>	<u>7,653,671</u>
<u>\$ 552,866</u>	<u>\$ 317,104</u>	<u>\$ 923,935</u>	<u>\$ 9,580,014</u>

CITY OF OJAI
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2017

Fund balances of governmental funds \$ 7,653,671

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

Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.

Capital assets at historical cost	\$ 40,703,883	
Accumulated depreciation	<u>(21,175,545)</u>	19,528,338

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

923,494

Long-term debt has not been included in the governmental funds.

Compensated absences	\$ 286,177	
OPEB	2,597,869	
Net pension liability	<u>4,559,865</u>	<u>(7,443,911)</u>
Net position of governmental activities	<u>\$ 20,661,592</u>	

See Notes to Basic Financial Statements

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CITY OF OJAI**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****For the Fiscal Year Ended June 30, 2017**

	General Fund	Plaza Maintenance Fund
REVENUES		
Property taxes	\$ 1,851,298	\$ -
Sales taxes	1,527,569	-
Transient occupancy tax	2,652,274	-
Other taxes and assessments		145,537
Licenses, permits, and fees	1,136,882	-
Fines and forfeitures	28,171	-
Use of money and property	55,322	3,102
Intergovernmental:		
Other	445,619	-
Motor vehicle in lieu	783,953	-
Charges for services	943,440	-
Other revenue	94,465	-
Total revenues	<u>9,518,993</u>	<u>148,639</u>
EXPENDITURES		
Current:		
General government	2,044,895	-
Public safety	3,299,158	-
Public works	1,851,566	-
Community development	922,691	115,947
Parks and recreation	1,016,266	-
Libraries	-	-
Capital outlay	-	-
Total expenditures	<u>9,134,576</u>	<u>115,947</u>
Excess of revenues over (under) expenditures	<u>384,417</u>	<u>32,692</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	50,480
Transfers out	<u>(349,671)</u>	-
Total other financing sources (uses)	<u>(349,671)</u>	<u>50,480</u>
Net changes in fund balances	<u>34,746</u>	<u>83,172</u>
Fund balances (deficit) - July 1, 2016	6,632,054	(304,131)
Prior period adjustment	<u>(279,547)</u>	-
Fund balances (deficit) - July 1, 2016, restated	<u>6,352,507</u>	<u>(304,131)</u>
Fund balances (deficit) - June 30, 2017	<u>\$ 6,387,253</u>	<u>\$ (220,959)</u>

See Notes to Basic Financial Statements

Capital Improvements Fund	Transit Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,851,298
			1,527,569
669,205	-	-	3,321,479
-	-	205,053	350,590
-	-	-	1,136,882
-	-	-	28,171
1,344	914	2,609	63,291
126,118	-	191,024	762,761
-	-	-	783,953
-	-	26,539	969,979
3,500	-	-	97,965
<u>800,167</u>	<u>914</u>	<u>425,225</u>	<u>10,893,938</u>
-	-	-	2,044,895
-	-	-	3,299,158
-	-	85,782	1,937,348
-	-	-	1,038,638
-	-	950	1,017,216
-	-	123,493	123,493
<u>966,167</u>	<u>-</u>	<u>52,801</u>	<u>1,018,968</u>
<u>966,167</u>	<u>-</u>	<u>263,026</u>	<u>10,479,716</u>
<u>(166,000)</u>	<u>914</u>	<u>162,199</u>	<u>414,222</u>
<u>273,951</u>	<u>-</u>	<u>279,698</u>	<u>604,129</u>
<u>(163,348)</u>	<u>(3,836)</u>	<u>(77,414)</u>	<u>(594,269)</u>
<u>110,603</u>	<u>(3,836)</u>	<u>202,284</u>	<u>9,860</u>
<u>(55,397)</u>	<u>(2,922)</u>	<u>364,483</u>	<u>424,082</u>
<u>527,044</u>	<u>125,026</u>	<u>529,143</u>	<u>7,509,136</u>
<u>527,044</u>	<u>125,026</u>	<u>529,143</u>	<u>(279,547)</u>
<u>527,044</u>	<u>125,026</u>	<u>529,143</u>	<u>7,229,589</u>
<u>\$ 471,647</u>	<u>\$ 122,104</u>	<u>\$ 893,626</u>	<u>\$ 7,653,671</u>

CITY OF OJAI**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 424,082

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

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

Capital outlay expenditures are added back to fund balances	\$ 858,789	
Depreciation expense not reported in governmental funds	<u>(1,015,837)</u>	(157,048)

OPEB expenditures reported in the statement of net position do not require the use of current financial resources and therefore, is not reported as expenditures in a governmental fund. This is the net change in OPEB for the current period.

(141,839)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

99,297

Compensated absences are not a current period expense. This is the net change in compensated absences for the current period.

74,128

Change in net position of governmental activities \$ 298,620

See Notes to Basic Financial Statements

CITY OF OJAI
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2017

Business-type Activities - Enterprise Funds			
	Transit	Cemetery	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 194,014	\$ 194,014
Accounts receivable, net	892,399	-	892,399
Inventory	-	1,050	1,050
Total current assets	<u>892,399</u>	<u>195,064</u>	<u>1,087,463</u>
Noncurrent Assets:			
Capital assets not being depreciated	5,437	113,900	119,337
Capital assets, net of accumulated depreciation	<u>462,795</u>	<u>2,710</u>	<u>465,505</u>
Total noncurrent assets	<u>468,232</u>	<u>116,610</u>	<u>584,842</u>
Total assets	<u>1,360,631</u>	<u>311,674</u>	<u>1,672,305</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	86,242	2,352	88,594
Total deferred outflows of resources	<u>86,242</u>	<u>2,352</u>	<u>88,594</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	18,525	156	18,681
Accrued liabilities	88	88	88
Unearned revenue	54,910	15,709	70,619
Due to other funds	<u>443,715</u>	<u>443,715</u>	<u>443,715</u>
Current portion of noncurrent liabilities	15,646	244	15,890
Total current liabilities	<u>532,796</u>	<u>16,197</u>	<u>548,993</u>
Noncurrent Liabilities:			
Compensated absences	46,938	733	47,671
Net pension liability	<u>294,733</u>	<u>8,039</u>	<u>302,772</u>
Total noncurrent liabilities	<u>341,671</u>	<u>8,772</u>	<u>350,443</u>
Total liabilities	<u>874,467</u>	<u>24,969</u>	<u>899,436</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension	27,134	740	27,874
Total deferred inflows of resources	<u>27,134</u>	<u>740</u>	<u>27,874</u>
NET POSITION			
Net investment in capital assets	468,232	116,610	584,842
Unrestricted	<u>77,040</u>	<u>171,707</u>	<u>248,747</u>
Total net position	<u>\$ 545,272</u>	<u>\$ 288,317</u>	<u>\$ 833,589</u>

See Notes to Basic Financial Statements

CITY OF OJAI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Operating Revenues:			
Charges for services (net of refunds)	\$ 75,860	\$ 21,967	\$ 97,827
Total operating revenues	75,860	21,967	97,827
Operating Expenses:			
Salaries and benefits	442,662	9,759	452,421
Material, supplies, and operational expenses	351,627	747	352,374
Depreciation	116,190	246	116,436
Total operating expenses	910,479	10,752	921,231
Operating income (loss)	(834,619)	11,215	(823,404)
Non-Operating Revenues (Expenses):			
Intergovernmental revenue	798,154	-	798,154
Interest income	392	666	1,058
Total non-operating revenues (expenses)	798,546	666	799,212
Income (loss) before transfers	(36,073)	11,881	(24,192)
Transfers (out)	(4,860)	(5,000)	(9,860)
Changes in net position	(40,933)	6,881	(34,052)
Total net position - July 1, 2016	469,654	266,568	736,222
Prior period adjustment	116,551	14,868	131,419
Total net position - July 1, 2016, restated	586,205	281,436	867,641
Total net position - June 30, 2017	\$ 545,272	\$ 288,317	\$ 833,589

See Notes to Basic Financial Statements

CITY OF OJAI

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 27,710	\$ 24,016	\$ 51,726
Cash paid to suppliers for goods and services	(343,659)	(1,662)	(345,321)
Cash paid to employees for services	(485,299)	(10,455)	(495,754)
Net cash provided by (used by) operating activities	<u>(801,248)</u>	<u>11,899</u>	<u>(789,349)</u>
Cash Flows from Noncapital Financing Activities:			
Operating grants received	421,311	-	421,311
Cash received on loans from other funds	388,242	-	388,242
Transfers to other funds	(4,860)	(5,000)	(9,860)
Net cash provided by noncapital financing activities	<u>804,693</u>	<u>(5,000)</u>	<u>799,693</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(3,837)	(5,000)	(8,837)
Net cash used by capital and related financing activities	<u>(3,837)</u>	<u>(5,000)</u>	<u>(8,837)</u>
Cash Flows from Investing Activities:			
Interest received	392	666	1,058
Net cash provided by investing activities	<u>392</u>	<u>666</u>	<u>1,058</u>
Net increase in cash and cash equivalents	-	2,565	2,565
Cash and Cash Equivalents at Beginning of Fiscal Year	-	191,449	191,449
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ -</u>	<u>\$ 194,014</u>	<u>\$ 194,014</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ -</u>	<u>\$ 194,014</u>	<u>\$ 194,014</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>\$ (834,619)</u>	<u>\$ 11,215</u>	<u>\$ (823,404)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	116,190	246	116,436
(Increase) decrease in accounts receivable	(48,150)	-	(48,150)
(Increase) decrease in inventory	-	(1)	(1)
(Increase) decrease in deferred outflows	(54,460)	(1,485)	(55,945)
Increase (decrease) in accounts payable	7,968	(914)	7,054
Increase (decrease) in accrued liabilities	(8,947)	4	(8,943)
Increase (decrease) in deferred charges	-	2,049	2,049
Increase (decrease) in compensated absences	(28,100)	(548)	(28,648)
Increase (decrease) in net pension liability	64,389	1,757	66,146
Increase (decrease) in deferred inflows	(15,519)	(424)	(15,943)
Total adjustments	<u>33,371</u>	<u>684</u>	<u>34,055</u>
Net cash provided by (used by) operating activities	<u>\$ (801,248)</u>	<u>\$ 11,899</u>	<u>\$ (789,349)</u>

See Notes to Basic Financial Statements

CITY OF OJAI
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 June 30, 2017

	Private Purpose Trust Funds	Agency Funds
	Successor Agency	Special Deposits
ASSETS		
Cash and investments	\$ 321,365	\$ 55,512
Notes receivable	1,427,611	-
Land	305,888	-
 Total assets	 <u>2,054,864</u>	 <u>\$ 55,512</u>
LIABILITIES		
Accounts payable	127	\$ 55,512
Accrued liabilities	666	-
Accrued interest payable	1,673,410	-
Loans payable - City of Ojai	1,099,017	-
Unearned revenue	26,000	-
 Total liabilities	 <u>2,799,220</u>	 <u>\$ 55,512</u>
NET POSITION		
Held in trust	<u>\$ (744,356)</u>	

CITY OF OJAI
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 For the Fiscal Year Ended June 30, 2017

	Successor Agency
ADDITIONS:	
Property taxes	\$ 334,586
Use of money and property	<u>1,196</u>
Total additions	<u>335,782</u>
DEDUCTIONS:	
Community development	<u>70,441</u>
Total deductions	<u>70,441</u>
Change in net position	<u>265,341</u>
Total net position-beginning of fiscal year	(2,136,243)
Prior period adjustment	<u>1,126,546</u>
Total net position-beginning of fiscal year	<u>(1,009,697)</u>
Total net position-end of fiscal year	<u>\$ (744,356)</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The City of Ojai is a municipal corporation governed by an elected five-member City council. As of November 16, 2016, the Mayor is the elected leader of the Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The City has no blended component units as determined by GASB Statement No. 14, as amended by GASB Statement No. 3, GASB Statement No. 61, and GASB Statement No. 80.

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 Governmental 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.

Government-wide 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. Eliminations have been made to minimize the double counting or internal activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment 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 meeting the operational needs of a particular program, and (c) fees, 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 funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type 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:

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

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

Capital Improvements Fund is used to account for costs associated with the five year capital improvements plan.

Transit Replacement Fund – is used to account for the maintenance and replacement of transit equipment.

The City reports the following proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Basis of Accounting

The government-wide, proprietary funds, and fiduciary funds 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 liabilities are incurred, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 reported in the governmental funds to be available if the revenues are collected within ninety days after fiscal year-end. Expenditures are recorded when the related fund 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 that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

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 assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position or Fund Balances

Cash and Investments

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position or Fund Balances (Continued)

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

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

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

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

Receivables and Payables

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

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

Property Taxes

Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

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

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

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

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position or Fund Balances (Continued)

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

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

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

Prepaid Items

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

Capital Assets

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

Major outlays for constructed capital assets and improvements are capitalized during the construction period and is shown as construction in progress. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2017.

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

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

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

Compensated Absences and Post-Employment Benefits

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position or Fund Balances (Continued)

Compensated Absences and Post-Employment Benefits (Continued)

The Compensated absences policy of the City is as follows:

- a) Vacation is accrued by full time employees who work either 36 or 40 hours per week and is based on years of service. 36 hours per week employees with up to 1 year of service accrue 79.2 hours per year and those with over 18 years of service accrue up to 144.0 hours per year. 40 hours per week employees with up to 1 year of service accrue 88.0 hours per year and those with over 18 years of service accrue up to 160.0 hours per year. Permanent part-time employees receive a pro-rata accrual based on hours worked exceeding 20 hours per week. Maximum accrual is 270 hours.
- b) Sick leave is accrued by employees who work 36 hours per week at a rate of 7.2 hours per month and employees who work 40 hours per week accrue at a rate of 8 hours per month. Permanent part time employees accrue a pro-rata share of these hours based on hours worked exceeding 20 hours per week. Maximum hours allowed as an accrual are 960. Employees can sell back up to 40 hours of sick leave every year, provided they maintain a balance of at least 300 hours. Upon death, retirement, and/or honorable separation from employment, the City will pay 50% of an employee's accumulated sick leave if the employee has at least 5 years of service.
- c) Effective July 1, 2015, for all persons employed by the City who work less than the minimum of twenty (20) hours per week but who work thirty (30) or more hours within a year from the date first hired, sick leave shall be earned at a rate of one (1) hour for every thirty (30) hours worked. For these employees, sick leave may not be used until an employee has been on the job for at least ninety (90) days. Such sick leave shall be earned immediately upon employment, subject to the employee having first been a resident of the State of California for at least thirty (30) days. The maximum amount of sick leave that may be taken by such employees shall not exceed 24 hours per 12-month period. Upon termination, the City shall maintain record of accumulating hours of the employee and shall make those hours available to the employee should the employee return to employment with the City within one year. After June 30, 2017, unused sick leave is no longer paid out.

The City provides post-employment medical benefits to retired employees who were hired before November 1, 2010 and have at least 5 years of PERS service credit with the City and retire from the City. Employees hired after November 1, 2010 and before October 1, 2012, (November 1, 2012 for Council Members) must have ten years of continuous service for the City of Ojai and retire from the City to receive the post-employment medical benefits.

Employees hired after October 1, 2012, must have ten years of continuous service to the City of Ojai and retire from the City to receive the post-employee medical benefits. The benefit will be Public Employees' Medical and Hospital Care Act (PEMHCA) minimum contribution only and the retiree pays the balance of their premium.

During the 2014-15 fiscal year, the City established an irrevocable trust through the CalPERS California Employers' retiree benefit trust (CERBT) in order to prefund its other post-employment benefit (OPEB) obligation.

For the fiscal year ended June 30, 2017, the City paid \$208,850 in health care costs for its retirees and their covered dependents on a pay-as-you-go basis and \$100,000 to the irrevocable trust to pay for future benefits.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred outflows of resources the City recognized.

In addition to liabilities, the Statement of Net Position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The City has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred inflows of resources the City has recognized.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position or Fund Balances (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Amortization of bond premiums or discounts are included as part of interest expense.

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

Net Position and Fund Balances

In the Government-wide financial statements and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments or by enabling legislation) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position is temporarily restricted (ultimately expendable assets). All other net position is considered unrestricted.

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

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

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

F. Estimates

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

3. Formal budgetary integration is employed as a management control device during the fiscal year.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.
5. Budget comparisons are not presented for the Proprietary Funds, as the City is not legally required to adopt a budget for this type of fund.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

6. Capital projects are budgeted through the Capital Projects Funds. Appropriations for authorized capital projects but not constructed or completed during the fiscal year, are carried forward as continuing appropriations into the following fiscal year's budget.
7. Under Article XIII-B of the California constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset by a deficit in the following fiscal year. For the fiscal year ended June 30, 2017, based on calculations by City staff, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII-B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

B. Excess of Expenditures over Appropriation

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

Major Funds

General Fund:

City treasurer	\$	1,415
City attorney		82,068
Police		421,258
Public works-maintenance		127,251
Recreation		184,786

C. Deficit Fund Balance

The following fund had a deficit fund balance at June 30, 2017:

Major Governmental Fund

Plaza Maintenance	\$	220,959
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NOTE 3 – CASH AND INVESTMENTS

At June 30, 2017, deposits and investments were reported in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$	5,382,136
Cash and investments with fiscal agents		983

Fiduciary funds, statement of net position:

Cash and investments	<u>376,877</u>
Total cash and investments	<u>\$ 5,759,996</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

Petty cash	\$ 500
Cash in bank	749,984
Investments	<u>5,009,512</u>
Total cash and investments	<u>\$ 5,759,996</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. 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. The City had investments in the money market funds and State Investment Pool (LAIF), however, these investments are not measured under Level 1, 2 or 3.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	180 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Time Deposits	5 years	25%	None
Medium-Term Notes	5 years	30%	15%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	None	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
CalTrust	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	Remaining Maturity (in months)			
		12 Months		13 to 24 Months	25-60 Months
		Or Less	Months	Months	Months
State Investment Pool	\$ 870,364	\$ 870,364	\$ -	\$ -	\$ -
Money market funds	3,117,776	3,117,776			
CalTrust Medium Term Fund	1,021,372	1,021,772	-	-	-
Total	<u>\$ 5,009,912</u>	<u>\$ 5,009,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	AA	Not Rated
State Investment Pool	\$ 870,364	N/A	\$ -	\$ -	\$ -	\$ 870,364
Money market funds	4,139,148	N/A	-	-	-	4,139,148
Total	<u>\$ 5,009,512</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,009,512</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of the City's total investments except the investment in Ojai Community Bank which is secured by collateral.

Custodial Credit Risk

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

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

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

Investment in State Investment Pool

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 – CASH AND INVESTMENTS (Continued)

Allocation of Interest Income Among Funds

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

NOTE 4 – ACCOUNTS RECEIVABLE

The following is a list of accounts receivable at June 30, 2017:

	Receivable	Allowance	Net
Governmental Activities -			
Accounts receivable, net	<u>\$ 951,657</u>	<u>\$ -</u>	<u>\$ 951,657</u>
Business-type Activities -			
Accounts receivable, net	<u>\$ 892,399</u>	<u>\$ -</u>	<u>\$ 892,399</u>

NOTE 5 – INTERFUND ACTIVITY

The following represents the interfund activity of the City for the fiscal year ended June 30, 2017.

A. Transfers

	Transfers In	Transfers out
Major Governmental Funds:		
General	\$ -	\$ 349,671
Plaza Maintenance	50,480	-
Capital Improvements	273,951	163,348
Transit Equipment Replacement	-	3,836
Nonmajor Governmental Funds:		
Gas Tax	-	53,558
Bicycle and Pedestrian	27,008	23,856
Street Lighting	7,810	-
Equipment Replacement	244,880	-
Major Proprietary Fund:		
Transit	-	4,860
Cemetery	-	5,000
	<u>\$ 604,129</u>	<u>\$ 604,129</u>

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 – INTERFUND ACTIVITY (Continued)

B. Due to/From Other Funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2017:

	<u>Due from/ Receivable</u>	<u>Due to/ Payable</u>
Major Governmental Funds:		
General	\$ 666,600	\$ -
Plaza Maintenance	- -	222,885
Major Proprietary Fund:		
Transit	- -	443,715
	<u>\$ 666,600</u>	<u>\$ 666,600</u>

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

NOTE 6 – CAPITAL ASSETS

A. Governmental Activities

Governmental capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated:				
Right of way	\$ 798,250	\$ -	\$ -	\$ 798,250
Land	1,400,798	202,902	- -	1,603,700
Artwork	60,982	- -	- -	60,982
Construction in progress	90,545	468,007	(20,657)	537,895
Total	<u>2,350,575</u>	<u>670,909</u>	<u>(20,657)</u>	<u>3,000,827</u>
Capital assets being depreciated:				
Buildings	15,279,813	9,970	- -	15,289,783
Improvements other than buildings	3,378,764	- -	- -	3,378,764
Equipment and machinery	1,453,035	- -	- -	1,453,035
Infrastructure	16,930,987	163,533	- -	17,094,520
Vehicles	451,920	35,034	- -	486,954
Total	<u>37,494,519</u>	<u>208,537</u>	<u>- -</u>	<u>37,703,056</u>
Less accumulated depreciation for:				
Buildings	(5,266,879)	(311,722)	- -	(5,578,601)
Improvements other than buildings	(1,937,999)	(152,609)	- -	(2,090,608)
Equipment and machinery	(760,842)	(92,741)	- -	(853,583)
Infrastructure	(11,815,294)	(444,898)	- -	(12,260,192)
Vehicles	(378,694)	(13,867)	- -	(392,561)
Total	<u>(20,159,708)</u>	<u>(1,015,837)</u>	<u>- -</u>	<u>(21,175,545)</u>
Total, net of accumulated depreciation	<u>17,334,811</u>	<u>(807,300)</u>	<u>- -</u>	<u>16,527,511</u>
Total capital assets, net	<u>\$ 19,685,386</u>	<u>\$ (136,391)</u>	<u>\$ (20,657)</u>	<u>\$ 19,528,338</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 – CAPITAL ASSETS (Continued)

A. Governmental Activities (Continued)

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

Public safety	\$ 50,539
Public works	549,272
Community development	94,738
Parks and recreation	71,251
Unallocated	250,037
Total	\$ 1,015,837

B. Business-Type Activities

Business-type capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at	Balance at		
	July 1, 2016	Additions	Deletions	June 30, 2017
Cemetery Fund:				
Capital assets, not being depreciated:				
Land	\$ 108,900	\$ -	\$ -	\$ 108,900
Construction in progress	-	5,000	-	5,000
Total	108,900	5,000	-	113,900
Capital assets, being depreciated:				
Land improvements	12,124	-	-	12,124
Total	12,124	-	-	12,124
Less accumulated depreciation for:				
Land improvements	(9,168)	(246)	-	(9,414)
Total	(9,168)	(246)	-	(9,414)
Total net of accumulated depreciation				
Cemetery Fund capital assets, net	\$ 111,856	\$ 4,754	\$ -	\$ 116,610

	Balance at	Balance at		
	July 1, 2016	Additions	Deletions	June 30, 2017
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Construction in progress	-	3,837	-	3,837
Total	1,600	3,837	-	5,437
Capital assets, being depreciated:				
Land improvements	453,872	-	-	453,872
Equipment and machinery	138,864	-	-	138,864
Vehicles	912,580	-	-	912,580
Total	1,505,316	-	-	1,505,316
Less accumulated depreciation for:				
Land improvements	(127,914)	(22,695)	-	(150,609)
Equipment and machinery	(101,376)	(23,529)	-	(124,905)
Vehicles	(697,041)	(69,966)	-	(767,007)
Total	(926,331)	(116,190)	-	(1,042,521)
Total net of accumulated depreciation				
Transit Fund capital assets, net	\$ 580,585	\$ (112,353)	\$ -	\$ 468,232

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 – CAPITAL ASSETS (Continued)**B. Business-Type Activities (Continued)**

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Total Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 110,500	\$ -	\$ -	\$ 110,500
Construction in progress	-	8,837	-	8,837
Total	110,500	8,837	-	119,337
Capital assets, being depreciated:				
Land improvements	465,996	-	-	465,996
Equipment and machinery	138,864	-	-	138,864
Vehicles	912,580	-	-	912,580
Total	1,517,440	-	-	1,517,440
Less accumulated depreciation for:				
Land improvements	(137,082)	(22,941)	-	(160,023)
Equipment and machinery	(101,376)	(23,529)	-	(124,905)
Vehicles	(697,041)	(69,966)	-	(767,007)
Total	(935,499)	(116,436)	-	(1,051,935)
Total net of accumulated depreciation	581,941	(116,436)	-	465,505
Total Business-type capital assets, net	\$ 692,441	\$ (107,599)	\$ -	\$ 584,842

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

Business-type Activities:

Cemetery	\$ 246
Transit	116,190
Total	\$ 116,436

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 – LONG-TERM LIABILITIES

A. Summary

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Reductions	Prior Period Adjustment	Balance at June 30, 2017	Due Within One Year
Governmental activities:						
Compensated absences	\$ 360,305	\$ 182,591	\$ (256,719)	\$ -	\$ 286,177	\$ 71,544
Net pension liability	3,587,574	1,535,016	(688,495)	125,770	4,559,865	-
OPEB	2,456,030	492,288	(350,449)	-	2,597,869	-
Total governmental	<u>\$ 6,403,909</u>	<u>\$ 2,209,895</u>	<u>\$ (1,295,663)</u>	<u>\$ 125,770</u>	<u>\$ 7,443,911</u>	<u>\$ 71,544</u>
Business-type activities:						
Compensated absences						
Transit	\$ 90,684	\$ 42,922	\$ (71,022)	\$ -	\$ 62,584	\$ 15,646
Cemetery	1,525	554	(1,102)	-	977	244
Net pension liability	362,396	242,785	(176,639)	(125,770)	302,772	-
Total business-type	<u>\$ 454,605</u>	<u>\$ 286,261</u>	<u>\$ (248,763)</u>	<u>\$ (125,770)</u>	<u>\$ 366,333</u>	<u>\$ 15,890</u>

B. Other Post-employment Benefits (OPEB)

Plan Description:

The City provides post-employment health care benefits through the Public Employees' Medical and Hospital Care Act (PEMHCA) plan. As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City maintains an "equal" resolution with CalPERS (executed January 2011) defining the level of the City's contribution toward the cost of medical plan premiums for active retired employees to be the PEMHCA minimum employer contribution (MEC). The MEC was \$128 per month in 2017.

The City established a Health Savings Account (HSA) through the International City/County Management Association Retirement Corporation (ICMA-RC). Through this arrangement, the City provides a more generous contribution toward retiree medical premiums for certain retirees, based on their employment dates and years of service with the City.

- All employees hired and council members elected prior to November 1, 2010 that have at least 5 years of PERS service credit with the City and retire from the City (inclusive of the MEC).
- Employees hired and Council members elected on or after November 1, 2010 but prior to October 1, 2012 (November 1, 2012 for Council members) who complete 10 or more years of service with the City and retire from the City, and who meet PEMHCA eligibility requirements for medical coverage described above are eligible for the increased benefit (inclusive of the MEC).
- Employees hired on or after October 1, 2012 and council members elected on or after November 1, 2012 are not eligible for an additional benefit beyond the MEC.

For those retirees satisfying the employment date and service requirements described on the preceding paragraph the City will contribute the following amounts in place of the PEMHCA minimum employer contribution.

- 100% of retiree's (Single coverage) premium, but no more than the current PERS Choice pre-Medicare premium rate (Los Angeles Area)
- Plus, if applicable, 80% of additional premiums for the retiree's spouse (including a surviving spouse receiving CalPERS retirement benefits) and/or other eligible dependents, but not more than 80% of the difference between:
 - The Los Angeles Area PERS Choice pre-Medicare Two-Party or Family premium rate (as applicable) and
 - The Los Angeles Area PERS Choice pre-Medicare Single premium rate.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 – LONG-TERM LIABILITIES (Continued)

B. Other Post-employment Benefits (OPEB) (Continued)

During the fiscal year ended June 30, 2015, the City established an irrevocable trust through the CalPERS California Employers' Retiree Benefit Trust (CERBT) in order to prefund its other post-employment benefit (OPEB) obligation.

For the fiscal year ended June 30, 2017, the City paid \$208,850 in health care costs for its retirees and their covered dependents on a pay-as-you-go basis, \$100,000 to the irrevocable trust to pay for future benefits and an implicit subsidy of \$41,599.

Annual OPEB Cost and Net OPEB Obligation:

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

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

Annual required contribution	\$ 498,991
Interest on net OPEB obligation	142,205
Adjustment to annual required contribution	<u>(148,908)</u>
Annual OPEB cost (expense)	492,288
Actual contributions made	<u>(350,449)</u>
Increase in net OPEB obligation	141,839
Net OPEB obligation, beginning of the fiscal year	<u>2,456,030</u>
Net OPEB obligation, end of the fiscal year	<u>\$ 2,597,869</u>

The City's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2017, 2016, and 2015, are as follows:

Fiscal Year Ended	Annual OPEB			Percentage of Annual OPEB Cost		Net OPEB Obligation/ (Asset)
	Cost	Contribution	Actual	Contributed	71.19%	
6/30/2017	\$ 492,288	\$ 350,449				\$ 2,597,869
6/30/2016	\$ 479,146	\$ 420,325				\$ 2,456,030
6/30/2015	\$ 594,445	\$ 178,665				\$ 2,397,209

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 – LONG-TERM LIABILITIES (Continued)

B. Other Post-employment Benefits (OPEB) (Continued)

Funded Status and Funding Progress:

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	a% of UAAL as Covered Payroll
7/1/2015	\$ 100,000	\$ 5,102,219	\$ 5,002,219	2.0%	\$ 1,832,505	272.97%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation, and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, with one year of credit for each year of full time employment. Members with five years of total service are eligible to retire at age 50, or 52 for members beginning service on or after January 1, 2013, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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

	Miscellaneous		
	First Tier	Second Tier	PEPRA
Hire Date	Prior to <u>January 1, 2013</u>	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2% @ 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	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	22.495%	7.198%	6.237%

	Safety		
	Prior to		
Hire Date	Prior to <u>January 1, 2013</u>		
Benefit formula	2% @ 50		
Benefit vesting schedule	5 years service		
Benefit payments	monthly for life		
Retirement age	50-55		
Monthly benefits, as a % of eligible compensation	N/A	1.	
Required employee contribution rates	N/A		
Required employer contribution rates	N/A		

1. There are no active members in this plan.

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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional calculated dollar amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions-employer	\$ 388,266	\$ 113,740

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

At June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate
	Share of Net
	<u>Pension Liability</u>
Miscellaneous	\$ 4,317,730
Safety	544,907
	<u><u>\$ 4,862,637</u></u>

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

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion-June 30, 2015	0.1230%	0.0140%
Proportion-June 30, 2016	0.1243%	0.0105%
Change-Increase (Decrease)	<u>0.0013%</u>	<u>-0.0035%</u>

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$430,249. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 535,288	\$ -
Differences between expected and actual experience	13,856	12,137
Changes in assumptions	-	170,176
Changes in proportion and differences between City contributions and proportionate share of contributions	132,711	97,033
Net difference between projected and actual earnings on retirement plan investments	874,307	-
Adjustment due to differences in proportion	159,276	451,878
	<u><u>\$ 1,715,438</u></u>	<u><u>\$ 731,224</u></u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$535,288 reported as deferred outflows of resources related to pensions resulting from City 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal year Ending June 30,	Amount
2018	\$ (77,363)
2019	(54,582)
2020	354,163
2021	226,708
	<hr/>
	\$ 448,926

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3%	3%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.50%	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)	Derived using CalPERS' Membership Data for all Funds (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. 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.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle, which is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology. On December 21, 2016, CalPERS approved a plan to reduce the discount rate to 7.15% over three years.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u><u>100%</u></u>		

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

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, 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 (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 6,511,147	\$ 706,804
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 4,317,730	\$ 544,907
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 2,504,980	\$ 412,007

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2017, the City had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2017.

NOTE 9 – LIABILITY, WORKERS’ COMPENSATION, AND PURCHASED INSURANCE

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Ojai is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Authority

A revised cost allocation methodology was introduced in 2010-11; however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – LIABILITY, WORKERS’ COMPENSATION, AND PURCHASED INSURANCE (Continued)

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

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

Liability

In the liability program, claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts, the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool’s SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers’ Compensation

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

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

C. Purchased Insurance

Pollution Legal Liability Insurance

The City of Ojai participates in the pollution legal liability insurance program (formerly called environmental insurance), which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Ojai. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$10 million for the 3-year period from July 1, 2014 through July 1, 2017.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 – LIABILITY, WORKERS’ COMPENSATION, AND PURCHASED INSURANCE (Continued)

C. Purchased Insurance (Continued)

Property Insurance

The City of Ojai participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Ojai property is currently insured according to a schedule of covered property submitted by the City of Ojai to the Authority. City of Ojai property currently has all-risk property insurance protection in the amount of \$16,408,846. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Ojai purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Ojai property currently has earthquake protection in the amount of \$8,810,824. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2016-17.

As of June 30, 2017, the City has no uninsured occurrences. The City has not used an actuary in determining the liability reserve if needed. Because actual claim liabilities depend on such complex factors as inflation and changes in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claims are evaluated periodically to take into account recently settled claims, the frequency of claims and other economic and social factors.

NOTE 10 – CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS

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

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

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 – NET POSITION AND FUND BALANCES

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

A. Net Position

Net position is divided into three categories under GASB Statement No. 63. These categories apply only to net position as determined at the government-wide level, and are described below:

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

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

Unrestricted describes the portion of Net Position which is not restricted as to use.

B. Fund Balances

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations. The City has a committed fund balance of \$100,000 for OPEB at June 30, 2017.

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2017 are as follows:

	General Fund	Plaza Maintenance Fund	Capital Improvements Fund	Equipment Replacement Fund	Transit Other Governmental Funds	Total
<u>Nonspendable:</u>						
Prepaid items	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ 225
Due from successor agency	2,772,427	-	-	-	-	2,772,427
Total Nonspendable	<u>2,772,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,772,652</u>
<u>Restricted for:</u>						
Community development	-	-	-	-	246	246
Libraries	-	-	-	-	27,360	27,360
Libbey Bowl deferred maintenance	-	-	-	-	41,328	41,328
Streets, bikeways, parks, and other related purposes	-	-	-	-	583,877	583,877
Transit	-	-	-	122,104	-	122,104
Employee benefits	983	-	-	-	-	983
Total Restricted	<u>983</u>	<u>-</u>	<u>-</u>	<u>122,104</u>	<u>652,811</u>	<u>775,898</u>
<u>Committed for:</u>						
OPEB	100,000	-	-	-	-	100,000
Total Committed	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<u>Assigned for:</u>						
Equipment replacement	-	-	471,647	-	240,815	712,462
Total assigned	-	-	<u>471,647</u>	<u>-</u>	<u>240,815</u>	<u>712,462</u>
<u>Unassigned:</u>						
Unassigned	3,513,618	(220,959)	-	-	-	3,292,659
Total unassigned	<u>3,513,618</u>	<u>(220,959)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,292,659</u>
Total Fund Balances (Deficits)	<u>\$ 6,387,253</u>	<u>\$ (220,959)</u>	<u>\$ 471,647</u>	<u>\$ 122,104</u>	<u>\$ 893,626</u>	<u>\$ 7,653,671</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 – SUCCESSOR AGENCY

Notes and Loans Receivable

The Redevelopment Agency's Low and Moderate Housing Fund entered into an agreement on December 21, 1991 to loan Montgomery Oaks Associates, a California limited partnership, the amount of \$250,000. As of June 30, 2016, the outstanding balance is \$250,000 plus accrued interest of \$168,913. The purpose of the loan is to provide financial assistance for the land acquisition and predevelopment expenses of a 21 unit affordable housing complex. The terms of the loan call for a repayment on December 23, 2064 for principal and simple interest of 3% per annum.

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

The Redevelopment Agency's Low and Moderate Housing Fund has loaned 6 individuals funds for housing rehabilitation in the amount of \$113,914 plus accrued interest of \$44,784. These loans carry interest at rates ranging from 0% to 6% and are normally due when the property is sold.

The Redevelopment Agency's Low and Moderate Housing Fund entered into an agreement on October 10, 2000 and loaned \$550,000 to the Cabrillo Economic Development Corporation, a California nonprofit public benefit corporation at 0% interest. The terms of the loan call for a repayment at the end of 60 years. The full amount is still outstanding as of June 30, 2017.

On February 1, 2012 the Low and Moderate Housing Successor Agency assumed the notes and loans receivable previously held by the Redevelopment Agency.

As of June 30, 2017, loans receivable totaled \$1,427,611.

Settlement Agreement with the County of Ventura

The City of Ojai passed an ordinance in June 1997 which amended the Redevelopment Plan and added new territory to the project area. There was a dispute as to if the tax increment cap applies to the new territory. To settle the dispute, the City of Ojai agreed to pay the County of Ventura, per settlement agreement dated January 12, 2011, the amount of \$837,000 plus simple interest compounded annually at the City's average annual LAIF rate.

ABx1 26 was signed by the Governor on June 28, 2011. This bill eliminated redevelopment agencies throughout the state and; therefore, eliminated tax increment revenue for the agency. With the end of tax increment revenue, this agreement regarding the cap on tax increment revenue for the project areas was effectively nullified. Additionally, the bill included provisions retroactively prohibiting the Redevelopment Agency and the Redevelopment Successor Agency from incurring new debt after January 1, 2011. The aforementioned provisions of this bill have effectively nullified this agreement. The City and the County of Ventura have officially voided this agreement during the fiscal year.

Loans Payable

On February 1, 2012, the Successor Agency assumed loans due to the City of Ojai previously held by the former Redevelopment Agency. The amount due to the City of Ojai as of June 30, 2017 was \$1,099,017 including \$1,673,410 in accrued interest.

Changes in Long-Term Liabilities

Long term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Additions	Reductions	Prior Period Adjustment	Balance at June 30, 2017	Due Within One Year
Settlement Agreement						
with County of Ventura	\$ 837,000	\$ -	\$ -	\$ (837,000)	\$ -	\$ -
Loans Payable to City of Ojai	3,196,728	41,932	(186,686)	(279,547)	2,772,427	365,006
Total Successor Agency	\$ 4,033,728	\$ 41,932	\$ (186,686)	\$ (1,116,547)	\$ 2,772,427	\$ 365,006

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 – SUCCESSOR AGENCY (Continued)Operating Lease

The Successor Agency to the Redevelopment Agency has entered into an operating lease agreement for property used for the Park and Ride. The lessor is the Ojai Unified School District and the termination date of the lease is December 31, 2023. The lease may be canceled at any time by consent of both parties. The annual rent for the Park and Ride is based on available parking spaces (71). As of June 30, 2017, the amount was \$270 per space which increases annually by the Consumer Price Index (CPI). The annual lease for the Park and Ride, for the fiscal year ending June 30, 2017, was \$25,729, which will also increase annually by the CPI.

Future annual lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2018	\$ 25,729
2019	25,729
2020	25,729
2021	25,729
2022	25,729
2023-2024	<u>51,458</u> <u>\$ 180,103</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Prior period adjustments consisted of the following:

	Statement of Activities		Fund Statements		
	Governmental Activities	Business-type Activities	Governmental Funds	Proprietary Funds	Fiduciary Funds
Governmental Funds:					
General Fund					
Reallocate 20% of the due from successor agency to the successor agency housing fund as per state legislature.	\$ (279,547)	\$ -	\$ (279,547)	\$ -	\$ -
Change in pension allocation	(141,315)	-	-	-	-
Proprietary Funds:					
Cemetery Fund					
Overstatement of inventory in prior fiscal years	-	(9,896)	-	(9,896)	-
Change in pension allocation	-	24,764	-	24,764	-
Transit Fund					
Change in pension allocation	-	116,551	-	116,551	-
Fiduciary Funds:					
RDA Successor Agency Fund					
The Settlement agreement with the County of Ventura was no longer enforceable.	-	-	-	-	846,999
Housing Successor Agency Fund					
Reallocate 20% of the due from successor agency to the successor agency housing fund as per state legislature.	-	-	-	-	279,547
	<u>\$ (420,862)</u>	<u>\$ 131,419</u>	<u>\$ (279,547)</u>	<u>\$ 131,419</u>	<u>\$ 1,126,546</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,792,900	\$ 1,792,900	\$ 1,851,298	\$ 58,398
Sales	1,270,190	1,270,190	1,527,569	257,379
Transient occupancy tax	2,651,150	2,651,150	2,652,274	1,124
Licenses, permits, and fees	1,352,280	1,352,280	1,136,882	(215,398)
Fines and forfeitures	17,600	17,600	28,171	10,571
Use of money and property	12,000	12,000	55,322	43,322
Intergovernmental:				
Other	504,700	504,700	445,619	(59,081)
Motor vehicle in lieu	772,150	772,150	783,953	11,803
Charges for services	814,260	814,260	943,440	129,180
Other revenue	85,210	285,210	94,465	(190,745)
Total revenues	9,272,440	9,472,440	9,518,993	46,553
EXPENDITURES				
Current:				
General government:				
City council	200,480	200,480	186,978	13,502
City manager	571,340	581,340	519,508	61,832
City treasurer	2,400	2,400	3,815	(1,415)
City attorney	147,000	147,000	229,068	(82,068)
City finance	677,740	677,740	620,810	56,930
City clerk	217,200	217,200	208,741	8,459
Non-departmental	470,910	470,910	275,975	194,935
Total general government	2,287,070	2,297,070	2,044,895	252,175
Public safety:				
Police	2,877,900	2,877,900	3,299,158	(421,258)
Total public safety	2,877,900	2,877,900	3,299,158	(421,258)
Public works:				
General admin/engineering	618,310	618,310	513,025	105,285
Maintenance	1,211,290	1,211,290	1,338,541	(127,251)
Total public works	1,829,600	1,829,600	1,851,566	(21,966)
Community development	1,204,370	1,204,370	922,691	281,679
Parks and recreation:				
Recreation	831,480	831,480	1,016,266	(184,786)
Total parks and recreation	831,480	831,480	1,016,266	(184,786)
Total expenditures	9,030,420	9,040,420	9,134,576	(94,156)
Excess of revenues over (under) expenditures	242,020	432,020	384,417	(47,603)

(Continued)

CITY OF OJAI**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Fiscal Year Ended June 30, 2017

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (233,250)	\$ (433,250)	\$ (349,671)	\$ 83,579
Total other financing sources (uses)	(233,250)	(433,250)	(349,671)	83,579
Net change in fund balance	8,770	(1,230)	34,746	35,976
Fund balance - July 1, 2016	6,632,054	6,632,054	6,632,054	
Prior period adjustment			(279,547)	(279,547)
Fund balance - July 1, 2016, restated	6,632,054	6,632,054	6,352,507	(279,547)
Fund balance - June 30, 2017	\$ 6,640,824	\$ 6,630,824	\$ 6,387,253	\$ (243,571)

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 PLAZA MAINTENANCE FUND
 For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other taxes and assessments	\$ 144,450	\$ 144,450	\$ 145,537	\$ 1,087
Use of money and property	2,600	2,600	3,102	502
Total revenues	147,050	147,050	148,639	1,589
EXPENDITURES				
Current:				
Community development	155,370	155,370	115,947	39,423
Total expenditures	155,370	155,370	115,947	39,423
Excess of revenues over (under) expenditures	(8,320)	(8,320)	32,692	41,012
OTHER FINANCING SOURCES (USES)				
Transfers in	50,480	50,480	50,480	-
Total other financing sources (uses)	50,480	50,480	50,480	-
Net change in fund balance	42,160	42,160	83,172	41,012
Fund balance - July 1, 2016	(304,131)	(304,131)	(304,131)	-
Fund balance - June 30, 2017	\$ (261,971)	\$ (261,971)	\$ (220,959)	\$ 41,012

CITY OF OJAISchedule of Funding Progress for Post Employment Benefits Other Than Pension
For the Fiscal Year Ended June 30, 2017

The following table provides required supplementary information regarding the City's post employment health care benefits.

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2009	\$ -	\$ 4,189,579	\$ 4,189,579	0%	\$ 1,944,839	215.42%
July 1, 2012	\$ -	\$ 5,034,612	\$ 5,034,612	0%	\$ 1,942,741	259.15%
July 1, 2015	\$ 100,000	\$ 5,102,219	\$ 5,002,219	2.0%	\$ 1,832,505	272.97%

CITY OF OJAI**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

Last 10 Years*

As of June 30, 2017

The following table provides required supplementary information regarding the City's Pension Plans.

	2015	2016	2017
Proportion of the net pension liability	0.06463%	0.05755%	0.05620%
Proportionate share of the net pension liability	\$ 4,021,490	\$ 3,949,970	\$ 4,862,637
Covered- employee payroll	\$ 1,729,126	\$ 1,920,727	\$ 1,832,505
Proportionate share of the net pension liability as percentage of covered-employee payroll	232.57%	205.65%	265.35%
Plan's total pension liability	\$ 30,829,966,631	\$ 31,771,217,402	\$ 33,358,627,624
Plan's fiduciary net position	\$ 24,607,502,515	\$ 24,907,305,871	\$ 24,705,532,291
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF OJAI**SCHEDULE OF CONTRIBUTIONS**

Last 10 Years*

As of June 30, 2017

The following table provides required supplementary information regarding the City's Pension Plans.

	2015	2016	2017
Contractually required contribution (actuarially determined)	\$ 546,420	\$ 502,006	\$ 535,288
Contribution in relation to the actuarially determined contributions	(546,420)	(502,006)	(535,288)
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered- employee payroll	\$ 1,920,727	\$ 1,832,505	\$ 1,855,753
Contributions as a percentage of covered-employee payroll	28.45%	27.39%	28.84%

Notes to Schedule

Valuation date:	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	Level percentage of payroll, closed
Discount rate	7.50%
Price inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds.
Post retirement benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Valuation date:	6/30/2015
Discount rate:	7.65%

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF OJAI
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The **Libbey Bowl Maintenance Fund** is used to account for the receipt of the ticket surcharge for facility maintenance.

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used for the accumulation of the financial resources needed for the acquisition of equipment and technology (other than those financed by the proprietary funds). The specific capital projects fund utilized by the City is shown below:

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

The **Equipment Replacement Fund** is used to account for costs associated with the replacement of vehicles, technology, and efficiency-enhancing equipment.

CITY OF OJAI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Special Revenue Funds			
	Libbey Bowl Maintenance	Gas Tax	Drainage	Bicycle and Pedestrian
ASSETS				
Cash and investments	\$ 36,690	\$ 170,299	\$ 70,085	\$ 253,744
Accounts receivable, net	<u>4,638</u>	<u>14,930</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 41,328</u></u>	<u><u>\$ 185,229</u></u>	<u><u>\$ 70,085</u></u>	<u><u>\$ 253,744</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	41,328	185,229	70,085	253,744
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>41,328</u></u>	<u><u>185,229</u></u>	<u><u>70,085</u></u>	<u><u>253,744</u></u>
Total liabilities and fund balances	<u><u>\$ 41,328</u></u>	<u><u>\$ 185,229</u></u>	<u><u>\$ 70,085</u></u>	<u><u>\$ 253,744</u></u>

Special Revenue Funds				Capital Projects Funds			
Street Lighting	Community Development Block Grant	Library Special Tax	Park Acquisition	Equipment Replacement	Totals		
\$ 67,071 2,905	\$ 246 -	\$ 50,262 3,598	\$ 5,988 -	\$ 243,479 -	\$ 897,864 26,071		
<u>\$ 69,976</u>	<u>\$ 246</u>	<u>\$ 53,860</u>	<u>\$ 5,988</u>	<u>\$ 243,479</u>	<u>\$ 923,935</u>		
\$ 195	\$ -	\$ 26,500	\$ 950	\$ 2,664	\$ 30,309		
195	-	26,500	950	2,664	30,309		
69,781 -	246 -	27,360 -	5,038 -	- 240,815	652,811 240,815		
69,781	246	27,360	5,038	240,815	893,626		
<u>\$ 69,976</u>	<u>\$ 246</u>	<u>\$ 53,860</u>	<u>\$ 5,988</u>	<u>\$ 243,479</u>	<u>\$ 923,935</u>		

CITY OF OJAI

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

Special Revenue Funds					
	Libbey Bowl Maintenance	Gas Tax	Drainage	Bicycle and Pedestrian	
REVENUES					
Other taxes and assessments	\$ -	\$ -	\$ -	\$ -	
Use of money and property	- -	588	278	1,077	
Intergovernmental:					
Other	- -	150,219	- -	40,805	
Charges for services	17,606	- -	7,533	- -	
Total revenues	17,606	150,807	7,811	41,882	
EXPENDITURES					
Current:					
Public works	- -	- -	16,480	- -	
Parks and recreation	- -	- -	- -	- -	
Libraries	- -	- -	- -	- -	
Capital outlay	- -	- -	- -	- -	
Total expenditures	- -	- -	16,480	- -	
Excess of revenues over (under) expenditures	17,606	150,807	(8,669)	41,882	
OTHER FINANCING SOURCES (USES)					
Transfers in	- -	- -	- -	27,008	
Transfers out	- -	(53,558)	- -	(23,856)	
Total other financing sources (uses)	- -	(53,558)	- -	3,152	
Net change in fund balances	17,606	97,249	(8,669)	45,034	
Fund balances - July 1, 2016	23,722	87,980	78,754	208,710	
Fund balances - June 30, 2017	<u>\$ 41,328</u>	<u>\$ 185,229</u>	<u>\$ 70,085</u>	<u>\$ 253,744</u>	

Special Revenue Funds			Capital Projects Funds			
Street Lighting	Community Development Block Grant	Library Special Tax	Park Acquisition	Equipment Replacement	Totals	
\$ 92,509 221	\$ -	\$ 112,544 282	\$ - 20	\$ - 143	\$ 205,053 2,609	
-	-	-	-	-	191,024	
-	-	-	1,400	-	26,539	
<u>92,730</u>	<u>-</u>	<u>112,826</u>	<u>1,420</u>	<u>143</u>	<u>425,225</u>	
69,302	-	-	-	-	85,782	
-	-	-	950	-	950	
-	-	123,493	-	-	123,493	
-	-	-	-	52,801	52,801	
<u>69,302</u>	<u>-</u>	<u>123,493</u>	<u>950</u>	<u>52,801</u>	<u>263,026</u>	
23,428	-	(10,667)	470	(52,658)	162,199	
7,810	-	-	-	244,880	279,698	
-	-	-	-	-	(77,414)	
<u>7,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,880</u>	<u>202,284</u>	
31,238	-	(10,667)	470	192,222	364,483	
<u>38,543</u>	<u>246</u>	<u>38,027</u>	<u>4,568</u>	<u>48,593</u>	<u>529,143</u>	
<u>\$ 69,781</u>	<u>\$ 246</u>	<u>\$ 27,360</u>	<u>\$ 5,038</u>	<u>\$ 240,815</u>	<u>\$ 893,626</u>	

CITY OF OJAI**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIBBEY BOWL MAINTENANCE FUND
For the Fiscal Year Ended June 30, 2017**

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 6,000	\$ 17,606	\$ 11,606
Total revenues	6,000	17,606	11,606
Net change in fund balance	6,000	17,606	11,606
Fund balance - July 1, 2016	23,722	23,722	-
Fund balance - June 30, 2017	<u>\$ 29,722</u>	<u>\$ 41,328</u>	<u>\$ 11,606</u>

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GAS TAX SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ -	\$ 150,219	\$ 150,219
Use of money and property	<u>161,520</u>	<u>588</u>	<u>(160,932)</u>
Total revenues	<u>161,520</u>	<u>150,807</u>	<u>(10,713)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(161,520)</u>	<u>(53,558)</u>	<u>107,962</u>
Total other financing sources (uses)	<u>(161,520)</u>	<u>(53,558)</u>	<u>107,962</u>
Net change in fund balance	-	97,249	97,249
Fund balance - July 1, 2016	<u>87,980</u>	<u>87,980</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ 87,980</u>	<u>\$ 185,229</u>	<u>\$ 97,249</u>

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 DRAINAGE SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 15,000	\$ 7,533	\$ (7,467)
Use of money and property	1,110	278	(832)
Total revenues	<u>16,110</u>	<u>7,811</u>	<u>(8,299)</u>
EXPENDITURES			
Current:			
Public works	<u>16,480</u>	<u>16,480</u>	<u>-</u>
Total expenditures	<u>16,480</u>	<u>16,480</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(370)</u>	<u>(8,669)</u>	<u>(8,299)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(167,000)</u>	<u>-</u>	<u>167,000</u>
Total other financing sources (uses)	<u>(167,000)</u>	<u>-</u>	<u>167,000</u>
Net change in fund balance	<u>(167,370)</u>	<u>(8,669)</u>	<u>158,701</u>
Fund balance - July 1, 2016	<u>78,754</u>	<u>78,754</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ (88,616)</u>	<u>\$ 70,085</u>	<u>\$ 158,701</u>

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 BICYCLE AND PEDESTRIAN SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 400	\$ 1,077	\$ 677
Intergovernmental:			
Other	40,000	40,805	805
Total revenues	40,400	41,882	1,482
OTHER FINANCING SOURCES (USES)			
Transfers in		27,008	27,008
Transfers out	(259,000)	(23,856)	235,144
Total other financing sources (uses)	(259,000)	3,152	262,152
Net change in fund balance	(218,600)	45,034	263,634
Fund balance - July 1, 2016	208,710	208,710	-
Fund balance - June 30, 2017	\$ (9,890)	\$ 253,744	\$ 263,634

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 STREET LIGHTING FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 90,910	\$ 92,509	\$ 1,599
Use of money and property	-	221	221
Total revenues	<u>90,910</u>	<u>92,730</u>	<u>1,820</u>
EXPENDITURES			
Public works	<u>81,950</u>	<u>69,302</u>	<u>12,648</u>
Total expenditures	<u>81,950</u>	<u>69,302</u>	<u>12,648</u>
Excess of revenues over (under) expenditures	<u>8,960</u>	<u>23,428</u>	<u>14,468</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>7,810</u>	<u>7,810</u>	<u>-</u>
Total other financing sources (uses)	<u>7,810</u>	<u>7,810</u>	<u>-</u>
Net change in fund balance	16,770	31,238	14,468
Fund balance - July 1, 2016	<u>38,543</u>	<u>38,543</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ 55,313</u>	<u>\$ 69,781</u>	<u>\$ 14,468</u>

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Capital outlay	-	-	-
Total expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance - July 1, 2016	246	246	-
Fund balance - June 30, 2017	\$ 246	\$ 246	\$ -

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 LIBRARY SPECIAL TAX SPECIAL REVENUE FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 111,320	\$ 112,544	\$ 1,224
Use of money and property	<u>-</u>	<u>282</u>	<u>282</u>
Total revenues	<u>111,320</u>	<u>112,826</u>	<u>1,506</u>
EXPENDITURES			
Current:			
Libraries	<u>123,490</u>	<u>123,493</u>	<u>(3)</u>
Total expenditures	<u>123,490</u>	<u>123,493</u>	<u>(3)</u>
Net change in fund balance	(12,170)	(10,667)	1,503
Fund balance - July 1, 2016	<u>38,027</u>	<u>38,027</u>	<u>-</u>
Fund balance - June 30, 2017	<u>\$ 25,857</u>	<u>\$ 27,360</u>	<u>\$ 1,503</u>

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 PARK ACQUISITION CAPITAL PROJECTS FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ 10	\$ 20	\$ 10
Charges for services	1,100	1,400	300
Total revenues	1,110	1,420	310
EXPENDITURES			
Current:			
Parks	-	950	(950)
Total expenditures	-	950	(950)
Net change in fund balance	1,110	470	(640)
Fund balance - July 1, 2016	4,568	4,568	-
Fund balance - June 30, 2017	\$ 5,678	\$ 5,038	\$ (640)

CITY OF OJAI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 EQUIPMENT REPLACEMENT FUND
 For the Fiscal Year Ended June 30, 2017

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 143	\$ 143
Total revenues	-	143	143
EXPENDITURES			
Capital outlay	114,200	52,801	61,399
Total expenditures	114,200	52,801	61,399
Excess of revenues over (under) expenditures	(114,200)	(52,658)	61,542
OTHER FINANCING SOURCES (USES)			
Transfers in	241,260	244,880	3,620
Total other financing sources (uses)	241,260	244,880	3,620
Net change in fund balance	127,060	192,222	65,162
Fund balance - July 1, 2016	48,593	48,593	-
Fund balance - June 30, 2017	\$ 175,653	\$ 240,815	\$ 65,162

CITY OF OJAI**COMBINING STATEMENT FIDUCIARY NET POSITION****PRIVATE PURPOSE TRUST FUNDS**

June 30, 2017

	Housing Successor Agency	RDA Successor Agency	Total
ASSETS			
Cash and investments	\$ 205,103	\$ 116,262	\$ 321,365
Due from other funds	274,755		274,755
Notes receivable	1,427,611	-	1,427,611
Land	305,888	-	305,888
Total assets	2,213,357	116,262	2,329,619
LIABILITIES			
Accounts payable	-	127	127
Accrued liabilities	-	666	666
Accrued interest payable - City of Ojai	-	1,673,410	1,673,410
Loans payable - City of Ojai	-	1,099,017	1,099,017
Unearned revenue	-	26,000	26,000
Due to other funds	-	274,755	274,755
Total liabilities	-	3,073,975	3,073,975
NET POSITION			
Held in trust	\$ 2,213,357	\$ (2,957,713)	\$ (744,356)

CITY OF OJAI

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2017

	Housing Successor Agency	RDA Successor Agency	Total
ADDITIONS:			
Property taxes	\$ -	\$ 334,586	\$ 334,586
Use of money and property	<u>834</u>	<u>362</u>	<u>1,196</u>
Total additions	<u>834</u>	<u>334,948</u>	<u>335,782</u>
DEDUCTIONS			
Community development	<u>2,780</u>	<u>67,661</u>	<u>70,441</u>
Total deductions	<u>2,780</u>	<u>67,661</u>	<u>70,441</u>
Change in net position	<u>(1,946)</u>	<u>267,287</u>	<u>265,341</u>
Total net position-beginning of fiscal year	<u>1,935,756</u>	<u>(4,071,999)</u>	<u>(2,136,243)</u>
Prior period adjustment	<u>279,547</u>	<u>846,999</u>	<u>1,126,546</u>
Total net position-beginning of fiscal year	<u>2,215,303</u>	<u>(3,225,000)</u>	<u>(1,009,697)</u>
Total net position-end of fiscal year	<u>\$ 2,213,357</u>	<u>\$ (2,957,713)</u>	<u>\$ (744,356)</u>