

**CITY OF OJAI
CALIFORNIA**

FINANCIAL STATEMENTS
June 30, 2018

CITY OF OJAI
BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

Emphasis of Matter

Changes in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other 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 17, the budgetary comparison information on pages 65 through 67, the schedule of net pension liability on page 68, the schedule of pension contributions on page 69, the schedule of changes in the net OPEB liability and related ratios on page 70, and the schedule of OPEB contributions on page 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 27, 2019, 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.

Mosa, Levy & Haughein LLP

Santa Maria, California
February 27, 2019

CITY OF OJAI
For the fiscal year ended June 30, 2018

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, 2018. 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, 2018 by \$20.7 million (total net position). The net position invested in capital assets was approximately \$21.3 million (103.2%), the unrestricted net position was approximately negative \$1.3 million (-6.1%) and approximately \$599,000 (3.0%) was restricted. The unrestricted total net position at June 30, 2018 decreased approximately \$1.9 million from the prior year, while the restricted net position decreased approximately \$176,000.
- At June 30, 2018, fund balances in the City's governmental funds totaled approximately \$6.66 million, a decrease of approximately \$989,000 from the prior year. Governmental fund assets totaled \$8.95 million, a decrease of approximately \$628,000 from the prior year balance, and total governmental fund liabilities totaled \$2.29 million, an increase of approximately \$361,000 from the prior year balance.
- At June 30, 2018, the "Unassigned" fund balance in the City's General Fund was \$3.6 million, (approximately 38.3% of total General Fund operating expenditures for the current fiscal year). The balance increased by approximately \$27,000 from the \$3.5 million June 30, 2017 Unassigned fund balance, (which was approximately 38.5% of total General Fund operating expenditures).
- As shown in Note 7, non-current liabilities of the governmental and business-type activities total \$9.6 million, an increase of approximately \$1.8 million from the prior year.
- In December 2017, the revenues and expenditures of the City of Ojai were impacted by the Thomas Fire. No property within city limits was destroyed but businesses were closed and residents were evacuated. Most hotels were closed the entire month of December and occupancy was significantly reduced in January and February. One of the hotels was closed through the rest of the fiscal year. These closures negatively impacted transient occupancy tax ("TOT") revenues, as well as sales tax revenues for several months. Lost TOT and sales tax revenues from the fire were estimated at approximately \$200,000 - \$250,000.
- The City implemented Governmental Accounting Standards Board ("GASB") Statement 75 ("GASB 75") this year, which increased the OPEB liability that is required to be included in the financial statements and City accounts. The impacts of the reduction in the discount rate on pension costs and liabilities have also had a significant impact on the liabilities shown in the statements and notes. Approximately \$1.2 million of the increased liabilities can be attributed to the implementation of GASB 75 related to Other Post-Employment Benefits ("OPEB") and approximately \$533,000 is due to an increase in the net pension liability that resulted primarily from a decrease in the discount rate used by CalPERS.

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 18-21 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 separate governmental funds. The basic governmental funds' financial statements are found on pages 22-28. The *General Fund, Plaza Maintenance Fund,*

Capital Improvements Fund, and the Transit Equipment Replacement Fund are considered “major funds” and information for these funds is presented separately in the governmental funds statements. Data from the other nine 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 74-77 in the *Other Supplemental Information* section of this report.

Proprietary funds: Enterprise funds are presented as business-type activities on pages 29-31 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 32-33 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 34 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 65-71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Table 1 provides information on the City’s financial positions as of June 30, 2018 and 2017. As noted earlier, the changes in net position may serve over time as a useful indicator of a government’s financial position. The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources for all city activities by approximately \$20.7 million and \$21.5 for the years ended June 30, 2018 and 2017, respectively. The City’s total net financial position decreased by approximately \$836,000 from the previous year.

As previously noted, approximately 103.2% 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) increased 6.1% (\$1.2 million) from the previous year. Most of this increase was the result of infrastructure projects, the majority of these projects were part of the ongoing improvements to the city’s streets. 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.

TABLE 1

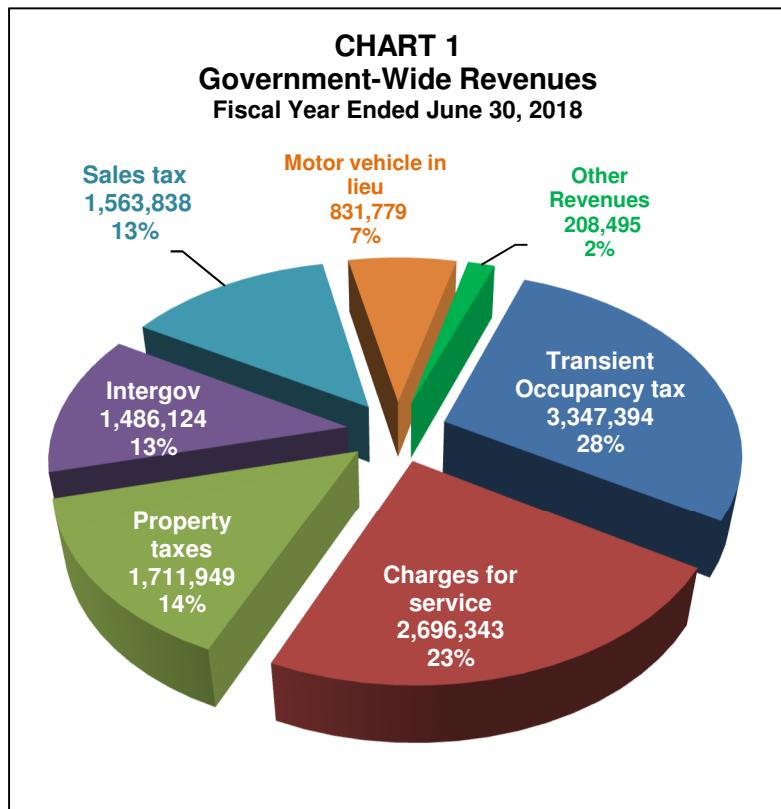
CITY OF OJAI STATEMENT OF NET POSITION JUNE 30, 2018 AND 2017						
ASSETS	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,145,474	\$ 6,584,702	\$ 611,760	\$ 643,748	\$ 6,757,234	\$ 7,228,450
Due from successor agency	2,504,780	2,772,427	-	-	2,504,780	2,772,427
Capital assets	20,726,919	19,528,338	585,128	584,842	21,312,047	20,113,180
Total assets	29,377,173	28,885,467	1,196,888	1,228,590	30,574,061	30,114,057
DEFERRED OUTFLOWS OF RESOURCES						
Related to OPEB	275,885	-	20,043	-	295,928	-
Related to pensions	1,674,879	1,626,844	106,857	88,594	1,781,736	1,715,438
Total deferred outflows	1,950,764	1,626,844	126,900	88,594	2,077,664	1,715,438
LIABILITIES						
Long-Term liabilities	8,856,593	7,372,367	636,175	350,443	9,492,768	7,722,810
Other liabilities	2,080,508	1,775,002	78,294	105,278	2,158,802	1,880,280
Total liabilities	10,937,101	9,147,369	714,469	455,721	11,651,570	9,603,090
DEFERRED INFLOWS OF RESOURCES						
Related to OPEB	773	-	56	-	829	-
Related to pensions	318,825	703,350	21,160	27,874	339,985	731,224
	319,598	703,350	21,216	27,874	340,814	731,224
NET POSITIONS						
Net investment in capital assets	20,726,919	19,528,338	585,128	584,842	21,312,047	20,113,180
Restricted	599,472	775,898	-	-	599,472	775,898
Unrestricted	(1,255,153)	357,356	2,975	248,747	(1,252,178)	606,103
Total net position	\$ 20,071,238	\$ 20,661,592	\$ 588,103	\$ 833,589	\$ 20,659,341	\$ 21,495,181

As shown in Table 1, the approximately \$559,000 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 portion of net position is unrestricted and represents resources that can be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted portion is currently negative by approximately \$1.3 million. Of the \$9.5 million long-term liabilities, approximately \$396,000 is due to compensated absences (i.e. vacation and sick leave), almost \$3.8 million is from OPEB retiree medical coverage (an increase of approximately \$1.2 million), and \$5.4 million is due to net pension liabilities (an increase of approximately \$532,000). The OPEB 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 on investment plan assets) used in the computation, retiree longevity, current salaries of employees, benefit formulas, and actual 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 to reduce the OPEB liability. 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, 2018, the balance in the trust totaled approximately \$465,000.

Statement of Activities

Table 2 provides information on the City's operations in the *Statement of Activities* for fiscal years ended June 30, 2018 and 2017.



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 \$43,000 (0.4%) from the previous year's revenues. Tax revenues totaled \$6.7 million, a decrease of \$97,000 (1.4%) from the prior year. TOT, sales tax, and property tax ("Big Three") revenues accounted for approximately 60.6% of total revenues and accounted for approximately \$77,000 of the decrease. TOT revenue was basically flat due to the effects of the Thomas Fire, as previously noted, offsetting other gains during the other months of the year. TOT revenues accounted for approximately 30.6% of total revenues. Sales tax revenues started the year strong and, despite the impact of the Thomas Fire, increased \$36,000 (2.4%) from the prior year. Property tax revenues accounted for approximately 15.7% of total revenues; however, property tax revenues decreased \$139,000 (8.1%) from the prior year. This decrease was entirely due to \$226,000 reduction in the amount of residual distributions from the Redevelopment Property Tax Trust Fund ("RPTTF"), which completely offset the \$88,000 increase in other property tax categories.

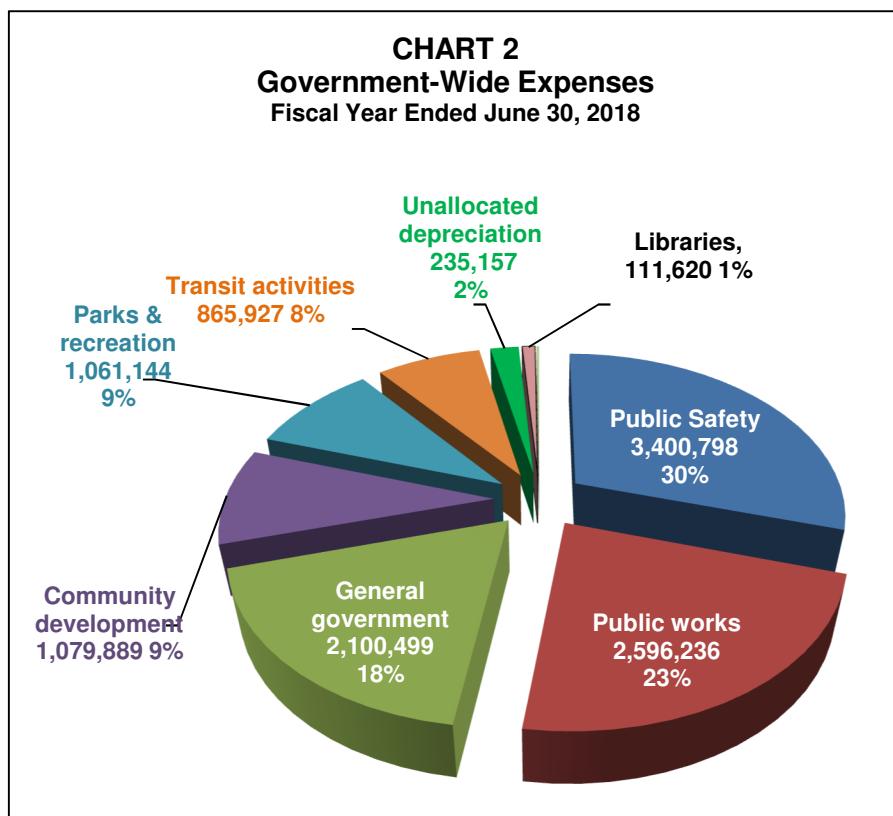
TABLE 2

CITY OF OJAI STATEMENT OF ACTIVITIES JUNE 30, 2018 AND 2017								
	Governmental Activities		Business-Type Activities		Total		2018	2017
	2018	2017	2018	2017	2018	2017		
Revenues:								
Charges for services	\$ 2,503,795	\$ 2,390,271	\$ 192,548	\$ 97,827	\$ 2,696,343	\$ 2,488,098		
Operating contributions and grants	512,940	620,673	714,803	798,154	1,227,743	1,418,827		
Capital contributions & grants	258,381	129,618	-	-	258,381	129,618		
Property taxes	1,711,949	1,851,298	-	-	1,711,949	1,851,298		
Sales taxes	1,563,838	1,527,569	-	-	1,563,838	1,527,569		
Transient occupancy taxes	3,347,394	3,321,479	-	-	3,347,394	3,321,479		
Other	94,509	114,422	-	-	94,509	114,422		
Motor vehicle in lieu	831,779	783,953	-	-	831,779	783,953		
Investment earnings	61,872	60,192	1,430	1,058	63,302	61,250		
Miscellaneous	50,684	94,463	-	-	50,684	94,463		
Total Revenues	10,937,141	10,893,938	908,781	897,039	11,845,922	11,790,977		
Expenses:								
General government	2,100,499	2,038,263	-	-	2,100,499	2,038,263		
Public Safety	3,400,798	3,336,656	-	-	3,400,798	3,336,656		
Public works	2,596,236	2,640,166	-	-	2,596,236	2,640,166		
Community development	1,079,889	1,129,901	-	-	1,079,889	1,129,901		
Parks & recreation	1,061,144	1,085,308	-	-	1,061,144	1,085,308		
Libraries	111,620	124,847	-	-	111,620	124,847		
Unallocated depreciation	235,157	250,037	-	-	235,157	250,037		
Transit activities	-	-	865,927	910,479	865,927	910,479		
Cemetery activities	-	-	22,247	10,752	22,247	10,752		
Total expenses	10,585,343	10,605,178	888,174	921,231	11,473,517	11,526,409		
Net revenue over (under) expenses before transfers	351,798	288,760	20,607	(24,192)	372,405	264,568		
Transfers	8,306	9,860	(8,306)	(9,860)	-	-		
	360,104	298,620	12,301	(34,052)	372,405	264,568		
Net position - beginning of fiscal year	20,661,592	20,783,834	833,589	736,222	21,495,181	21,520,056		
Prior period adjustment	(950,458)	(420,862)	(257,787)	131,419	(1,208,245)	(289,443)		
Net Position - beginning of fiscal year, restated	19,711,134	20,362,972	575,802	867,641	20,286,936	21,230,613		
Net position - end of fiscal year	\$ 20,071,238	\$ 20,661,592	\$ 588,103	\$ 833,589	\$ 20,659,341	\$ 21,495,181		

Governmental Activities Expenses

Expenses of *Governmental Activities* (excluding transfers) totaled approximately \$10.6 million, a decrease of \$20,000 (0.2%) from the prior year. **General government expenses** include the City Council, City Manager, City Treasurer, City Attorney, Finance, City Clerk, And Non-Departmental departments. General government expenses were mostly flat, increasing approximately \$62,000 (3.1%). Increases in the City Manager and Finance departments resulting from changes in staffing were mostly offset by reductions in additional consulting costs in the City Attorney and City Clerk departments. **Public Safety expenses** increased approximately \$65,000 (1.9%) from the prior year due to cost-of-living increases from the Sheriff's Department.

Depreciation and other adjustments to convert to the full accrual basis of accounting account for the remaining variance.



Business-type Activities: The net position from the City's Business-type Activities decreased by approximately \$245,000 from the prior year; however, this increase is entirely due to a \$258,000 prior period adjustment due to a change in the allocation of OPEB costs and the implementation of GASB 75. Revenues from business-type activities increased approximately \$12,000 (1.3%) from the prior year. Trolley user revenues provide only \$134,000 (14.8%), of the total revenues of the Transit Fund and remaining revenues come from federal, state, and local grants. Farebox revenues for the trolleys need to cover 20% of operating expenses in order to avoid a loss of grant funding for the city. Trolley fund advertising increased farebox revenue \$16,000 in the current year. The Gold Coast Transit district (GCTD) provides approximately \$180,000 annual grant funding for the operation of our trolley service. In this fiscal year, \$60,000 of GCTD local support revenue was swapped for \$60,000 of general grant funds to the city. With these two additional revenue sources, the trolley system was able to approximate the 20% requirement but this one time reclassification will not be available in future years. During the year, City Council approved an increase in the fare required to ride the trolley and reduced operating hours to reduce some of the ongoing expenses in order to increase the farebox ratio in future years. Expenses for Transit activities decreased by approximately \$45,000 and Cemetery expenses increased by approximately \$11,000 during the year to their normal level. The prior year included a reduction in pension costs due to a revision in the reporting requirements, thus the prior year expenses were artificially low.

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 Table 3, the total fund balance in the Governmental Funds was approximately \$6.7 million at fiscal year-end, a decrease of approximately \$989,000 from the prior year. The total *Nonspendable* General Fund balance at June 30, 2018 was \$2.5 million, consisting almost entirely of the amount due from the Redevelopment Successor Agency (RDASA). This amount decreased approximately \$268,000 in the General Fund due to receipt of the annual loan repayment from the RDASA. Nonspendable Fund Balance was approximately 40.8% of the total fund balance in the *General Fund* and 37.6% of total governmental fund balance as of June 30, 2018. The *Nonspendable* fund balance is not available for spending.

TABLE 3						
BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018 AND 2017						
ASSETS	General Fund		Other Governmental Funds		Total	
	2018	2017	2018	2017	2018	2017
Cash & investments	\$ 3,810,773	\$ 3,420,321	\$ 1,146,808	\$ 1,767,801	\$ 4,957,581	\$ 5,188,122
Cash & investments with fiscal agents	1,352	983	-	-	1,352	983
Accounts & interest receivable	899,267	920,879	164,667	30,778	1,063,934	951,657
Pre-paid expenditures	-	225	-	-	-	225
Due from other funds	424,126	666,600	-	-	424,126	666,600
Due from successor agency	2,504,780	2,772,427	-	-	2,504,780	2,772,427
Total assets	7,640,298	7,781,435	1,311,475	1,798,579	8,951,773	9,580,014
LIABILITIES						
Accounts payable	611,049	698,904	295,510	113,914	906,559	812,818
Other liabilities	882,319	695,278	498,278	418,247	1,380,597	1,113,525
Total liabilities	1,493,368	1,394,182	793,788	532,161	2,287,156	1,926,343
FUND BALANCES						
Nonspendable	2,504,780	2,772,652	-	-	2,504,780	2,772,652
Restricted	1,352	983	598,120	774,915	599,472	775,898
Unrestricted but assigned or committed	-	100,000	358,001	712,462	358,001	812,462
Unassigned	3,640,798	3,513,618	(438,434)	(220,959)	3,202,364	3,292,659
Total fund balances	6,146,930	6,387,253	517,687	1,266,418	6,664,617	7,653,671
TOTAL LIABILITIES, AND FUND BALANCES	\$ 7,640,298	\$ 7,781,435	\$ 1,311,475	\$ 1,798,579	\$ 8,951,773	\$ 9,580,014

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, 2018, the restricted fund balance in the Governmental funds was approximately \$599,000, consisting almost entirely of fund balances in several Special Revenue Funds of the City. The total *Unrestricted but assigned or committed* fund balance was \$0 in the General Fund at June 30, 2018 and the balance in the other governmental funds was approximately \$358,000, a reduction of almost \$454,000 due to a reduction in the Capital Improvements 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 \$3.6 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 \$27,000 in the current year. The *Unassigned* fund balance in the other Governmental funds was negative

\$438,000. This negative balance represents a deficit position in the Plaza Maintenance Fund (\$131,000) and the Capital Improvement Fund (\$307,000).

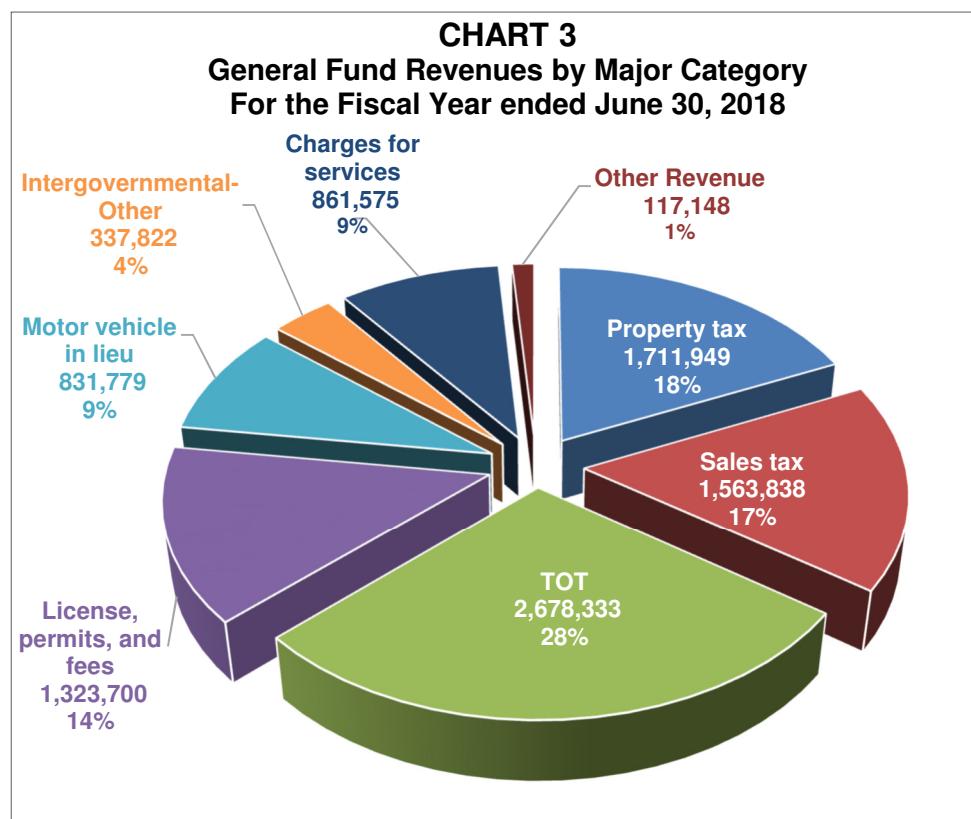
TABLE 4						
CITY OF OJAI STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the fiscal years ended June 30, 2018 and 2017						
	General Fund		Other Governmental Funds		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Property taxes	\$ 1,711,949	\$ 1,851,298	\$ -	\$ -	\$ 1,711,949	\$ 1,851,298
Sales taxes	1,563,838	1,527,569	-	-	1,563,838	1,527,569
Transient occupancy taxes	2,678,333	2,652,274	669,061	669,205	3,347,394	3,321,479
Other taxes and assessments	-	-	351,101	350,590	351,101	350,590
Licenses, permits, and fees	1,323,700	1,136,882	-	-	1,323,700	1,136,882
Fines and forfeitures	9,285	28,171	-	-	9,285	28,171
Use of money and property	57,179	55,322	7,242	7,969	64,421	63,291
Intergovernmental:						
Motor Vehicle in lieu	831,779	783,953	-	-	831,779	783,953
Other	337,822	445,619	454,349	317,142	792,171	762,761
Charges for services	861,575	943,440	29,244	26,539	890,819	969,979
Other revenue	50,684	94,465	-	3,500	50,684	97,965
	Total revenues	9,426,144	9,518,993	1,510,997	1,374,945	10,937,141
Expenditures:						
Current:						
General government	2,135,132	2,044,895	-	-	2,135,132	2,044,895
Public safety	3,405,968	3,299,158	-	-	3,405,968	3,299,158
Public works	2,032,513	1,851,566	92,696	85,782	2,125,209	1,937,348
Community development	895,630	922,691	111,722	115,947	1,007,352	1,038,638
Parks and recreation	1,008,637	1,016,266	554	950	1,009,191	1,017,216
Libraries	-	-	111,620	123,493	111,620	123,493
Non current:						
Capital outlay	24,503	-	2,115,526	1,018,968	2,140,029	1,018,968
	Total expenditures	9,502,383	9,134,576	2,432,118	1,345,140	11,934,501
	Excess of revenues over (under) expenditures	(76,239)	384,417	(921,121)	29,805	(997,360)
						414,222
Transfers in	7,469	-	660,890	604,129	668,359	604,129
Transfers out	(171,553)	(349,671)	(488,500)	(244,598)	(660,053)	(594,269)
Total other financing sources (uses)	(164,084)	(349,671)	172,390	359,531	8,306	9,860
Net change in fund balances	(240,323)	34,746	(748,731)	389,336	(989,054)	424,082
Fund balances - beginning of fiscal year	6,387,253	6,632,054	1,266,418	877,082	7,653,671	7,509,136
Prior period adjustment	-	(279,547)	-	-	-	(279,547)
Fund balances - beginning of fiscal year	6,387,253	6,352,507	1,266,418	877,082	7,653,671	7,229,589
Fund balances -end of fiscal year	\$ 6,146,930	\$ 6,387,253	\$ 517,687	\$ 1,266,418	\$ 6,664,617	\$ 7,653,671

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

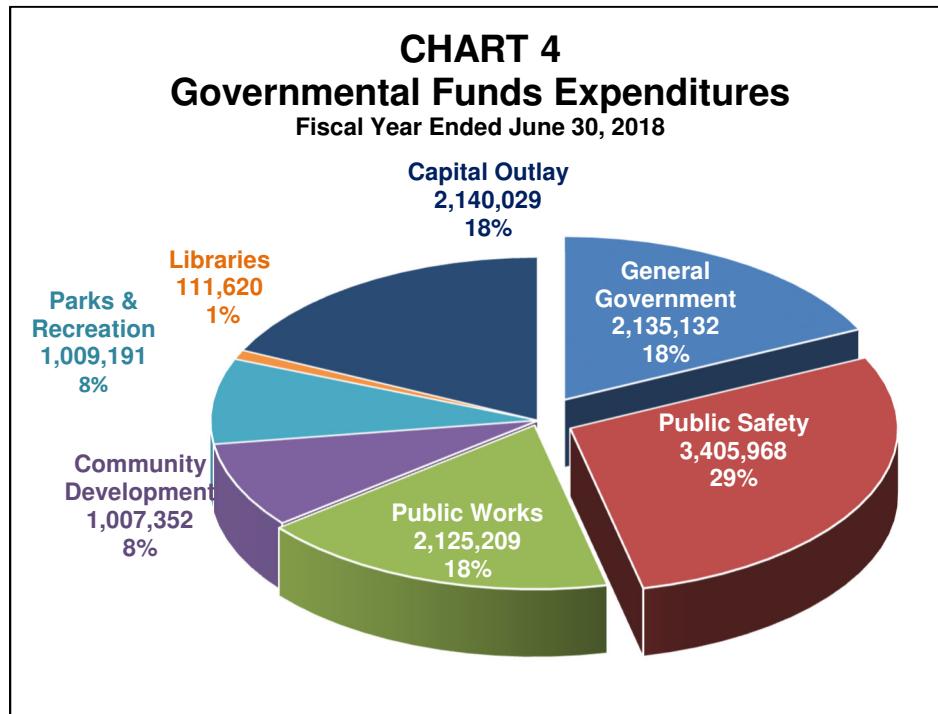
As shown in Table 4, total revenues in the Governmental funds increased approximately \$43,000. Overall, General Fund revenues decreased approximately \$93,000 while revenues from Other Governmental Funds increased approximately \$136,000. Governmental expenditures increased \$1,455,000, with approximately \$368,000 of the increase coming from the General Fund and approximately \$1,041,000 increase from the paving project in the Capital Improvement Fund. Expenditures in the General Fund exceeded revenues by \$240,000. Actual revenues in the General fund were approximately \$153,000 lower than the budget due to revenue losses resulting from the Thomas fire and expenditures were approximately \$70,000 over budget, primarily due to expenditures related to debris removal and fire prevention measures that were partially grant funded. These grant revenues were received after the revenue recognition period for the current fiscal year.

Governmental Fund Revenues

In the General Fund, Property tax revenues decreased \$139,000 (7.5%), Transient Occupancy tax (TOT) revenues increased \$26,000 (.9%) and Sales Tax revenues increased \$36,000 (2.4%). Other revenues in the General Fund decreased \$16,000 (.5%). The decrease in property tax revenues was related to a reduction in residual distribution from the redevelopment successor agency. These revenues are outside the control of the city and estimates were based upon prior year distributions. Even though the TOT and sales tax revenues increased from the prior year, the Thomas fire caused \$200-250,000 revenue loss from these two important sources.



Revenues in the other governmental funds increased approximately \$136,000, with approximately \$90,000 increase in the Capital Improvements Fund, primarily due to transfer from deferred revenue accounts in the General fund for projects. Revenues in the Plaza Maintenance Fund had no significant increase from the prior year but the negative fund balance was improved by \$90,000 in the current year. Over the past few years, there has been a trend in gas tax revenues at the state level and the amounts paid to the City of Ojai. To reverse this trend, the state legislature approved a measure to increase gas taxes and to repay local agencies for funds borrowed by the state from the gas tax accounts. This legislation resulted in an increase of approximately \$45,000 gas tax revenue to the City in the current fiscal year.



Governmental Fund Expenditures

Expenditures of the Governmental Funds increased approximately \$1.5 million with General Fund expenditures increasing \$368,000 and expenditures in other governmental funds increasing by approximately \$1.1 million (primarily due to the annual streets repair project in the Capital Improvements Fund). One of the largest expenditure increases in the General fund relates to personnel costs. With CalPERS reducing the discount rate used as a factor in calculating pension costs, the annual pension expenditure in the City is anticipated to increase by approximately \$150,000 with most of that being attributable to General Fund activities.

General Fund Expenditures

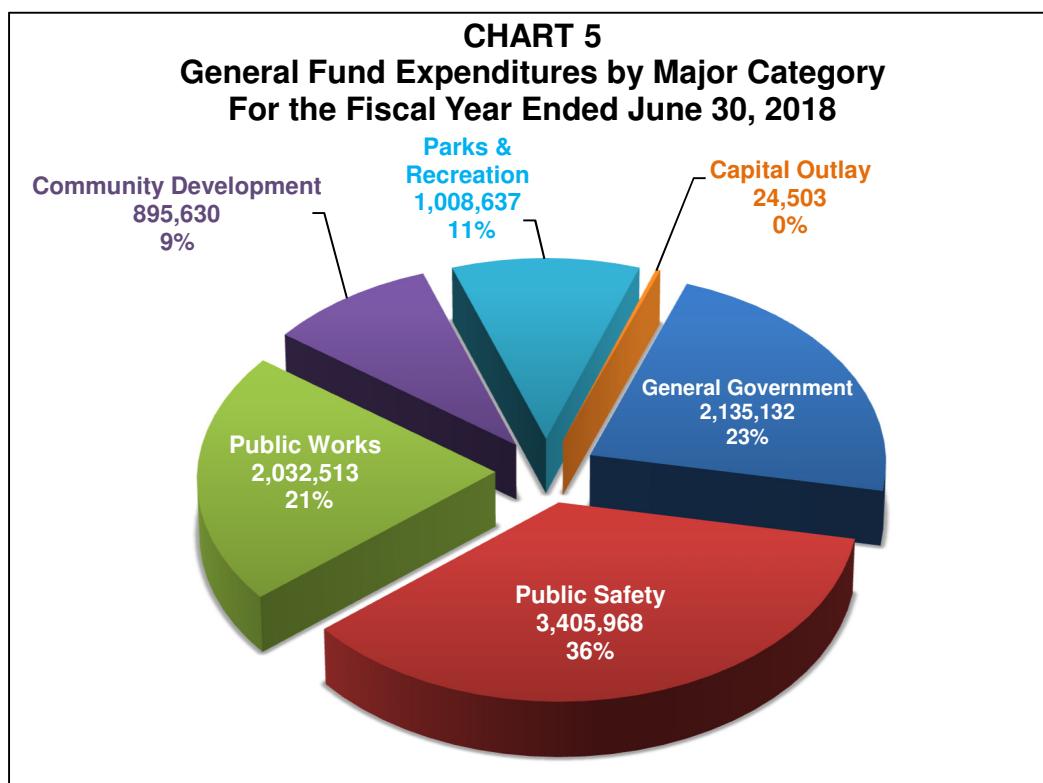
General Government

General government activities include the City Council, City Manager, City Treasurer, Finance, City Attorney, City Clerk, Non-Departmental, and Arts Commission departments. Expenditures in these departments increased \$90,000. Expenditures in the City Manager department increased approximately \$53,000, primarily due to filling a vacancy, and increased pension costs. Adding an accountant position in the finance department, cost of living increases, and increased pension costs resulted in an increase of approximately \$105,000 from the prior year; however, the cost increase was below the budgeted expenditure amount for the department. Expenditures in the non-departmental department increased by \$63,000, primarily due to an increase in property insurance from a change in the methodology used by JPIA. These increases were offset by a \$62,000 decrease in City Attorney costs due to a reduction in additional legal consulting costs

this fiscal year, and \$47,000 reduction in city clerk expenditures (including net \$39,000 reduction in contract services from filling a vacancy) in the City Clerk department.

Other General Fund Departments

Public Safety expenditures increased \$107,000 (3.1%) due to the annual cost of living increase and **Public Works** expenditures increased \$181,000 (9.8%) in the current year. The primary reason for the increase in Public Works expenditures was costs associated with the Thomas Fire. 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. **Community Development Department** expenditures decreased approximately \$27,000, primarily due to a vacancy in the director position for part of the fiscal year. **Capital outlay** expenditures increased \$25,000, primarily due to the purchase of PEG equipment this year.



General Fund Budgetary Highlights: The City Council adopted a General Fund revenue budget totaling approximately \$9.43 million and \$153,000 budget adjustments to arrive at a final budget of \$9.58 million. The adopted expenditure budget totaled \$9.05 million and \$229,000 budget adjustments were adopted during the year to arrive at the final budget of approximately \$9.28 million. Actual revenues fell short of budgeted revenues by approximately \$153,000 due to the effect of the Thomas Fire. Big Three tax revenues fell short of budget by \$172,000 due to the Thomas Fire and a reduction in residual RPTTF revenues from Ventura County. Licenses, Permits, and Fees, and revenues from interest and rentals exceeded budget by approximately \$164,000 and \$37,000, respectively. Actual revenues fell short of budget for Charges for Services, Other Revenue, and Intergovernmental revenue by \$20,000, \$72,000, and \$76,000, respectively. Despite the impacts of the Thomas Fire, sales tax revenues exceeded budget for the year due to conservative budgeting and the strength of the local economy.

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 63.3% of the total *General Fund* revenues.

The Public Safety expenditures represent 35.8% of the total General Fund expenditures, while General Government services and Public Works expenditures account for 22.5% and 21.4% of General Fund Expenditures, respectively. This is a change of -0.3, 0.1, and 1.1 percentage point change from the prior year percentages of 36.1%, 22.4%, and 20.3%, respectively.

Other Governmental Funds

Expenditures in the other governmental funds increased by approximately \$1.09 million, which was entirely due to capital outlay 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.

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 29-31 of this report) because they are reported using the full accrual basis of accounting. The net position of the Transit enterprise fund is \$298,000, a decrease of \$247,000 (45.3%) due to the \$258,000 restatement of prior year net position (see Note 13 on page 64).

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). Table 5 provides a summary of the City's capital assets net of accumulated depreciation as of June 30, 2018 and 2017. Additional information on the City's capital assets is found in the Notes to Basic Financial Statements Number 6 on pages 47-49 of this report.

TABLE 5						
CITY OF OJAI CAPITAL ASSETS NEW OF ACCUMULATED DEPRECIATION JUNE 30, 2018 AND 2017						
Non-depreciable Assets	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Rights of way	\$ 798,250	\$ 798,250	\$ -	\$ -	\$ 798,250	\$ 798,250
Land	1,603,700	1,603,700	110,500	110,500	1,714,200	1,714,200
Artwork	99,832	60,982	-	-	99,832	60,982
Construction in Progress	365,743	537,895	68,518	8,837	434,261	546,732
Depreciable Assets						
Buildings	9,398,464	9,711,182	-	-	9,398,464	9,711,182
Land Improvements	1,135,566	1,288,156	283,033	305,973	1,418,599	1,594,129
Equipment and machinery	991,406	599,452	47,469	13,959	1,038,875	613,411
Infrastructure	6,255,433	4,834,328	-	-	6,255,433	4,834,328
Vehicles	78,525	94,393	75,608	145,573	154,133	239,966
Total capital assets	\$ 20,726,919	\$ 19,528,338	\$ 585,128	\$ 584,842	\$ 21,312,047	\$ 20,113,180

Long-term liabilities: At June 30, 2018, the City had no loans or notes payable outstanding, but had a total of \$8.63 million in long-term liabilities with \$8.95 million in the governmental activities and \$640,000 in the business-type activities. Total long-term liabilities increased \$1.78 million in the current fiscal year. Pension liabilities increased approximately \$532,000 while OPEB

liability increased \$1.20 million, including the restatement and liability for compensated absences increased \$46,000. The pension liability increase can be primarily attributed to a decrease in the CalPERS discount rate which is a significant part of the pension liability computation. The liability for compensated absences is total value of vacation, compensated absences, and sick leave time that will be required to be paid out or used by employees at a future date. Pursuant to GASB 45, the City has been recording an actuarially determined OPEB liability. The City implemented GASB 75 in the current year and this resulted in a \$1.21 million restatement of the liability for a total liability of \$3.8 million. Excluding the restatement, the OPEB liability decreased \$5,000. Additional information on the City's long-term liabilities and OPEB is found in the Notes to Basic Financial Statements Numbers 7- 8, pages 50-58 of this report.

TABLE 6						
CITY OF OJAI LONG TERM LIABILITIES JUNE 30, 2018 AND 2017						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Net pension obligations	\$ 5,028,095	\$ 4,559,865	\$ 366,646	\$ 302,772	\$ 5,394,741	\$ 4,862,637
OPEB	3,543,887	2,597,869	257,465	63,561	3,801,352	2,661,430
Compensated absences	379,482	286,177	16,086	-	395,568	286,177
Total long-term liabilities	\$ 8,951,464	\$ 7,443,911	\$ 640,197	\$ 366,333	\$ 9,591,661	\$ 7,810,244

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET OUTLOOK

The City has been experiencing the lingering effects of last year's Thomas Fire, with one hotel still closed, and the related impact to tourism. Staff initially estimated that sales tax and TOT revenues would decline between \$280-350,000 but the actual losses were closer to \$180,000. Additionally, we have finished one year since expiration of the Ojai Tourism Improvement District and the long-term impacts of eliminating the district is not yet known. City management has historically budgeted revenue growth conservatively and which mitigated the Thomas Fire related revenue losses. In an effort to prepare for future economic downturns and natural disasters, management has placed additional emphasis on the reserve requirement and has built a \$140,000 contingency into the fiscal year 18-19 budget. The budget continues funding \$100,000 a year to an OPEB trust in addition to the annual pay-as-you-go funding to reduce the long-term impact of the retiree medical plan. The City has established a fund to pay for future equipment replacement, and technology improvements, with funding of \$40,000 per year for the first three years of the fund. As of June 30, 2018, this fund has accumulated \$368,000 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, 2018, the City held \$3.6 million (78.3% of the reserve requirement) in unassigned fund balance (reserves) compared to a requirement of \$4.6 million, leaving reserves \$1.0 million under the internal reserve requirement. Over the past few years, the City's top three priorities have been:

- 1) Bring General Fund reserves to the required level,
- 2) Perform deferred maintenance on the City's capital assets, and
- 3) 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 City has experienced limited success with these objectives. There have not been significant changes in meeting the reserve requirement but we are not falling further behind. The City has used 20% of total TOT revenue to maintain and improve streets, roads, and City facilities. This has allowed spending a little over \$1 million every two years on the pavement program. Finally,

increasing the difference between budgeted revenues and budgeted expenditures has been difficult but we have been able to balance the budget despite increasing pension costs. There are many demands on city resources and many “worthy” causes so City Council will need to exercise caution when considering funding requests if we are to make progress in building reserves and not over spending our limited resources in future years.

Despite the problems of the past year, the economy in the Ojai Valley has continued to grow at a modest rate over the past several years. Tourism significantly affects the City’s economy and its annual TOT and sales tax revenue. TOT revenue accounted for 28.4% of General Fund revenues and 30.6% of total city revenues in the fiscal year ended June 30, 2018, compared to 27.9% and 30.5% in the prior year. This heavy concentration of revenues from one source leaves the city vulnerable if the economy turns downward. The OTID was active from 2012-2017 but was not renewed. The 1% of the cost of hotel room rates is no longer being collected to promote tourism in the Ojai Valley. Whether a result of the general economy, the Thomas Fire, or dissolution of the OTID, TOT growth has slowed recently. Property tax and TOT revenue growth has slowed recently with an average 5% and 7% growth, respectively, over the past five years there are some indications of additional slowing on the horizon. Staff is concerned that TOT revenue growth will slow further in the coming 12-24 months. Accordingly, staff has reduced budgeted TOT growth to 2% for FY 18-19. Staff projects steady growth in Sales tax revenue in the coming year and has projected a 2% increase in FY18-19. Gas tax revenues for recent legislation should provide up to \$1 million in increased annual funding for streets projects. There are some potential head winds for the economy, but inflation remained around or below 2% and a recession is not anticipated in the coming year.

Staff projects that expenditures will continue to increase in the coming years due to three primary factors:

- 1) City staffing levels have been kept low to provide funds for the capital improvement program; however, these levels are not sustainable and we have been slowly increasing staffing levels as needed,
- 2) Pension costs will continue to increase over the next six years as changes made by the CalPERS governing board will result in an estimated \$150,000 additional pension contributions annually, and
- 3) 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 and we lose “institutional” knowledge to the contractors.

REQUESTS FOR INFORMATION

This financial report is intended 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, CCMT
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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,957,581	\$ 202,168	\$ 5,159,749
Cash and investments with fiscal agents	1,352	-	1,352
Accounts receivable, net	1,063,934	531,149	1,595,083
Internal balances	122,607	(122,607)	-
Inventory	-	1,050	1,050
Due from successor agency	2,504,780	-	2,504,780
Capital assets not being depreciated	2,867,525	179,018	3,046,543
Capital assets, net of accumulated depreciation	17,859,394	406,110	18,265,504
 Total assets	 29,377,173	 1,196,888	 30,574,061
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	275,885	20,043	295,928
Related to pensions	1,674,879	106,857	1,781,736
 Total deferred outflows of resources	 1,950,764	 126,900	 2,077,664
LIABILITIES			
Accounts payable	906,559	46,170	952,729
Accrued liabilities	109,954	6,797	116,751
Deposits payable	4,165	-	4,165
Unearned revenue	964,959	21,305	986,264
Noncurrent liabilities:			
Due within one year	94,871	4,022	98,893
Due in more than one year	8,856,593	636,175	9,492,768
 Total liabilities	 10,937,101	 714,469	 11,651,570
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	773	56	829
Related to pensions	318,825	21,160	339,985
 Total deferred inflows of resources	 319,598	 21,216	 340,814
NET POSITION			
Net investment in capital assets	20,726,919	585,128	21,312,047
Restricted for:			
Employee benefits	1,352	-	1,352
Libraries	28,209	-	28,209
Streets, bikeways, parks, and other related purposes	450,130	-	450,130
Transit	119,535	-	119,535
Community development	246	-	246
Unrestricted	(1,255,153)	2,975	(1,252,178)
 Total net position	 \$ 20,071,238	 \$ 588,103	 \$ 20,659,341

See Notes to Basic Financial Statements

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CITY OF OJAI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Capital Contributions and Grants
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
General government	\$ (2,100,499)	\$ 754,764	\$ 3,487	\$ 37,663	
Public safety	(3,400,798)	29,056	184,697	-	
Public works	(2,596,236)	263,636	324,756	220,718	
Community development	(1,079,889)	725,221	-	-	
Parks and recreation	(1,061,144)	618,789	-	-	
Libraries	(111,620)	112,329	-	-	
Unallocated depreciation	(235,157)	-	-	-	
Total governmental activities	<u>(10,585,343)</u>	<u>2,503,795</u>	<u>512,940</u>	<u>258,381</u>	
Business-type Activities:					
Transit	(865,927)	165,368	714,803	-	
Cemetery	(22,247)	27,180	-	-	
Total business-type activities	<u>(888,174)</u>	<u>192,548</u>	<u>714,803</u>	<u>-</u>	
Total government	<u>\$ (11,473,517)</u>	<u>\$ 2,696,343</u>	<u>\$ 1,227,743</u>	<u>\$ 258,381</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
Restatement

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	
\$ (1,304,585)	\$ -	\$ (1,304,585)	
(3,187,045)	-	(3,187,045)	
(1,787,126)	-	(1,787,126)	
(354,668)	-	(354,668)	
(442,355)	-	(442,355)	
709	-	709	
(235,157)	-	(235,157)	
<u>(7,310,227)</u>	<u>-</u>	<u>(7,310,227)</u>	
 - 14,244	 - 4,933	 14,244	 4,933
<u>-</u>	<u>19,177</u>	<u>19,177</u>	
<u>(7,310,227)</u>	<u>19,177</u>	<u>(7,291,050)</u>	
 1,711,949	 - 1,711,949	 1,563,838	 1,563,838
3,347,394	-	3,347,394	
94,509	-	94,509	
831,779	-	831,779	
61,872	1,430	63,302	
50,684	-	50,684	
8,306	(8,306)	-	
<u>7,670,331</u>	<u>(6,876)</u>	<u>7,663,455</u>	
<u>360,104</u>	<u>12,301</u>	<u>372,405</u>	
<u>20,661,592</u>	<u>833,589</u>	<u>21,495,181</u>	
<u>(950,458)</u>	<u>(257,787)</u>	<u>(1,208,245)</u>	
<u>19,711,134</u>	<u>575,802</u>	<u>20,286,936</u>	
 <u>\$ 20,071,238</u>	 <u>\$ 588,103</u>	 <u>\$ 20,659,341</u>	

CITY OF OJAI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Plaza Maintenance Fund
ASSETS		
Cash and investments	\$ 3,810,773	\$ -
Cash and investments with fiscal agents	1,352	-
Accounts receivable, net	899,267	16,679
Due from other funds	424,126	-
Due from successor agency	2,504,780	-
 Total assets	 \$ 7,640,298	 \$ 16,679
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 611,049	\$ 5,329
Accrued liabilities	108,195	1,759
Deposits payable	4,165	-
Due to other funds	-	140,354
Unearned revenue	769,959	-
 Total liabilities	 1,493,368	 147,442
Fund balances:		
Nonspendable:		
Due from successor agency	2,504,780	-
Restricted	1,352	-
Assigned	-	-
Unassigned	3,640,798	(130,763)
 Total fund balances (deficits)	 6,146,930	 (130,763)
 Total liabilities, and fund balances	 \$ 7,640,298	 \$ 16,679

See Notes to Basic Financial Statements

Capital Improvements Fund	Transit Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 314,535	\$ 832,273	\$ 4,957,581
-	-	-	1,352
94,168	-	53,820	1,063,934
-	-	-	424,126
-	-	-	2,504,780
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 94,168</u>	<u>\$ 314,535</u>	<u>\$ 886,093</u>	<u>\$ 8,951,773</u>
\$ 240,674	\$ -	\$ 49,507	\$ 906,559
-	-	-	109,954
-	-	-	4,165
161,165	-	-	301,519
-	195,000	-	964,959
<hr/>	<hr/>	<hr/>	<hr/>
<u>401,839</u>	<u>195,000</u>	<u>49,507</u>	<u>2,287,156</u>
-	-	-	2,504,780
-	119,535	478,585	599,472
-	-	358,001	358,001
(307,671)	-	-	3,202,364
<hr/>	<hr/>	<hr/>	<hr/>
<u>(307,671)</u>	<u>119,535</u>	<u>836,586</u>	<u>6,664,617</u>
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 94,168</u>	<u>\$ 314,535</u>	<u>\$ 886,093</u>	<u>\$ 8,951,773</u>

CITY OF OJAI**GOVERNMENTAL FUNDS****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS****TO THE STATEMENT OF NET POSITION**

June 30, 2018

Fund balances of governmental funds	\$ 6,664,617
-------------------------------------	--------------

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	\$ 42,752,969
Accumulated depreciation	<u>(22,026,050)</u>
	20,726,919

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

Deferred outflows of resources relating to:	
OPEB	\$ 275,885
Pensions	1,674,879
Deferred inflows of resources relating to:	
OPEB	(773)
Pensions	<u>(318,825)</u>
	1,631,166

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

Compensated absences	\$ 379,482
OPEB	3,543,887
Net pension liability	<u>5,028,095</u>
	<u>(8,951,464)</u>
Net position of governmental activities	\$ <u>20,071,238</u>

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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, 2018

	General Fund	Plaza Maintenance Fund
REVENUES		
Property taxes	\$ 1,711,949	\$ -
Sales taxes	1,563,838	-
Transient occupancy tax	2,678,333	-
Other taxes and assessments	-	146,368
Licenses, permits, and fees	1,323,700	-
Fines and forfeitures	9,285	-
Use of money and property	57,179	2,550
Intergovernmental:		
Other	337,822	-
Motor vehicle in lieu	831,779	-
Charges for services	861,575	-
Other revenue	<u>50,684</u>	<u>-</u>
Total revenues	<u>9,426,144</u>	<u>148,918</u>
EXPENDITURES		
Current:		
General government	2,135,132	-
Public safety	3,405,968	-
Public works	2,032,513	-
Community development	895,630	111,722
Parks and recreation	1,008,637	-
Libraries	-	-
Capital outlay	<u>24,503</u>	<u>-</u>
Total expenditures	<u>9,502,383</u>	<u>111,722</u>
Excess of revenues over (under) expenditures	<u>(76,239)</u>	<u>37,196</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	7,469	53,000
Transfers out	<u>(171,553)</u>	<u>-</u>
Total other financing sources (uses)	<u>(164,084)</u>	<u>53,000</u>
Net changes in fund balances	(240,323)	90,196
Fund balances (deficit) - July 1, 2017	<u>6,387,253</u>	<u>(220,959)</u>
Fund balances (deficit) - June 30, 2018	<u>\$ 6,146,930</u>	<u>\$ (130,763)</u>

See Notes to Basic Financial Statements

Capital Improvements Fund	Transit Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,711,949
			1,563,838
669,061	-	-	3,347,394
-	-	204,733	351,101
-	-	-	1,323,700
-	-	-	9,285
329	756	3,607	64,421
220,718	-	233,631	792,171
-	-	-	831,779
-	-	29,244	890,819
-	-	-	50,684
<u>890,108</u>	<u>756</u>	<u>471,215</u>	<u>10,937,141</u>
-	-	-	2,135,132
-	-	-	3,405,968
-	-	92,696	2,125,209
-	-	-	1,007,352
-	-	554	1,009,191
-	-	111,620	111,620
<u>2,007,306</u>	<u>-</u>	<u>108,220</u>	<u>2,140,029</u>
<u>2,007,306</u>	<u>-</u>	<u>313,090</u>	<u>11,934,501</u>
<u>(1,117,198)</u>	<u>756</u>	<u>158,125</u>	<u>(997,360)</u>
413,710	-	194,180	668,359
<u>(75,830)</u>	<u>(3,325)</u>	<u>(409,345)</u>	<u>(660,053)</u>
<u>337,880</u>	<u>(3,325)</u>	<u>(215,165)</u>	<u>8,306</u>
(779,318)	(2,569)	(57,040)	(989,054)
<u>471,647</u>	<u>122,104</u>	<u>893,626</u>	<u>7,653,671</u>
<u>\$ (307,671)</u>	<u>\$ 119,535</u>	<u>\$ 836,586</u>	<u>\$ 6,664,617</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, 2018**

Net change in fund balances - total governmental funds \$ (989,054)

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	\$ 2,153,975
Depreciation expense not reported in governmental funds	<u>(955,384)</u>
	1,198,591

Governmental funds report entire proceeds from disposal of capital assets as revenue. In the statement of activities, only resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (10)

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

279,552

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:

(35,670)

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

(93,305)

Change in net position of governmental activities \$ 360,104

CITY OF OJAI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 202,168	\$ 202,168
Accounts receivable, net	531,149	-	531,149
Inventory	-	1,050	1,050
Total current assets	<u>531,149</u>	<u>203,218</u>	<u>734,367</u>
Noncurrent Assets:			
Capital assets not being depreciated	61,372	117,646	179,018
Capital assets, net of accumulated depreciation	403,646	2,464	406,110
Total noncurrent assets	<u>465,018</u>	<u>120,110</u>	<u>585,128</u>
Total assets	<u>996,167</u>	<u>323,328</u>	<u>1,319,495</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	20,043	-	20,043
Related to pension	103,113	3,744	106,857
Total deferred outflows of resources	<u>123,156</u>	<u>3,744</u>	<u>126,900</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	43,485	2,685	46,170
Accrued liabilities	6,543	254	6,797
Unearned revenue	3,093	18,212	21,305
Due to other funds	122,607	-	122,607
Current portion of noncurrent liabilities	3,515	507	4,022
Total current liabilities	<u>179,243</u>	<u>21,658</u>	<u>200,901</u>
Noncurrent Liabilities:			
Compensated absences	10,544	1,520	12,064
Net OPEB liability	257,465	-	257,465
Net pension liability	353,798	12,848	366,646
Total noncurrent liabilities	<u>621,807</u>	<u>14,368</u>	<u>636,175</u>
Total liabilities	<u>801,050</u>	<u>36,026</u>	<u>837,076</u>
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	56	-	56
Related to pension	20,419	741	21,160
Total deferred inflows of resources	<u>20,475</u>	<u>741</u>	<u>21,216</u>
NET POSITION			
Net investment in capital assets	465,018	120,110	585,128
Unrestricted	(167,220)	170,195	2,975
Total net position	<u>\$ 297,798</u>	<u>\$ 290,305</u>	<u>\$ 588,103</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, 2018

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Operating Revenues:			
Charges for services (net of refunds)	\$ 165,368	\$ 27,180	\$ 192,548
Total operating revenues	<u>165,368</u>	<u>27,180</u>	<u>192,548</u>
Operating Expenses:			
Salaries and benefits	407,522	19,961	427,483
Material, supplies, and operational expenses	359,448	2,040	361,488
Depreciation	<u>98,957</u>	<u>246</u>	<u>99,203</u>
Total operating expenses	<u>865,927</u>	<u>22,247</u>	<u>888,174</u>
Operating income (loss)	<u>(700,559)</u>	<u>4,933</u>	<u>(695,626)</u>
Non-Operating Revenues (Expenses):			
Intergovernmental revenue	714,803	-	714,803
Interest income	<u>629</u>	<u>801</u>	<u>1,430</u>
Total non-operating revenues (expenses)	<u>715,432</u>	<u>801</u>	<u>716,233</u>
Income (loss) before transfers	14,873	5,734	20,607
Transfers (out)	<u>(4,560)</u>	<u>(3,746)</u>	<u>(8,306)</u>
Changes in net position	<u>10,313</u>	<u>1,988</u>	<u>12,301</u>
Total net position - July 1, 2017	545,272	288,317	833,589
Restatement	<u>(257,787)</u>	<u>(257,787)</u>	<u>(257,787)</u>
Total net position - July 1, 2017, restated	<u>287,485</u>	<u>288,317</u>	<u>575,802</u>
Total net position - June 30, 2018	<u>\$ 297,798</u>	<u>\$ 290,305</u>	<u>\$ 588,103</u>

See Notes to Basic Financial Statements

CITY OF OJAI

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Transit	Cemetery	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 148,806	\$ 31,739	\$ 180,545
Cash paid to suppliers for goods and services	(334,810)	(1,567)	(336,377)
Cash paid to employees for services	(434,012)	(15,327)	(449,339)
Net cash provided by (used by) operating activities	<u>(620,016)</u>	<u>14,845</u>	<u>(605,171)</u>
Cash Flows from Noncapital Financing Activities:			
Operating grants received	1,040,798	-	1,040,798
Payments made on loans from other funds	(321,108)	-	(321,108)
Transfers to other funds	(4,560)	(3,746)	(8,306)
Net cash provided by noncapital financing activities	<u>715,130</u>	<u>(3,746)</u>	<u>711,384</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	<u>(95,743)</u>	<u>(3,746)</u>	<u>(99,489)</u>
Net cash used by capital and related financing activities	<u>(95,743)</u>	<u>(3,746)</u>	<u>(99,489)</u>
Cash Flows from Investing Activities:			
Interest received	629	801	1,430
Net cash provided by investing activities	<u>629</u>	<u>801</u>	<u>1,430</u>
Net increase in cash and cash equivalents	-	8,154	8,154
Cash and Cash Equivalents at Beginning of Fiscal Year	-	194,014	194,014
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ -</u>	<u>\$ 202,168</u>	<u>\$ 202,168</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ -</u>	<u>\$ 202,168</u>	<u>\$ 202,168</u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	<u>\$ (700,559)</u>	<u>\$ 4,933</u>	<u>\$ (695,626)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	98,957	246	99,203
(Increase) decrease in accounts receivable	(16,562)	-	(16,562)
(Increase) decrease in deferred outflows	(36,914)	(1,392)	(38,306)
Increase (decrease) in accounts payable	24,960	2,529	27,489
Increase (decrease) in accrued liabilities	6,543	166	6,709
Increase (decrease) in deferred charges	-	2,503	2,503
Increase (decrease) in compensated absences	(48,525)	1,050	(47,475)
Increase (decrease) in net OPEB liability	(322)	-	(322)
Increase (decrease) in net pension liability	59,065	4,809	63,874
Increase (decrease) in deferred inflows	(6,659)	1	(6,658)
Total adjustments	<u>80,543</u>	<u>9,912</u>	<u>90,455</u>
Net cash provided by (used by) operating activities	<u>\$ (620,016)</u>	<u>\$ 14,845</u>	<u>\$ (605,171)</u>

See Notes to Basic Financial Statements

CITY OF OJAI
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	<u>Private Purpose</u>		<u>Agency Funds</u>	
	<u>Trust Funds</u>			
	<u>Successor</u>	<u>Special</u>		
	<u>Agency</u>	<u>Deposits</u>		
ASSETS				
Cash and investments	\$ 740,126	\$ 45,361		
Notes receivable	1,427,611	-		
Land	<u>305,888</u>	<u>-</u>		
Total assets	<u>2,473,625</u>	<u>\$ 45,361</u>		
LIABILITIES				
Accounts payable	-	\$ 45,361		
Accrued interest payable	1,714,623	-		
Loans payable - City of Ojai	790,157	-		
Unearned revenue	<u>394,503</u>	<u>-</u>		
Total liabilities	<u>2,899,283</u>	<u>\$ 45,361</u>		
NET POSITION				
Held in trust	<u>\$ (425,658)</u>			

CITY OF OJAI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2018

	Successor Agency
ADDITIONS:	
Property taxes	\$ 386,396
Use of money and property	2,150
Other	<u>667</u>
Total additions	<u>389,213</u>
DEDUCTIONS:	
Community development	<u>70,515</u>
Total deductions	<u>70,515</u>
Change in net position	318,698
Total net position-beginning of fiscal year	<u>(744,356)</u>
Total net position-end of fiscal year	<u>\$ (425,658)</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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, 2018

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, 2018

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 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. CalTrust portfolio of investments and the negotiable certificates of deposits are reported at fair value monthly. Changes are reported at fair value monthly 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, 2018

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, 2018.

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, 2018

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 fiscal year. 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.

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, 2018, the City paid \$195,928 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 two items which qualify for reporting in this category; refer to Notes 7 and 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 two items which qualify for reporting in this category; refer to Notes 7 and 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

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.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balances (Continued)

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.

G. New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.” This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation of the GASB Statement No. 75 and the impact on the City’s financial statements are explained in Note 7 – Other Postemployment Benefits and Note 13 – Restatement.

H. Future Accounting Pronouncements

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

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. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest—an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

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.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

A. Budgetary Information (Continued)

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.
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 attorney	\$	7,685
Non-departmental		46,371
Public works		215,633
Community development		12,020
Recreation		68,707

Nonmajor Special Revenue Funds

Park Acquisition Capital Projects Fund:

Parks	554
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C. Deficit Fund Balances

The following funds had a deficit fund balance at June 30, 2018:

Major Governmental Funds

Plaza Maintenance	\$	130,763
Capital Improvements Fund		307,671

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS

At June 30, 2018, deposits and investments were reported in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 5,159,749
Cash and investments with fiscal agents	1,352
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Fiduciary funds, statement of net position:	
Cash and investments	<u>785,487</u>
Total cash and investments	<u>\$ 5,946,588</u>

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

Petty cash	\$ 500
Cash in bank	571,381
Investments	<u>5,374,707</u>
Total cash and investments	<u>\$ 5,946,588</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. The City had Level 1 investments in CalTrust with a fair market value of \$773,946 and negotiable certificates of deposit with a fair market value of \$2,015,034.

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.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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 Or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 1,138,440	\$ 1,138,440	\$ -	\$ -	\$ -
Negotiable certificates of deposit	2,015,034	488,885	244,437	1,281,712	-
Money market funds	1,447,287	1,447,287	-	-	-
CalTrust Medium Term Fund	773,946	773,946	-	-	-
 Total	 \$ 5,374,707	 \$ 3,848,558	 \$ 244,437	 \$ 1,281,712	 \$ -

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	Exempt	Rating as of Fiscal Year End		
		Legal Rating	From Disclosure	AAA	A+f	Not Rated
State Investment Pool	\$ 1,138,440	N/A	\$ -	\$ -	\$ -	\$ 1,138,440
Negotiable certificates of deposit	2,015,034	N/A	-	-	-	2,015,034
Money market funds	1,447,287	N/A	-	-	-	1,447,287
CalTrust Medium Term Fund	773,946	N/A	-	-	773,946	-
 Total	 \$ 5,374,707		 \$ -	 \$ -	 \$ 773,946	 \$ 4,600,761

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.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

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 and CalTrust).

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.

NOTE 4 – ACCOUNTS RECEIVABLE

The following is a list of accounts receivable at June 30, 2018:

	Receivable	Allowance	Net
Governmental Activities -			
Accounts receivable, net	\$ 1,063,934	\$ -	\$ 1,063,934
Business-type Activities -			
Accounts receivable, net	\$ 531,149	\$ -	\$ 531,149
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 5 – INTERFUND ACTIVITY

The following represents the interfund activity of the City for the fiscal year ended June 30, 2018:

A. Transfers

	<u>Transfers In</u>	<u>Transfers out</u>
Major Governmental Funds:		
General	\$ 7,469	\$ 171,553
Plaza Maintenance	53,000	-
Capital Improvements	413,710	75,830
Transit Equipment Replacement	-	3,325
Nonmajor Governmental Funds:		
Libby Bowl Maintenance	-	7,469
Gas Tax	-	303,000
Bicycle and Pedestrian		98,876
Street Lighting	7,810	-
Equipment Replacement	186,370	-
Major Proprietary Funds:		
Transit	-	4,560
Cemetery	-	3,746
	<u><u>\$ 668,359</u></u>	<u><u>\$ 668,359</u></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.

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, 2018:

	<u>Due from/ Receivable</u>	<u>Due to/ Payable</u>
Major Governmental Funds:		
General	\$ 424,126	\$ -
Plaza Maintenance	-	140,354
Capital Improvements	-	161,165
Major Proprietary Fund:		
Transit	<u>-</u>	<u>122,607</u>
	<u><u>\$ 424,126</u></u>	<u><u>\$ 424,126</u></u>

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

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – CAPITAL ASSETS

A. Governmental Activities

Governmental capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets, not being depreciated:				
Right of way	\$ 798,250	\$ -	\$ -	\$ 798,250
Land	1,603,700	-	-	1,603,700
Artwork	60,982	38,850	-	99,832
Construction in progress	537,895	250,341	(422,493)	365,743
Total	<u>3,000,827</u>	<u>289,191</u>	<u>(422,493)</u>	<u>2,867,525</u>
Capital assets being depreciated:				
Buildings	15,289,783	-	-	15,289,783
Improvements other than buildings	3,378,764	-	-	3,378,764
Equipment and machinery	1,453,035	453,838	(104,889)	1,801,984
Infrastructure	17,094,520	1,833,439	-	18,927,959
Vehicles	486,954	-	-	486,954
Total	<u>37,703,056</u>	<u>2,287,277</u>	<u>(104,889)</u>	<u>39,885,444</u>
Less accumulated depreciation for:				
Buildings	(5,578,601)	(312,718)	-	(5,891,319)
Improvements other than buildings	(2,090,608)	(152,590)	-	(2,243,198)
Equipment and machinery	(853,583)	(61,874)	104,879	(810,578)
Infrastructure	(12,260,192)	(412,334)	-	(12,672,526)
Vehicles	(392,561)	(15,868)	-	(408,429)
Total	<u>(21,175,545)</u>	<u>(955,384)</u>	<u>104,879</u>	<u>(22,026,050)</u>
Total, net of accumulated depreciation	<u>16,527,511</u>	<u>1,331,893</u>	<u>(10)</u>	<u>17,859,394</u>
Total capital assets, net	\$ 19,528,338	\$ 1,621,084	\$ (422,503)	\$ 20,726,919

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

Public safety	\$ 47,532
Public works	516,584
Community development	89,100
Parks and recreation	67,011
Unallocated	<u>235,157</u>
Total	<u>\$ 955,384</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

B. Business-Type Activities

Business-type capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Cemetery Fund:				
Capital assets, not being depreciated:				
Land	\$ 108,900	\$ -	\$ -	\$ 108,900
Construction in progress	5,000	3,746	-	8,746
Total	113,900	3,746	-	117,646
Capital assets, being depreciated:				
Land improvements	12,124	-	-	12,124
Total	12,124	-	-	12,124
Less accumulated depreciation for:				
Land improvements	(9,414)	(246)	-	(9,660)
Total	(9,414)	(246)	-	(9,660)
Total net of accumulated depreciation	2,710	(246)	-	2,464
Cemetery Fund capital assets, net	\$ 116,610	\$ 3,500	\$ -	\$ 120,110
	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Construction in progress	3,837	55,935	-	59,772
Total	5,437	55,935	-	61,372
Capital assets, being depreciated:				
Land improvements	453,872	-	-	453,872
Equipment and machinery	138,864	39,808	-	178,672
Vehicles	912,580	-	-	912,580
Total	1,505,316	39,808	-	1,545,124
Less accumulated depreciation for:				
Land improvements	(150,609)	(22,694)	-	(173,303)
Equipment and machinery	(124,905)	(6,298)	-	(131,203)
Vehicles	(767,007)	(69,965)	-	(836,972)
Total	(1,042,521)	(98,957)	-	(1,141,478)
Total net of accumulated depreciation	462,795	(59,149)	-	403,646
Transit Fund capital assets, net	\$ 468,232	\$ (3,214)	\$ -	\$ 465,018

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Total Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 110,500	\$ -	\$ -	\$ 110,500
Construction in progress	8,837	59,681	\$ -	68,518
Total	<u>119,337</u>	<u>59,681</u>	<u>-</u>	<u>179,018</u>
Capital assets, being depreciated:				
Land improvements	465,996	-	-	465,996
Equipment and machinery	138,864	39,808	-	178,672
Vehicles	912,580	-	-	912,580
Total	<u>1,517,440</u>	<u>39,808</u>	<u>-</u>	<u>1,557,248</u>
Less accumulated depreciation for:				
Land improvements	(160,023)	(22,940)	-	(182,963)
Equipment and machinery	(124,905)	(6,298)	-	(131,203)
Vehicles	(767,007)	(69,965)	-	(836,972)
Total	<u>(1,051,935)</u>	<u>(99,203)</u>	<u>-</u>	<u>(1,151,138)</u>
Total net of accumulated depreciation	<u>465,505</u>	<u>(59,395)</u>	<u>-</u>	<u>406,110</u>
Total Business-type capital assets, net	\$ 584,842	\$ 286	\$ -	\$ 585,128

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

Business-type Activities:

Cemetery	\$ 246
Transit	98,957
Total	<u>\$ 99,203</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018:

	Balance at July 1, 2017	Additions	Reductions	Restatements	Balance at June 30, 2018	Due Within One Year
Governmental activities:						
Compensated absences	\$ 286,177	\$ 182,580	\$ (89,275)	\$ -	\$ 379,482	\$ 94,871
Net pension liability	4,559,865	1,861,157	(1,392,927)	-	5,028,095	-
OPEB	2,597,869	366,590	(371,030)	950,458	3,543,887	-
Total governmental	<u>\$ 7,443,911</u>	<u>\$ 2,410,327</u>	<u>\$ (1,853,232)</u>	<u>\$ 950,458</u>	<u>\$ 8,951,464</u>	<u>\$ 94,871</u>
Business-type activities:						
Compensated absences						
Transit	\$ 62,584	\$ 21,159	\$ (69,684)	\$ -	\$ 14,059	\$ 3,515
Cemetery	977	1,105	(55)	-	2,027	507
Net pension liability	302,772	141,149	(77,275)	-	366,646	-
OPEB	-	26,622	(26,944)	257,787	257,465	-
Total business-type	<u>\$ 366,333</u>	<u>\$ 190,035</u>	<u>\$ (173,958)</u>	<u>\$ 257,787</u>	<u>\$ 640,197</u>	<u>\$ 4,022</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 \$133 per month in 2018.

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, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Employees covered by benefit terms

At June 30, 2017 (the census date), the benefit terms covered the following employee:

Active plan employee	38
Inactive plan employees or beneficiaries currently receiving benefits	41
Total	<u>79</u>

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions.

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.75%

Salary increases: 2.875%. Additional merit-based increases based on CalPERS merit salary increase tables.

Investment rate of return: 7.28%

Healthcare cost trend rates: 7.00% in the first year, trending down to 3.84% over 56 years.

Mortality rates were based on CalPERS tables.

Discount Rate

The discount rate used to measure the total OPEB liability is 7.28%. This is the expected long-term rate of return on City assets using investment strategy 1 within the California Employers' Retiree Benefit Trust (CERBT). The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate.

Changes in Net OPEB Liability:

	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability/(Asset)
Balance at June 30, 2017	\$ 4,016,053	\$ 209,939	\$ 3,806,114

Changes recognized for the measurement period:

Service cost	103,009	-	103,009
Interest	290,203	-	290,203
Contributions - employer	-	322,046	(322,046)
Contributions - implicitly subsidy	-	48,225	(48,225)
Net investment income	-	27,832	(27,832)
Benefit payments	(222,046)	(222,046)	-
Implicit rate subsidy fulfilled	(48,225)	(48,225)	-
Administrative expense	-	(129)	129
Net Changes	<u>122,941</u>	<u>127,703</u>	<u>(4,762)</u>
Balance at June 30, 2018 (Measurement Date June 30, 2018)	\$ 4,138,994	\$ 337,642	\$ 3,801,352

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Sensitivity of the net OPEB liability to changes in the discount rate. The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) follows:

	1% Decrease 6.28%	Discount Rate 7.28%	1% Increase 8.28%
Net OPEB Liability	\$ 4,311,609	\$ 3,801,352	\$ 3,378,983

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

	1% Decrease (6.00% decreasing to 2.84%)	Trend Rate (7.00% decreasing to 3.84%)	1% Increase (8.00% decreasing to 4.84%)
Net OPEB Liability	\$ 3,338,687	\$ 3,801,352	\$ 4,362,925

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB:

For the year ended June 30, 2018, the City recognized an OPEB expense of \$300,991. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 295,928	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	829
	<u>\$ 295,928</u>	<u>\$ 829</u>

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2019	\$ (207)
2020	(207)
2021	(207)
2022	(208)
	<u><u>\$ (829)</u></u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

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

Investments

The allocation of the plan's invested assets is established by CERBT Strategy 1. The objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The asset allocations and benchmarks for CERBT Strategy 1 are listed below:

Asset Class	Target Allocation	Benchmark
Global Equity	57%	MSCI All Country World Index IMI (Net)
Fixed Income	27%	Bloomberg Barclays Long Liability Index
Treasury Inflation Protected Securities (TIPS)	5%	Bloomberg Barclays US TIPS Index
Real Estate Investment Trusts	8%	FTSE EPRA/NAREIT Developed Liquid Index (net)
Commodities	3%	S&P GSCI Total Return Index
Cash	0%	91 Day Treasury Bill
Total	100%	

CalPERS may overweight or underweight an allocation to a particular asset class based on market, economic, or CalPERS policy considerations.

For the year ended June 30, 2018 the money-weighted rate of return on investments, net of investment expense, was 10.71 percent. The rate was calculated based on the Trust's inception in June 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

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, 2018

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, 2018, 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	8.880%	7.612%	6.555%
 Safety			
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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions-employer	\$ 419,119	\$ 116,169

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 – PENSION PLAN (Continued)

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

At June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net position liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 4,899,973
Safety	494,768
	<u><u>\$ 5,394,741</u></u>

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017, the City's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 was as follows:

	Miscellaneous	Safety
Proportion-June 30, 2016	0.1243%	0.0105%
Proportion-June 30, 2017	0.1243%	0.0083%
Change-Increase (Decrease)	0.0000%	-0.0022%

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$968,385. 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, 2018, 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	\$ 586,485	\$ -
Differences between expected and actual experience	9,293	87,017
Changes in assumptions	793,751	60,546
Changes in proportion and differences between City contributions and proportionate share of contributions	134,409	76,177
Net difference between projected and actual earnings on retirement plan investments	179,128	-
Adjustment due to differences in proportion	78,670	116,245
	<u><u>\$ 1,781,736</u></u>	<u><u>\$ 339,985</u></u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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.

\$586,485 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, 2019.

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
2019	\$ 176,850
2020	484,356
2021	300,322
2022	(106,262)
	<hr/>
	\$ 855,266

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
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.

Change in Assumptions

In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount rate for PERF C from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for 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 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, 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, 2018

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 2022. 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 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</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, 2018

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 7.15 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 (6.15 percent) or 1-percentage point higher (8.15 percent) than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 7,359,652	\$ 651,865
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 4,899,973	\$ 494,768
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 2,862,823	\$ 366,348

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, 2018, the City had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

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, 2018

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, 2017 through July 1, 2020.

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 2017-18.

As of June 30, 2018, 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, 2018

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.

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, 2018

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, 2018 are as follows:

	General Fund	Plaza Maintenance Fund	Capital Improvements Fund	Transit Equipment Replacement Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Due from successor agency	\$ 2,504,780	\$ -	\$ -	\$ -	\$ -	\$ 2,504,780
Total Nonspendable	<u>2,504,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,504,780</u>
<u>Restricted for:</u>						
Community development	-	-	-	-	246	246
Libraries	-	-	-	-	28,209	28,209
Libbey Bowl deferred maintenance	-	-	-	-	50,690	50,690
Streets, bikeways, parks, and other related purposes	-	-	-	-	399,440	399,440
Transit	-	-	-	119,535	-	119,535
Employee benefits	1,352	-	-	-	-	1,352
Total Restricted	<u>1,352</u>	<u>-</u>	<u>-</u>	<u>119,535</u>	<u>478,585</u>	<u>599,472</u>
<u>Assigned for:</u>						
Equipment replacement	-	-	-	-	358,001	358,001
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,001</u>	<u>358,001</u>
<u>Unassigned:</u>						
Unassigned	3,640,798	(130,763)	(307,671)	-	-	3,510,035
Total unassigned	<u>3,640,798</u>	<u>(130,763)</u>	<u>(307,671)</u>	<u>-</u>	<u>-</u>	<u>3,202,364</u>
Total Fund Balances (Deficits)	<u>\$ 6,146,930</u>	<u>\$ (130,763)</u>	<u>\$ (307,671)</u>	<u>\$ 119,535</u>	<u>\$ 836,586</u>	<u>\$ 6,664,617</u>

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, 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 or refinanced.

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, 2018.

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, 2018, loans receivable totaled \$1,427,611.

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, 2018 was \$2,504,780 including \$1,714,623 in accrued interest.

Changes in Long-Term Liabilities

Long term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Loans Payable to City of Ojai	\$ 2,772,427	\$ 41,213	\$ (308,860)	\$ 2,504,780	\$ 308,860
Total Successor Agency	\$ 2,772,427	\$ 41,213	\$ (308,860)	\$ 2,504,780	\$ 308,860

CITY OF OJAI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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, 2018, 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, 2018, was \$25,729, which will also increase annually by the CPI.

Future annual lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2019	\$ 25,729
2020	25,729
2021	25,729
2022	25,729
2023	25,729
2024	25,729
	<u>\$ 154,374</u>

NOTE 13 – RESTATEMENT

A restatement of (\$1,208,245) on the government-wide financial statements was to adjust OPEB. The adjustment was due to the City's implementation of GASB Statement No. 75.

	Governmental Activities	Business-Type Activities
Ending Net Position per prior fiscal audit	\$ 20,661,592	\$ 833,589
Restatement, per GASB Statement No. 75	<u>(950,458)</u>	<u>(257,787)</u>
Net Position, restated July 1, 2017	<u>\$ 19,711,134</u>	<u>\$ 575,802</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,897,800	\$ 1,897,800	\$ 1,711,949	\$ (185,851)
Sales	1,449,300	1,449,300	1,563,838	114,538
Transient occupancy tax	2,778,530	2,778,530	2,678,333	(100,197)
Licenses, permits, and fees	1,138,450	1,159,950	1,323,700	163,750
Fines and forfeitures	26,660	26,660	9,285	(17,375)
Use of money and property	20,000	20,000	57,179	37,179
Intergovernmental:				
Other	318,430	414,180	337,822	(76,358)
Motor vehicle in lieu	799,630	827,630	831,779	4,149
Charges for services	881,930	881,930	861,575	(20,355)
Other revenue	115,000	123,000	50,684	(72,316)
Total revenues	<u>9,425,730</u>	<u>9,578,980</u>	<u>9,426,144</u>	<u>(152,836)</u>
EXPENDITURES				
Current:				
General government:				
City council	125,680	125,680	115,344	10,336
City manager	634,130	610,640	572,533	38,107
City treasurer	6,430	6,430	6,283	147
City attorney	159,000	159,000	166,685	(7,685)
City finance	735,550	745,192	726,755	18,437
City clerk	191,540	199,420	161,916	37,504
Arts commission	60,170	60,170	46,355	13,815
Non-departmental	267,890	292,890	339,261	(46,371)
Total general government	<u>2,180,390</u>	<u>2,199,422</u>	<u>2,135,132</u>	<u>64,290</u>
Public safety:				
Police	3,113,780	3,428,450	3,405,968	22,482
Total public safety	<u>3,113,780</u>	<u>3,428,450</u>	<u>3,405,968</u>	<u>22,482</u>
Public works	1,723,730	1,816,880	2,032,513	(215,633)
Community development	1,083,840	883,610	895,630	(12,020)
Parks and recreation	937,720	939,930	1,008,637	(68,707)
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>24,503</u>	<u>(9,503)</u>
Total expenditures	<u>9,054,460</u>	<u>9,283,292</u>	<u>9,502,383</u>	<u>(219,091)</u>
Excess of revenues over (under) expenditures	<u>371,270</u>	<u>295,688</u>	<u>(76,239)</u>	<u>(371,927)</u>

(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, 2018

(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 7,469	\$ 7,469
Transfers out	\$ (1,275,460)	\$ (1,282,870)	\$ (171,553)	\$ 1,111,317
Total other financing sources (uses)	\$ (1,275,460)	\$ (1,282,870)	\$ (164,084)	\$ 1,118,786
Net change in fund balance	(904,190)	(987,182)	(240,323)	746,859
Fund balance - July 1, 2017	6,387,253	6,387,253	6,387,253	-
Fund balance - June 30, 2018	\$ 5,483,063	\$ 5,400,071	\$ 6,146,930	\$ 746,859

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other taxes and assessments	\$ 177,890	\$ 177,890	\$ 146,368	\$ (31,522)
Use of money and property	2,600	2,600	2,550	(50)
Total revenues	180,490	180,490	148,918	(31,572)
EXPENDITURES				
Current:				
Community development	145,170	145,170	111,722	33,448
Total expenditures	145,170	145,170	111,722	33,448
Excess of revenues over (under) expenditures	35,320	35,320	37,196	1,876
OTHER FINANCING SOURCES (USES)				
Transfers in	53,000	53,000	53,000	-
Total other financing sources (uses)	53,000	53,000	53,000	-
Net change in fund balance	88,320	88,320	90,196	1,876
Fund balance - July 1, 2017	(220,959)	(220,959)	(220,959)	-
Fund balance - June 30, 2018	\$ (132,639)	\$ (132,639)	\$ (130,763)	\$ 1,876

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

Last 10 Years*

As of June 30, 2018

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

	2015	2016	2017	2018
Proportion of the net pension liability	0.06463%	0.05755%	0.05620%	0.05440%
Proportionate share of the net pension liability	\$ 4,021,490	\$ 3,949,970	\$ 4,862,637	\$ 5,394,741
Covered payroll	\$ 1,729,126	\$ 1,920,727	\$ 1,832,505	\$ 1,855,753
Proportionate share of the net pension liability as percentage of covered payroll	232.57%	205.65%	265.35%	290.70%
Plan's total pension liability	\$ 30,829,966,631	\$ 31,771,217,402	\$ 33,358,627,624	\$ 37,161,348,332
Plan's fiduciary net position	\$ 24,607,502,515	\$ 24,907,305,871	\$ 24,705,532,291	\$ 27,244,095,376
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	73.31%

Notes to Schedule:

Changes in assumptions:

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expenses.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

CITY OF OJAI**SCHEDULE OF PENSION CONTRIBUTIONS**

Last 10 Years*

As of June 30, 2018

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

	2015	2016	2017	2018
Contractually required contribution (actuarially determined)	\$ 546,420	\$ 502,006	\$ 535,288	\$ 586,485
Contribution in relation to the actuarially determined contributions	(546,420)	(502,006)	(535,288)	(586,485)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,920,727	\$ 1,832,505	\$ 1,855,753	\$ 2,024,387
Contributions as a percentage of covered payroll	28.45%	27.39%	28.84%	28.97%

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%
Valuation date:	6/30/2017
Discount rate:	7.15%

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

CITY OF OJAI

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Years*

As of June 30, 2018

	Measurement Period	2018
Total OPEB Liability		
Service cost		\$ 103,009
Interest on the total OPEB liability		290,203
Actual and expected experience difference		
Changes in assumptions		
Benefit payments		(222,046)
Implicit rate subsidy fulfilled		(48,225)
	Net change in total OPEB Liability	122,941
	Total OPEB liability- beginning	4,016,053
	Total OPEB liability- ending (a)	\$ 4,138,994
<hr/>		
Plan Fiduciary Net Position		
Contribution - employer		\$ 370,271
Net investment income		27,832
Benefit payments		(222,046)
Implicit rate subsidy fulfilled		(48,225)
Administrative expense		(129)
	Net change in plan fiduciary net position	127,703
	Plan fiduciary net position- beginning	209,939
	Plan fiduciary net position- ending (b)	\$ 337,642
<hr/>		
	Net OPEB liability - ending (a)-(b)	\$ 3,801,352

Plan fiduciary net position as a percentage of the total OPEB liability 8.88%

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

CITY OF OJAI
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2018

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

	2018
Actuarially Determined Contribution (ARC)	\$ 370,271
Contributions in relation to the ARC	<u>(295,928)</u>
Contribution deficiency (excess)	<u><u>\$ 74,343</u></u>
 Covered payroll	 \$ 2,193,927
Contributions as a percentage of covered payroll	13.49%

Notes to Schedule

Valuation Date: 6/30/2017

Discount Rate: 5.50%

Salary Increases: 3.00%

Assumptions and Methods

Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.75%
Assumed Payroll Growth	2.875%
Healthcare Trend Rates	7.00%, trending down to 3.84%
Rate of Return on Assets	7.28%
Mortality Rate	CalPERS Rates. See appendix
Retirement Rates	CalPERS Rates. See appendix

*- Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

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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, 2018

	Special Revenue Funds			
	Libbey Bowl Maintenance	Gas Tax	Drainage	Bicycle and Pedestrian
ASSETS				
Cash and investments	\$ 49,369	\$ 62,280	\$ 64,353	\$ 156,223
Accounts receivable, net	<u>1,321</u>	<u>16,008</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 50,690</u></u>	<u><u>\$ 78,288</u></u>	<u><u>\$ 64,353</u></u>	<u><u>\$ 156,223</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	50,690	78,288	64,353	156,223
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>50,690</u></u>	<u><u>78,288</u></u>	<u><u>64,353</u></u>	<u><u>156,223</u></u>
Total liabilities and fund balances	<u><u>\$ 50,690</u></u>	<u><u>\$ 78,288</u></u>	<u><u>\$ 64,353</u></u>	<u><u>\$ 156,223</u></u>

CITY OF OJAI

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

Special Revenue Funds						
	Libbey Bowl Maintenance	Gas Tax	Drainage	Bicycle and Pedestrian		
REVENUES						
Other taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Use of money and property	-	864	-	265	-	582
Intergovernmental:						
Other	-	195,195	-	-	-	773
Charges for services	16,831	-	11,923	-	-	
Total revenues	16,831	196,059	12,188	-	1,355	
EXPENDITURES						
Current:						
Public works	-	-	17,920	-	-	
Parks and recreation	-	-	-	-	-	
Libraries	-	-	-	-	-	
Capital outlay	-	-	-	-	-	
Total expenditures	-	-	17,920	-	-	
Excess of revenues over (under) expenditures	16,831	196,059	(5,732)	-	1,355	
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	
Transfers out	(7,469)	(303,000)	-	-	(98,876)	
Total other financing sources (uses)	(7,469)	(303,000)	-	-	(98,876)	
Net change in fund balances	9,362	(106,941)	(5,732)	-	(97,521)	
Fund balances - July 1, 2017	41,328	185,229	70,085	-	253,744	
Fund balances - June 30, 2018	\$ 50,690	\$ 78,288	\$ 64,353	\$ 156,223		

Special Revenue Funds			Capital Projects Funds		
Street Lighting	Community Development Block Grant	Library Special Tax	Park Acquisition	Equipment Replacement	Totals
\$ 92,404 363	\$ - -	\$ 112,329 140	\$ - 20	\$ - 1,373	\$ 204,733 3,607
-	-	-	-	37,663	233,631
-	-	-	490	-	29,244
<u>92,767</u>	<u>-</u>	<u>112,469</u>	<u>510</u>	<u>39,036</u>	<u>471,215</u>
 74,776	 -	 -	 -	 -	 92,696
-	-	-	554	-	554
-	-	111,620	-	-	111,620
-	-	-	-	108,220	108,220
<u>74,776</u>	<u>-</u>	<u>111,620</u>	<u>554</u>	<u>108,220</u>	<u>313,090</u>
 17,991	 -	 849	 (44)	 (69,184)	 158,125
 7,810	 -	 -	 -	 186,370	 194,180
-	-	-	-	-	(409,345)
<u>7,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,370</u>	<u>(215,165)</u>
 25,801	 -	 849	 (44)	 117,186	 (57,040)
<u>69,781</u>	<u>246</u>	<u>27,360</u>	<u>5,038</u>	<u>240,815</u>	<u>893,626</u>
<u>\$ 95,582</u>	<u>\$ 246</u>	<u>\$ 28,209</u>	<u>\$ 4,994</u>	<u>\$ 358,001</u>	<u>\$ 836,586</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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 6,000	\$ 16,831	\$ 10,831
Total revenues	6,000	16,831	10,831
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,000)	(7,469)	(6,469)
Total other financing sources (uses)	(1,000)	(7,469)	(6,469)
Net change in fund balance	5,000	9,362	4,362
Fund balance - July 1, 2017	41,328	41,328	-
Fund balance - June 30, 2018	\$ 46,328	\$ 50,690	\$ 4,362

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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental:			
Other	\$ 214,220	\$ 195,195	\$ (19,025)
Use of money and property	800	864	64
Total revenues	<u>215,020</u>	<u>196,059</u>	<u>(18,961)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(303,000)</u>	<u>(303,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(303,000)</u>	<u>(303,000)</u>	<u>-</u>
Net change in fund balance	(87,980)	(106,941)	(18,961)
Fund balance - July 1, 2017	<u>185,229</u>	<u>185,229</u>	<u>-</u>
Fund balance - June 30, 2018	<u>\$ 97,249</u>	<u>\$ 78,288</u>	<u>\$ (18,961)</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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 15,000	\$ 11,923	\$ (3,077)
Use of money and property	600	265	(335)
Total revenues	<u>15,600</u>	<u>12,188</u>	<u>(3,412)</u>
EXPENDITURES			
Current:			
Public works	<u>17,920</u>	<u>17,920</u>	<u>-</u>
Total expenditures	<u>17,920</u>	<u>17,920</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(2,320)</u>	<u>(5,732)</u>	<u>(3,412)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(115,000)</u>	<u>-</u>	<u>115,000</u>
Total other financing sources (uses)	<u>(115,000)</u>	<u>-</u>	<u>115,000</u>
Net change in fund balance	<u>(117,320)</u>	<u>(5,732)</u>	<u>111,588</u>
Fund balance - July 1, 2017	<u>70,085</u>	<u>70,085</u>	<u>-</u>
Fund balance - June 30, 2018	<u>\$ (47,235)</u>	<u>\$ 64,353</u>	<u>\$ 111,588</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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 582	\$ 582
Intergovernmental:			
Other	1,400	773	(627)
Total revenues	1,400	1,355	(45)
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(210,000)	(98,876)	111,124
Total other financing sources (uses)	(210,000)	(98,876)	111,124
Net change in fund balance	(208,600)	(97,521)	111,079
Fund balance - July 1, 2017	253,744	253,744	-
Fund balance - June 30, 2018	\$ 45,144	\$ 156,223	\$ 111,079

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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 94,050	\$ 92,404	\$ (1,646)
Use of money and property	300	363	63
 Total revenues	 94,350	 92,767	 (1,583)
EXPENDITURES			
Public works	123,570	74,776	48,794
 Total expenditures	 123,570	 74,776	 48,794
Excess of revenues over (under) expenditures	(29,220)	17,991	47,211
OTHER FINANCING SOURCES (USES)			
Transfers in	7,810	7,810	-
 Total other financing sources (uses)	 7,810	 7,810	 -
Net change in fund balance	(21,410)	25,801	47,211
 Fund balance - July 1, 2017	 69,781	 69,781	 -
 Fund balance - June 30, 2018	 \$ 48,371	 \$ 95,582	 \$ 47,211

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, 2018

	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, 2017	246	246	-
Fund balance - June 30, 2018	\$ 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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other taxes and assessments	\$ 111,320	\$ 112,329	\$ 1,009
Use of money and property	300	140	(160)
Total revenues	<u>111,620</u>	<u>112,469</u>	<u>849</u>
EXPENDITURES			
Current:			
Libraries	<u>111,620</u>	<u>111,620</u>	<u>-</u>
Total expenditures	<u>111,620</u>	<u>111,620</u>	<u>-</u>
Net change in fund balance	-	849	849
Fund balance - July 1, 2017	<u>27,360</u>	<u>27,360</u>	<u>-</u>
Fund balance - June 30, 2018	<u>\$ 27,360</u>	<u>\$ 28,209</u>	<u>\$ 849</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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 20	\$ 20
Charges for services	-	490	490
 Total revenues	 -	 510	 510
EXPENDITURES			
Current:			
Parks	-	554	(554)
 Total expenditures	 -	 554	 (554)
 Net change in fund balance	 -	 (44)	 (44)
 Fund balance - July 1, 2017	 5,038	 5,038	 -
 Fund balance - June 30, 2018	 \$ 5,038	 \$ 4,994	 \$ (44)

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, 2018

	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 1,373	\$ 1,373
Intergovernmental:			
Other	<u>66,330</u>	<u>37,663</u>	<u>(28,667)</u>
Total revenues	<u>66,330</u>	<u>39,036</u>	<u>(27,294)</u>
EXPENDITURES			
Capital outlay	<u>211,840</u>	<u>108,220</u>	<u>103,620</u>
Total expenditures	<u>211,840</u>	<u>108,220</u>	<u>103,620</u>
Excess of revenues over (under) expenditures	<u>(145,510)</u>	<u>(69,184)</u>	<u>76,326</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>189,370</u>	<u>186,370</u>	<u>(3,000)</u>
Total other financing sources (uses)	<u>189,370</u>	<u>186,370</u>	<u>(3,000)</u>
Net change in fund balance	43,860	117,186	73,326
Fund balance - July 1, 2017	<u>240,815</u>	<u>240,815</u>	-
Fund balance - June 30, 2018	<u>\$ 284,675</u>	<u>\$ 358,001</u>	<u>\$ 73,326</u>

CITY OF OJAI

COMBINING STATEMENT FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

June 30, 2018

	Housing Successor Agency	RDA Successor Agency	Total
ASSETS			
Cash and investments	\$ 280,331	\$ 459,795	\$ 740,126
Due from other funds	197,540	-	197,540
Notes receivable	1,427,611	-	1,427,611
Land	<u>305,888</u>	<u>-</u>	<u>305,888</u>
Total assets	<u>2,211,370</u>	<u>459,795</u>	<u>2,671,165</u>
LIABILITIES			
Accrued interest payable - City of Ojai	-	1,714,623	1,714,623
Loans payable - City of Ojai	-	790,157	790,157
Unearned revenue	-	394,503	394,503
Due to other funds	<u>-</u>	<u>197,540</u>	<u>197,540</u>
Total liabilities	<u>-</u>	<u>3,096,823</u>	<u>3,096,823</u>
NET POSITION			
Held in trust	<u>\$ 2,211,370</u>	<u>\$ (2,637,028)</u>	<u>\$ (425,658)</u>

CITY OF OJAI

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2018

	Housing Successor Agency	RDA Successor Agency	Total
ADDITIONS:			
Property taxes	\$ -	\$ 386,396	\$ 386,396
Use of money and property	994	1,156	2,150
Other	-	667	667
Total additions	<u>994</u>	<u>388,219</u>	<u>389,213</u>
DEDUCTIONS			
Community development	<u>2,981</u>	<u>67,534</u>	<u>70,515</u>
Total deductions	<u>2,981</u>	<u>67,534</u>	<u>70,515</u>
Change in net position	(1,987)	320,685	318,698
Total net position-beginning of fiscal year	<u>2,213,357</u>	<u>(2,957,713)</u>	<u>(744,356)</u>
Total net position-end of fiscal year	<u>\$ 2,211,370</u>	<u>\$ (2,637,028)</u>	<u>\$ (425,658)</u>