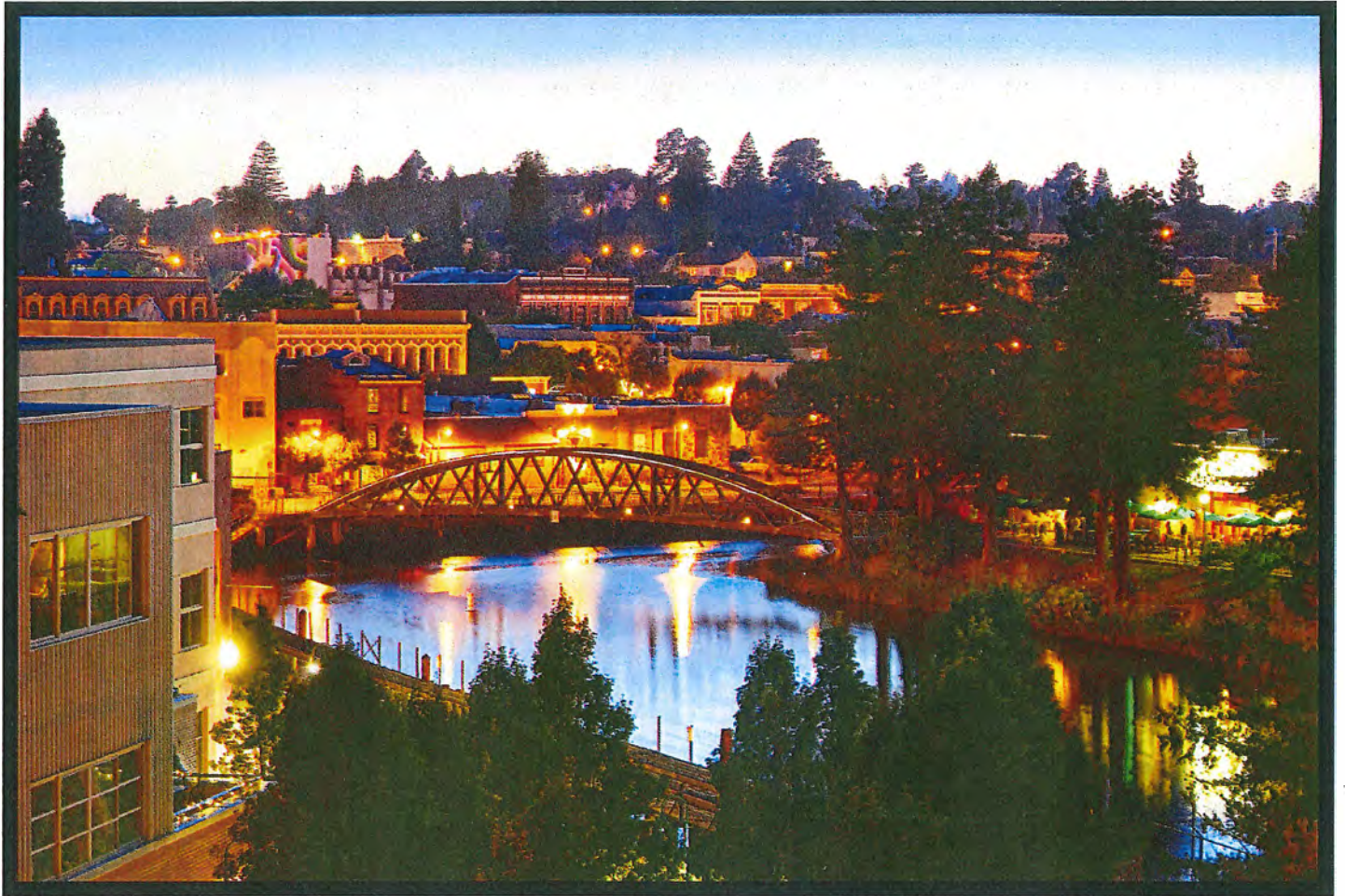


CITY OF PETALUMA
CALIFORNIA



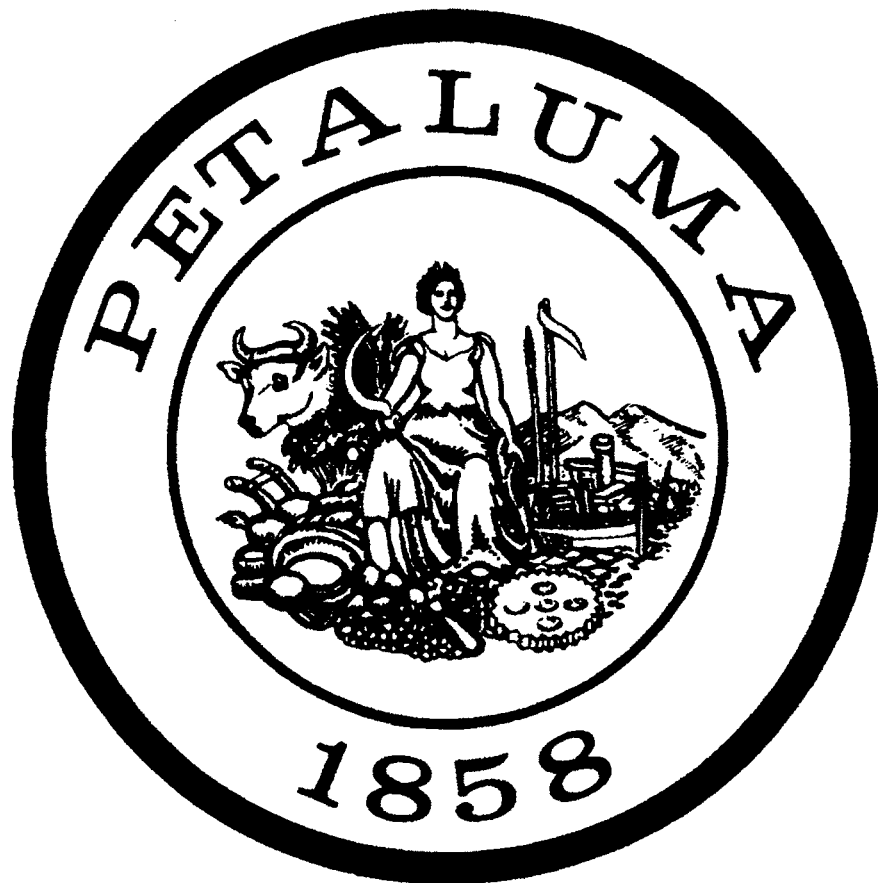
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED JUNE 30, 2016

City of Petaluma Petaluma, California

Comprehensive Annual Financial Report

For the year ended June 30, 2016

Prepared by the Finance Department



CITY OF PETALUMA, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

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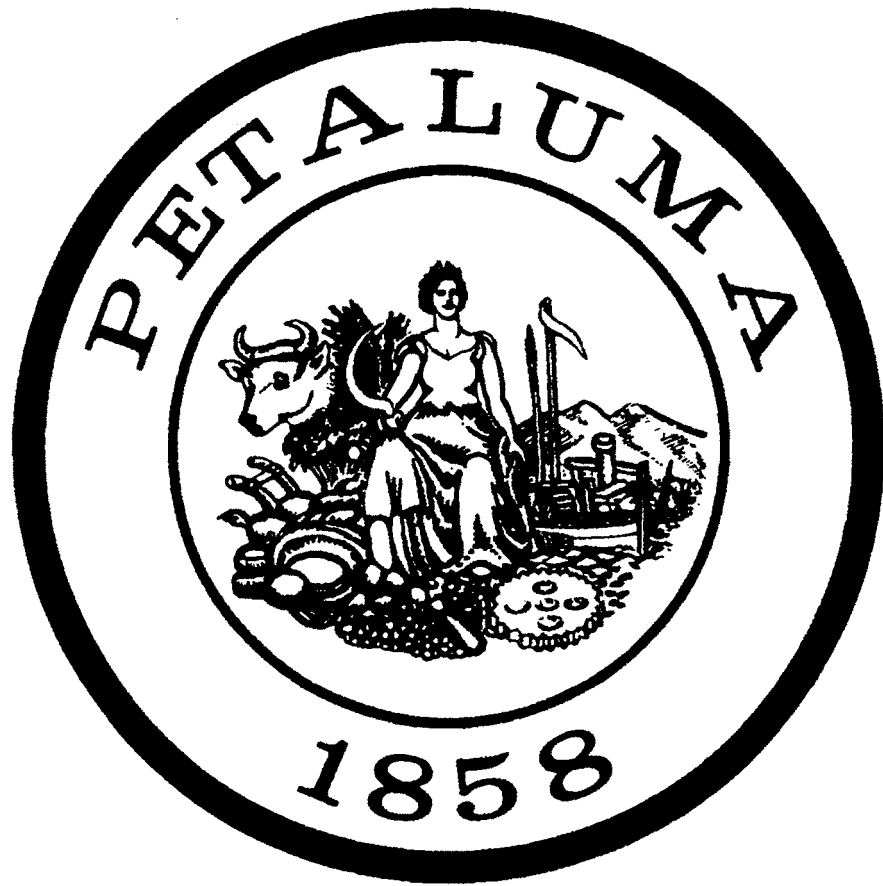
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CITY OF PETALUMA

POST OFFICE BOX 61
PETALUMA, CA 94953-0061

David Glass
Mayor

Chris Albertson
Teresa Barrett
Mike Healy
Gabe Kearney
Dave King
Kathy Miller
Councilmembers

December 27, 2016

To the Honorable Mayor, Members of the City Council and Citizens of the City of Petaluma:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the City of Petaluma. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the CAFR for the City of Petaluma, California for the fiscal year ended June 30, 2016.

For the fiscal year ended June 30, 2016, the City of Petaluma continues to comply with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34. This reporting model provides financial report users a narrative introduction, overview, and analysis, in the form of Management's Discussion and Analysis (MD&A), which accompanies the Basic Financial Statements. This letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City of Petaluma's MD&A can be found in the financial section, immediately following the reports of the independent auditors.

This MD&A consists of management's representations concerning the finances of the City of Petaluma. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Petaluma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Petaluma's financial statements.

The City of Petaluma's financial statements have been audited by Maze & Associates, Certified Public Accountants, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California.

Finance Department

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General Services

Phone (707) 778-4384

Purchasing

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finance@ci.petaluma.ca.us

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utilitybills@ci.petaluma.ca.us

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Petaluma, for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Petaluma's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

CITY OF PETALUMA PROFILE

The City of Petaluma became a chartered city in 1858, and is located in southern Sonoma County, California, approximately 40 miles north of San Francisco. Petaluma consists of 13.8 square miles and includes residential communities, commercial retail areas and several industrial/office complexes. It is also home to 45 parks, 4 community centers, and 2 outdoor pools.

The City operates under the Council-Manager form of government. Policy making and legislative authority are vested in the City Council, which consists of an elected Mayor and a six member Council. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council, for overseeing the day-to-day operations of the City and for appointing the directors of the City departments. The seven member Council is elected on a nonpartisan basis. The Mayor and Council members are elected to four-year staggered terms.

The City provides a full range of services including: public safety, building safety regulation and inspection, community planning, low and moderate income housing, street and park maintenance, recreational programs and infrastructure, public and community facilities, parks, and capital improvement construction. City services also include water and wastewater utilities. The City owns a marina and airport, and provides citizens with transit and ambulance services.

LONG-TERM FINANCIAL PLANNING

In January, 2015, the City Council met to establish goals and priorities for 2015 and 2016. The first goal on Council's list was to Maintain Financial Sustainability. This goal has several priorities including:

- Develop a five-year financial plan for the General Fund
- Enhance revenues
- Update the City purchasing ordinance
- Prepare financial forecasts for Enterprise and Special Revenue funds

- Establish reserve policies for Enterprise and Special Revenue funds
- Establish fiscally sustainable funding for storm water management and pavement maintenance

An Economic Development Strategy that provides a system to keep current retailers and encourages new retail development has been established and in 2011 the City hired an Economic Development Manager who is implementing the strategy. Petaluma's economic development program launched a successful marketing program aimed at attracting jobs, talent and investment to the City. The Petaluma Star campaign highlights successful companies throughout the City and makes a strong business case for Petaluma as a business destination by highlighting Petaluma's quality of life, cost of doing business, and key demographics. Petaluma continued its strong business retention program reaching out to dozens of local companies and connecting them to local financial, real estate and business support services. Finally, Petaluma completed the steps required to unwind its former redevelopment agency and recalibrate its work program and expenses without tax increment funds.

Over the past several years significant reductions have occurred in the General Fund in order to match revenues with expenditures. During FY16, revenues exceeded expenditures by \$1.4 million. This was due mainly to several one-time revenues received, along with lower expenditures due to unfilled positions. For FY17, the City Council adopted a balanced General Fund budget.

ECONOMY

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Petaluma operates.

Sonoma County's economy began to stabilize over the past few years. The unemployment rate in Sonoma County has gone down significantly and is below both the State and national rates.

The County's tourism related industry faced challenges during the recent economic turmoil, but have begun to rebound over the past few years. Recent data suggests that hotel occupancy rates are up, and tax revenues generated by the lodging industry have also increased. Trends across California mirror the results in Sonoma County, where tourism is also continuing to rebound. Petaluma is in alignment with the upward trend as Transient Occupancy Tax received by the city in fiscal year 2016 was \$2.5 million, a 20% increase from the prior year.

Petaluma's overall economic outlook has improved over the last year – particularly in the areas of home price stability, jobs, and real estate vacancies. Petaluma's median home price continues to rise year over year.

Some good news continues related to foreclosures, in that they are down dramatically from prior years. Assessed property valuations are also continuing to rebound. The County

Assessor has projected that assessed valuations in Petaluma will grow by 6.2% in 2017. General fund property taxes in fiscal year 2016 were \$9.6 million, up \$1 million or 12.5% from the prior year due to assessed valuation growth.

Retail sales in Petaluma also continued to stabilize during fiscal year 2016. Total general fund sales tax received in fiscal year 2016 was \$12.8 million, an increase of \$.4 million or 3.6% as compared to the prior year. The City expects retail sales to remain steady in 2017 however revenue will be slightly lower due to one-time non-recurring payments received in 2016. Total sales tax revenue in 2017 is estimated to be approximately \$12.6 million, a very slight decrease year over year.

To address the decline in revenues in past years, the City offered the PERS early retirement incentive several times to all eligible employees, and also initiated a layoff process. As a result, several position vacancies remained unfilled in FY 2016, generating budget savings. Many of those positions will continue to remain unfilled in FY 2017.

In summary, we remain cautiously optimistic about Sonoma County's short-term outlook. Retail sales and tourism have stabilized and are continuing to rebound. Property values are also continuing to rise. Recent economic indicators show that the recovery should continue at a gradual pace into 2017. The City has adopted a balanced budget for the upcoming fiscal year and is using a long term forecasting process as a tool to close the structural deficit and rebuild reserves.

FINANCIAL INFORMATION

Annual Budget. The City of Petaluma operates on a fiscal year basis, beginning July 1st and ending June 30th. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and final adoption in June, prior to the beginning of the fiscal year.

In accordance with the City's Charter, the budget is required to be submitted to the City Council by the first Monday in May. Budget hearings are held in May and June. The budget is approved by resolution, and the appropriations are set by ordinance. Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the Notes to the Basic Financial Statements, which are located in the financial section of this report.

The City ended the year with cash and investments of \$131.8 million. Total annual accrued investment earnings were \$.4 million.

Debt Administration. As of June 30, 2016, the City of Petaluma and its component units have a number of debt issues outstanding. The City's General Fund has no outstanding long-term debt. The last Tax Allocation Bond (TAB) was issued by the Redevelopment Agency during fiscal year 2011, and two issues were refunded in 2015. Wastewater

revenue refunding bonds were also issued during fiscal year 2011. Water revenue refunding bonds were issued in October of 2012.

Risk Management. The City uses a combination of insured and partially self-insured programs to finance its property and casualty risk. The City is self-insured with a \$1,000,000 Self Insured Retention (SIR) for workers' compensation insurance and has a \$500,000 SIR for liability coverage. First party insurances and other insurances are obtained through a risk purchasing pool (CJPRMA) as well as in the private insurance market.

Other. Additional information concerning the finances of the City is contained in the Notes to the Basic Financial Statements. The City has refrained from duplicating information contained in the MD&A or in the notes in this transmittal letter.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Petaluma for its comprehensive annual financial report for the fiscal year ended June 30, 2015.

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

Acknowledgements. This report could not have been prepared without the efforts of Finance staff who spent untold hours preparing the financial statements, notes, statistical information and other details to comply with all the necessary requirements and pronouncements. I would like to express my appreciation to all members of the Department who assisted with and contributed to the preparation of this report, particularly the audit team of Corey Garberolio and Janine Tedrow. I would also like to thank the Mayor and City Council for their confidence and support for maintaining the highest standards of professionalism in the management of the City of Petaluma's finances.

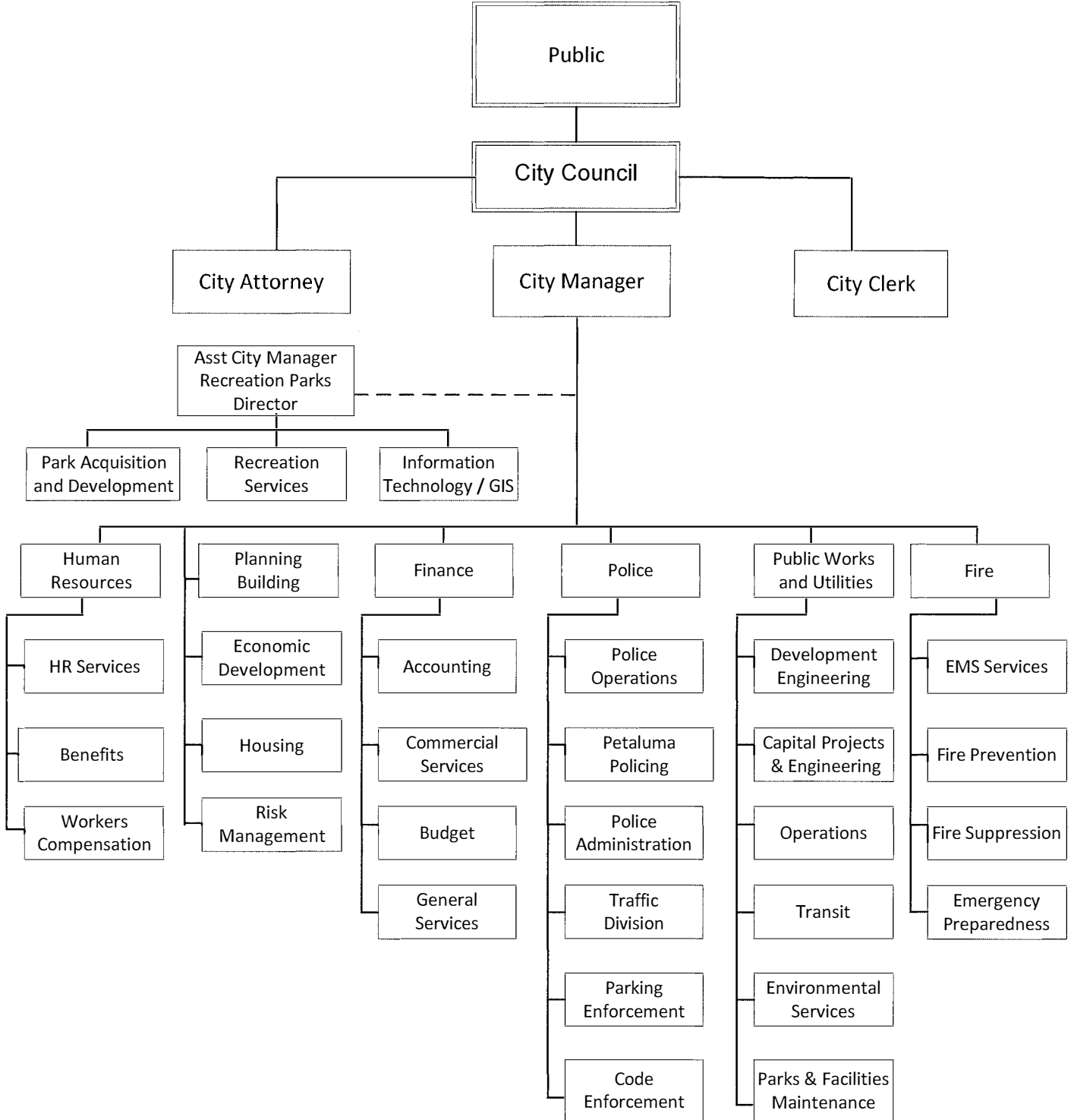
Respectfully submitted,



William Mushallo
Finance Director

Organization Chart
 Offices, Departments & Divisions
 City of Petaluma, California

Fiscal Year 15/16



CITY OF PETALUMA PRINCIPAL OFFICIALS
Elected Officials



DAVID GLASS
Mayor



DAVE KING
Vice Mayor



CHRIS ALBERTSON
Councilmember



TERESA BARRETT
Councilmember



MIKE HEALY
Councilmember



GABE KEARNEY
Councilmember



KATHY MILLER
Councilmember



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Petaluma
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
Petaluma, California

Report on 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 Petaluma (City), California, as of and for the year ended June 30, 2016, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petaluma as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13C, certain conditions raise substantial doubt about the Marina Enterprise Fund's ability to continue as a going concern. The financial statements do not include an adjustment that might result from the outcome of the uncertainty.

In addition, as discussed in Note 1N, the City adjusted the beginning fund balances in several governmental funds.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

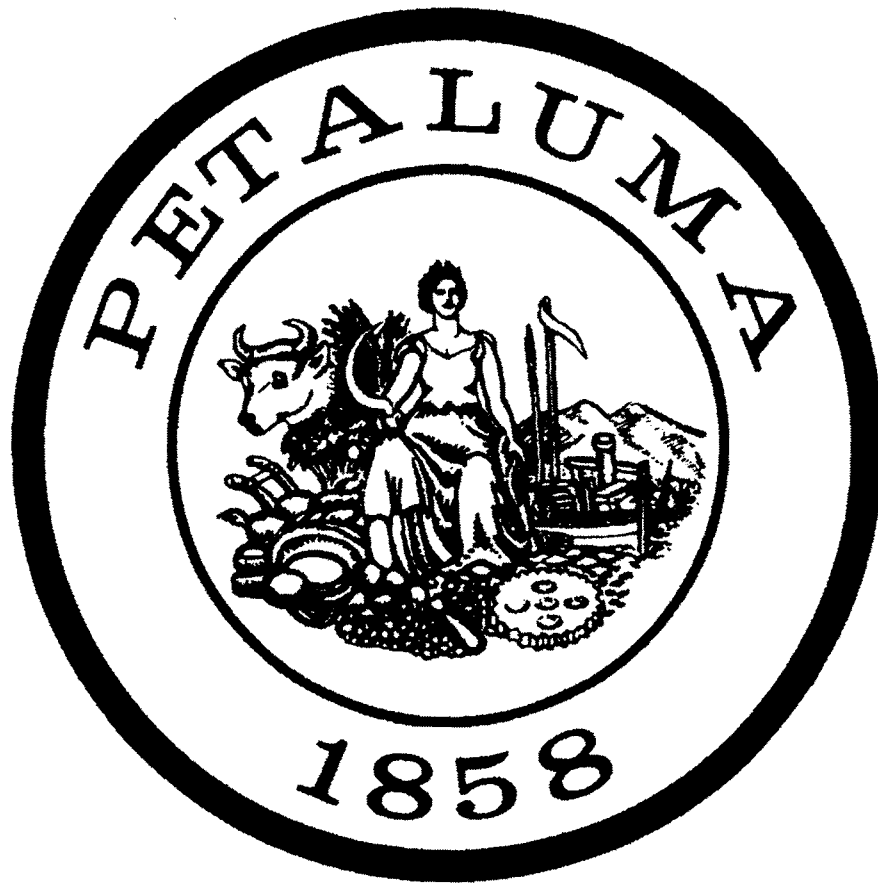
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 17, 2016



CITY OF PETALUMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Petaluma, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

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

Financial Highlights

Government Wide Financial Statements

- The assets and deferred outflows of resources of the City of Petaluma exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$385 million (Net Position). Of this amount, \$306 million was invested in capital assets; \$91.5 million was restricted for capital projects, debt service, non-expendable trusts and special projects; and (\$12.5) million was unrestricted. This included all City funds.
- The City's total Net Position increased over the prior year by \$20.4 million comprised of a \$9.8 million increase in Governmental Activities and a \$10.6 million increase in Business-Type Activities. One factor for the overall change in total Net Position is due to the recognition of total net pension liability reported on the Proprietary Fund and Government Wide Financial Statements. Of the \$73.7 million net pension liability, \$63.4 million is related to Governmental Activities representing a decrease of \$4.2 million from the prior year and \$10.3 million is related to Business Activities representing an increase of \$1.9 million over the prior year. Governmental Activity Net Position change is also comprised of an increase in assets of \$5.6 million due to grant reimbursements received in the City Capital Project funds and increased revenues exceeding expenditures in the Impact Fee Funds. Business Activity change in net position is also comprised on an increase due to current year revenues exceeding expenditures in the Enterprise Funds and changes to Business Activity related Internal Service Fund balances of approximately \$12.5 million in total.

Fund Financial Statements

- At the close of the fiscal year, the City's governmental funds including the General Fund, special revenue funds, debt service funds, and capital project funds reported combined ending fund balances of \$101.6 million; an increase of \$37 million from the prior year mainly due to the restatement of balances related to Notes Receivable and associated Interest of \$26.2 million (See Note 1N). The remaining increase of \$10.8 million is mainly due to increased fund balances in the City Capital Project and Impact Fee funds. Fiscal Year 2016 fund balance was comprised of \$.1 million non-spendable reserves; \$90 million restricted reserves, \$4.6 million committed reserves, \$4.9 million assigned reserves and \$2.0 million of unassigned reserves.
- At the close of the fiscal year, the total fund balance for the General Fund was \$10.2 million, approximately a \$1.4 million increase from the prior year. This increase was due to several one-time revenues received and one-time salary and benefit savings from vacant positions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the City of Petaluma's Basic Financial Statements. The City of Petaluma's Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the Basic Financial Statements themselves.

Government-Wide Financial Statements – The Government-Wide Financial Statements consist of a Statement of Net Position and a Statement of Activities and Changes in Net Position, which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the City's financial position.

The Statement of Activities and Changes in Net Position presents the change in the government's net position during the current fiscal year. All changes in net position are reported when 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish the two functions of the City. The first is activities which are principally supported by taxes and intergovernmental revenues (governmental activities). The second is activities that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities).

The governmental activities of the City include:

- General Government
- Police
- Recreation
- Community Development
- Fire including Emergency Services
- Public Works

The business-type activities of the City include:

- Airport
- Development Services
- Transit
- Marina
- Waste Water Utility
- Water Utility

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

Overview of the Financial Statements, continued

Governmental Funds— Governmental funds account for basically the same functions as reported as government activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 in the Governmental Fund Financial Statements with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Governmental funds information is presented in the Governmental Fund Financial Statements for the City's major funds:

- General Fund
- HOME/Begin Special Revenue Fund
- Impact Fee Special Revenue Funds
- Successor Housing Special Revenue Fund
- City Capital Project Funds

Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the Governmental-Wide Financial Statements. Enterprise funds account for airport, ambulance, development services, marina and transit operations, storm water, waste water and water utilities.

Internal service funds, the second type of proprietary fund, are used to account for the accumulation of resources, and the allocation of costs, which are required to provide internal services to various City departments and functions. Employee benefits, general services, information technology, risk management, vehicle/equipment replacement and worker's compensation comprise the City's internal service funds. Because these services benefit governmental, more so than business-type functions, all but the business activity portion of the vehicle/equipment replacement fund has been included within the governmental activities in the Government-Wide Financial Statements. The business activity portion of the vehicle/equipment replacement fund has been combined with the business type activities in the Government-Wide Financial Statements.

The Proprietary Fund Financial Statements provide fund information for each enterprise fund separately. The Internal Service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Overview of the Financial Statements, continued

Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary Funds are not reflected in the government wide financial statements because the resources are not available to support the City’s programs. The fiduciary financial statements can be found in the basic financial statement section 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.

Other Information – In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information. The first type of information presented is the budgetary information. The budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with the legal provisions of the 2016 appropriation ordinance. The second type of information included relates to the City’s progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Statement Analysis

Statement of Net Position– As noted earlier, net position is an indicator of a government’s financial position. The City of Petaluma’s net position (the amount by which total assets exceed total liabilities) equaled \$385 million at the close of the fiscal year.

The largest portion of the City’s net position (79%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources i.e. future revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (24%) represents resources that are subject to external restrictions. The remaining balance (-3%), the unrestricted net position, may be used to meet the government’s ongoing obligations to citizens and creditors, subject to restrictions of various funding sources, as applicable.

As stated previously, total net position increased by \$20.4 million during the fiscal year. Net position investment in capital assets increased by \$3.5 million; restricted net position increased by \$31.9 million and unrestricted net position decreased by \$15 million. The main contributing factor for the overall change in total net position is the restatement of balances related to Notes and associated Interest Receivable of \$26.2 million (See Note 1N) in Governmental Funds restricted fund balance. The recognition of total net pension liability of \$73.7 million on the Proprietary Fund and Government Wide Financial Statements, including the Long Term Pension Liability and Deferred Inflows and Outflows, contributes to the net position change in unrestricted fund balance. See Note 9 for detailed information on Net Pension Liability.

Summary Statement of Net Position			
Total Primary Government			
As of June 30, 2016 and 2015			
(in thousands)			
	Total Activities 2016	Total Activities 2015	Total Activities Change
Assets:			
Current and other assets	\$ 181,540	\$ 166,751	\$ 14,789
Capital Assets, net of depreciation	435,934	439,489	(3,555)
Total Assets	<u>617,474</u>	<u>606,240</u>	<u>11,234</u>
Deferred Outflows of Resources:			
Related to Pension	15,677	6,340	9,337
Total Deferred Outflows of Resources	<u>15,677</u>	<u>6,340</u>	<u>9,337</u>
Total Assets and Deferred Outflows of Resources	<u>633,151</u>	<u>612,580</u>	<u>20,571</u>
Liabilities:			
Current Liabilities	18,740	19,184	(444)
Non-Current Liabilities	215,189	215,332	(143)
Total Liabilities	<u>233,929</u>	<u>234,516</u>	<u>(587)</u>
Deferred Inflows of Resources:			
Related to Pension	13,959	13,185	774
Total Deferred Inflows of Resources	<u>13,959</u>	<u>13,185</u>	<u>774</u>
Total Liabilities and Deferred Inflows of Resources	<u>247,888</u>	<u>247,701</u>	<u>187</u>
Net Position:			
Net Investment in Capital Assets	306,332	302,836	3,496
Restricted	91,528	59,561	31,967
Unrestricted	(12,597)	2,481	(15,078)
Total Net Position	<u>\$ 385,263</u>	<u>\$ 364,878</u>	<u>\$ 20,385</u>

Government-Wide Financial Statement Analysis, continued

Governmental Activities – Governmental activities contributed \$223 million to the City’s net position, an increase of \$9.8 million from the prior year. As mentioned previously, the main contributing factor for the increase in net position is due to the decrease in net pension liability of \$4.2 million as reported on the Government-Wide Financial Statements as well as other fund balance increases of \$5.6 million.

Summary of Net Position			
Governmental Activities			
As of June 30, 2016 and 2015			
(in thousands)			
	Governmental Activities 2016	Governmental Activities 2015	Governmental Activities Change
Assets:			
Current and other assets	\$ 118,384	\$ 107,764	\$ 10,620
Capital Assets, net of depreciation	<u>189,666</u>	<u>194,630</u>	<u>(4,964)</u>
Total Assets	<u>308,050</u>	<u>302,394</u>	<u>5,656</u>
Deferred Outflows of Resources:			
Related to Pension	<u>13,139</u>	<u>5,643</u>	<u>7,496</u>
Total Deferred Outflows of Resources	<u>13,139</u>	<u>5,643</u>	<u>7,496</u>
Total Assets and Deferred Outflows of Resources	<u>321,189</u>	<u>308,037</u>	<u>13,152</u>
Liabilities:			
Current Liabilities	6,800	7,538	(738)
Non-Current Liabilities	<u>80,009</u>	<u>75,521</u>	<u>4,488</u>
Total Liabilities	<u>86,809</u>	<u>83,059</u>	<u>3,750</u>
Deferred Inflows of Resources:			
Related to Pension	<u>11,306</u>	<u>11,735</u>	<u>(429)</u>
Total Deferred Inflows of Resources	<u>11,306</u>	<u>11,735</u>	<u>(429)</u>
Total Liabilities and Deferred Inflows of Resources	<u>98,115</u>	<u>94,794</u>	<u>3,321</u>
Net Position:			
Net Investment in Capital Assets	189,667	194,631	(4,964)
Restricted	89,282	56,856	32,426
Unrestricted	<u>(55,874)</u>	<u>(38,244)</u>	<u>(17,630)</u>
Total Net Position	<u>\$ 223,075</u>	<u>\$ 213,243</u>	<u>\$ 9,832</u>

Charges for services include: charges for administration, charges for community development planning, permits, inspection and other services, developer impact fees, specific police, fire and public works services for which a fee is charged, recreation charges and rents of park property, fines and penalties, various fees and license charges, parking permits, and sales.

Operating and capital grants and contributions include amounts received from federal, state and county governments, as well as private grantors, developers and other donors. Franchise taxes include amounts collected from the providers of the City’s cable, garbage and utilities services. Other taxes include transient occupancy tax, business license tax, and other miscellaneous taxes.

Government-Wide Financial Statement Analysis, continued

General government functions include legislative and administrative branches of the City: City Council, City Clerk, City Manager, City Attorney, Finance Department, Human Resources and Animal Services.

Community development functions provide for inspection, permit, code enforcement, as well as housing services. A portion of this fund, the cost recovery section of building services, is an enterprise fund, as it is required to charge fees to cover its costs of services. Both cost recovery and non-cost recovery services for planning and development are part of the General Fund.

Recreation includes operation of City parks, community centers, recreation classes and services, swimming pools, museum, and landscape assessment districts.

Public works functions cover the costs for street maintenance, street lights, traffic signals, street signs, building and equipment maintenance, and the Petaluma River turning basin operation.

Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. Program revenues reduce the net cost of the function to be financed from the government's general revenues. As reflected in the chart on the next page, governmental program revenues came from charges for services (which includes license and permits, plan checking fees, developer fees and several other revenues), operating grants and contributions category (including restricted revenues such as Federal/State and HOME grants) and from Capital grants and contributions (including developer contributions and donations).

Governmental Activities Changes:

- Program revenues from Governmental Activities were \$18.1million in fiscal year 2016, a decrease of \$5.6 million compared to the prior year.
 - Charges for Service revenues were up by 24.8% or \$2.8 million over the prior year due to the updated fees adopted during fiscal year 2016 as well as a increased level of activity
 - Capital Grants and Contributions were down by \$8.4 million due mainly to less payments received for the Old Redwood Highway capital project completed during fiscal year 2015
- Property taxes increased by 12.5% or \$1 million due to increased assessed valuations
- Sales tax revenues were up by 3.6% or \$.4 million mainly due to receipts collected from the newly constructed Regency retail center, along with an improving overall economy
- Other taxes increased by 12.7% or \$.5 million due mainly to increased Transient Occupancy Tax collected from increased local tourism
- Intergovernmental revenues were down by 3% or \$.2 million due to decreased gas tax revenue received
- Miscellaneous revenues were down due mainly to a decrease in developer contributions. This decrease is offset by decreased developers contribution expenditures in Public Works
- General Government expenses were up 18.3% or \$.8m due mostly to a change in the method of allocating internal service fund intragovernmental charges as well as the filling of vacant positions
- Community Development expenses were up due to the method of allocating the Statement of Activities entries
- Fire expenses were down slightly due to a combination of increased salary and benefit amounts offset by a change in allocation for the pension liability

Government-Wide Financial Statement Analysis, continued

The charts that follow show the program revenues, general revenues, and expenses by function for all Governmental Activities.

Summary of Statement of Activities and Changes in Net Position			
Governmental Activities			
For the Years Ended June 30, 2016 and 2015			
(In thousands)			
	Governmental Activities 2016	Governmental Activities 2015	Percentage Change
Revenues:			
Program Revenues			
Charges for service	\$ 14,443	\$ 11,574	24.8%
Operating grants and contributions	648	783	-17.2%
Capital grants and contributions	<u>2,983</u>	<u>11,363</u>	-73.7%
Total program revenue	<u>18,074</u>	<u>23,720</u>	-23.8%
General Revenues:			
Taxes:			
Property Tax	9,583	8,516	12.5%
Sales Tax	12,836	12,394	3.6%
Franchise Tax	4,386	4,201	4.4%
Intergovernmental/Unrestricted	7,827	8,061	-2.9%
Other Taxes	<u>4,974</u>	<u>4,413</u>	12.7%
Total Taxes	39,606	37,585	5.4%
Unrestricted Investment Earnings	643	140	359.3%
Miscellaneous Revenue	<u>2,784</u>	<u>4,903</u>	-43.2%
Total Revenue	<u>61,107</u>	<u>66,348</u>	-7.9%
Expenses:			
General government	5,198	4,395	18.3%
Community development	5,185	3,941	31.6%
Police	15,529	15,683	-1.0%
Fire	11,440	12,256	-6.7%
Recreation	2,544	2,511	1.3%
Public works	<u>10,625</u>	<u>10,364</u>	2.5%
Total Expenses	<u>50,521</u>	<u>49,150</u>	2.8%
Revenues Over (Under) Expenses	10,586	17,198	-38.4%
Transfers	<u>(754)</u>	<u>(611)</u>	23.4%
Change in Net Position	9,832	16,587	-40.7%
Net position-beginning of year	213,243	265,262	-19.6%
Adjustment Net position-beginning(See Note 1N)	-	<u>(68,606)</u>	
Net position-end of year	<u>\$ 223,075</u>	<u>\$ 213,243</u>	4.6%

Government-Wide Financial Statement Analysis, continued

Business-Type Activities – Business-type activities net position contributed \$162.2 million to the City’s net position an increase of \$10.5 million over the prior year. All business-type activities are intended to be fully supported by the fees they charge (including subsidies received for operations, as is the case with the Transit operation).

Summary of Statement of Net Position			
Business-type Activities			
As of June 30, 2016 and 2015			
(in thousands)			
	Business-type Activities 2016	Business-type Activities 2015	Business-type Activities Change
Assets:			
Current and other assets	\$ 63,155	\$ 58,987	\$ 4,168
Capital Assets, net of depreciation	<u>246,268</u>	<u>244,859</u>	<u>1,409</u>
Total assets	<u>309,423</u>	<u>303,846</u>	<u>5,577</u>
Deferred Outflows of Resources:			
Related to Pension	<u>2,538</u>	<u>697</u>	<u>1,841</u>
Total Deferred Outflows of Resources	<u>2,538</u>	<u>697</u>	<u>1,841</u>
Total Assets and Deferred Outflows of Resources	<u>311,961</u>	<u>304,543</u>	<u>7,418</u>
Liabilities:			
Current Liabilities	11,940	11,745	195
Non-Current Liabilities	<u>135,180</u>	<u>139,712</u>	<u>(4,532)</u>
Total liabilities	<u>147,120</u>	<u>151,457</u>	<u>(4,337)</u>
Deferred Inflows of Resources:			
Related to Pension	<u>2,653</u>	<u>1,450</u>	<u>1,203</u>
Total Deferred Inflows of Resources	<u>2,653</u>	<u>1,450</u>	<u>1,203</u>
Total Liabilities and Deferred Inflows of Resources	<u>149,773</u>	<u>152,907</u>	<u>(3,134)</u>
Net Position:			
Net Investment in Capital Assets	116,665	108,205	8,460
Restricted	2,246	2,706	(460)
Unrestricted	<u>43,277</u>	<u>40,725</u>	<u>2,552</u>
Total Net Position	<u>\$ 162,188</u>	<u>\$ 151,636</u>	<u>\$ 10,552</u>

Charges for services include: usage charges for wastewater and water utilities, water and wastewater connection fees, airport and marina charges for sales, airport and marina leases, rents, and transient parking charges, charges for transit services, and charges for development services.

Operating grants and contributions, and capital grants and contributions include amounts received from federal, state and county governments.

Government-Wide Financial Statement Analysis, continued

Business-type Activities Changes:

- Program revenues from Business Activities were \$49.1 million in fiscal year 2016, an increase of \$1.5 million compared to the prior year.
 - Charges for Service revenues were up 1.7% or \$.7 million
 - Operating Grants and Contributions were up 22.6% or \$.8 million
- Airport expenses increased slightly while revenues decreased by \$.8 million due to a decrease in federal grants received during fiscal year 2016
- Development Services revenues increased slightly offset by increased expenses
- Marina overall net position decreased due to operating at a loss of approx. \$.2 million annually
- Transit expenses and revenues were up due to pass through transactions for the SMART project
- Wastewater Utility revenue increased by \$1.5 million due mainly to higher connection fees received, while expenses decreased by \$.8 million
- Water Utility revenue decreased by \$1 million due to conservation while expenses also decreased by \$.4 million
- Storm Water Utility expenses increased compared to prior year due to increased intragovernmental costs

The chart below shows the program revenues, general revenues, and expenses by function for all business-type activities.

Summary of Statement and Changes in Net Position			
Business-type Activities			
As of June 30, 2016 and 2015			
(in thousands)			
	Business-type Activities 2016	Business-type Activities 2015	Percentage Change
Revenues:			
Program Revenues			
Charges for Service	\$ 44,904	\$ 44,173	1.7%
Operating Grants and Contributions	4,209	3,434	22.6%
Capital Grants and Contributions	-	-	
Total Program Revenue	49,113	47,607	3.2%
General Revenues			
Unrestricted Investment Earnings	340	113	200.9%
Miscellaneous Revenue	-	7	-100.0%
Total Revenue	49,453	47,727	3.6%
Expenses:			
Business Type Activities			
Airport	1,748	1,715	1.9%
Development Services	1,808	1,407	28.5%
Marina	466	463	0.6%
Transit	4,609	2,734	68.6%
Wastewater	18,167	19,498	-6.8%
Water Utility	12,077	13,673	-11.7%
Storm Water	780	408	91.2%
Total Expenses	39,655	39,898	-0.6%
Revenues Over (Under) Expenses	9,798	7,829	25.2%
Transfers	754	611	23.4%
Changes in Net Position	10,552	8,440	25.0%
Net Position - Beginning of year	151,636	151,675	0.0%
Adjustment Net position-beginning(See Note 1N)	-	(8,479)	
Net Position - End of Year	\$ 162,188	\$ 151,636	7.0%

Fund Financial Statements Analysis

Governmental Major Funds

General Fund

This fund provides for the basic services which are expected of a local government, including general government, police, fire, recreation, community development and public works. Support for these services is provided by charges for services, fees, taxes, intergovernmental revenues, donations and grants.

HOME/Begin Special Revenue Fund

The federal HOME program was created in 1990 and has provided over \$14.1 million to the City of Petaluma to fund affordable housing on a project-specific basis. The HOME program is administered through the California State Department of Housing and Community Development.

Impact Fee Special Revenue Funds

These funds are used to account for the impact fees, in the following categories, which are imposed on development in the City:

- Community Facilities
- Library Facility
- Public Facilities
- Fire Suppression
- Storm Drainage
- Housing in-Lieu
- Commercial Linkage
- Parkland Acquisition/Development
- Aquatic Facility
- Police Facility
- Traffic Mitigation
- City Facilities Development

These fees are used for the specific purposes for which they are collected. The majority are used for capital improvement projects, which are required as a result of the impact of development on the City.

City Capital Project Funds

The City Capital Project Funds account for the capital improvement activities and projects (CIP) which are financed with governmental resources. They include:

- General Government CIP
- Community Development CIP
- Police CIP
- Fire CIP
- Parks and Recreation CIP
- Public Works CIP
- FEMA CIP
- TDA CIP

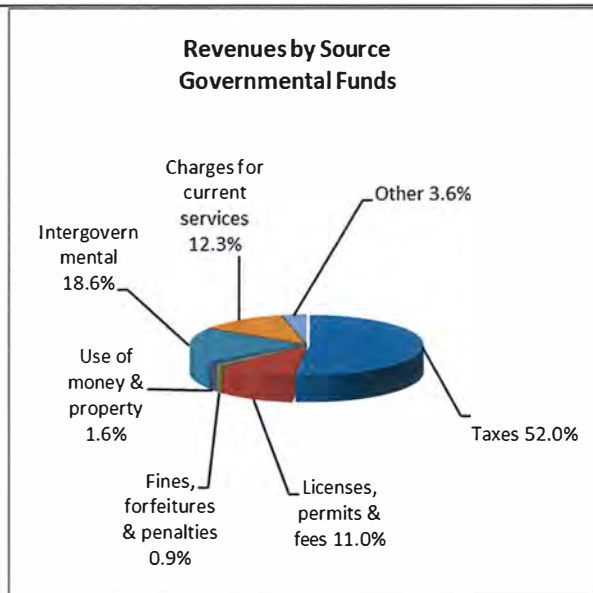
Fund Financial Statements Analysis, continued

Redevelopment Special Revenue Funds and Redevelopment Capital Project Fund

The City's Redevelopment Agency (RDA), Petaluma Community Development Commission (PCDC), was activated on December 1, 1975 and adopted the Redevelopment Plan for the Central Business District Project Area (CBD) on September 27, 1976. Pursuant to ABx 1 26 ("AB 26"), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Redevelopment agency of the City of Petaluma (Petaluma Community Development Commission) was dissolved on January 31, 2012. The former PCDC is now administered under the name Petaluma Community Development Successor Agency. The Government-Wide Financial Statements for fiscal year 2011-12 includes activities of the former PCDC for the seven months ended January 31, 2012. On February 1, 2012 the former PCDC's remaining assets were distributed to and liabilities were assumed by the PCDSA. Please refer to note 15 for a more detailed discussion of the activities and assets and liabilities transferred as of February 1, 2012.

The Charts below show Governmental Fund Revenues by Source and Expenditures by Function.

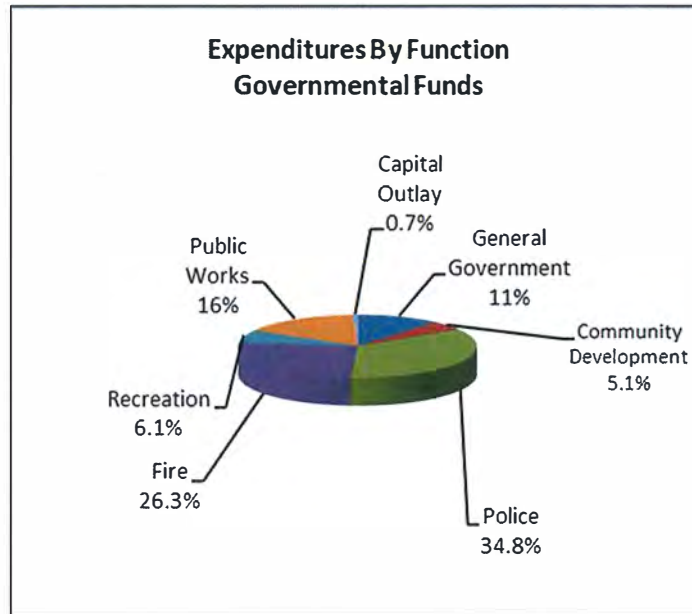
Revenues Classified by Source						
Governmental Funds						
For the Years ending June 30, 2016 and 2015						
(in millions of dollars)						
Revenue by Source	FY 2016		FY 2015		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 31.53	52.0%	\$ 29.52	44.5%	\$ 2.01	6.8%
Licenses, permits & fees	6.68	11.0%	5.40	8.1%	1.28	23.7%
Fines, forfeitures & penalties	0.56	0.9%	0.59	0.9%	(0.03)	-5.1%
Use of money & property	0.99	1.6%	0.71	1.1%	0.28	39.4%
Intergovernmental	11.29	18.6%	19.23	29.0%	(7.94)	-41.3%
Charges for current services	7.47	12.3%	6.24	9.4%	1.23	19.7%
Other	2.16	3.6%	4.65	7.0%	(2.49)	-53.5%
Total Revenues	\$ 60.68	100.0%	\$ 66.34	100.0%	\$ (5.66)	-8.5%



Fund Financial Statements Analysis, continued

**Expenditures Classified by Function
Governmental Funds
For the Years ending June 30, 2016 and 2015
(in millions of dollars)**

Expenditures by Function	FY 2016		FY 2015		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Current:						
General Government	\$ 5.32	11.0%	\$ 4.56	6.9%	\$ 0.76	16.7%
Community Development	2.50	5.1%	2.35	3.6%	0.15	6.4%
Police	16.86	34.8%	15.67	23.9%	1.19	7.6%
Fire	12.75	26.3%	12.26	18.6%	0.49	4.0%
Recreation	2.95	6.1%	8.17	12.4%	(5.22)	-63.9%
Public Works	7.84	16.0%	18.74	28.5%	(10.90)	-58.2%
Capital Outlay	0.33	0.7%	3.99	6.1%	(3.66)	-91.7%
Total Expenditures	<u>\$ 48.55</u>	<u>100.0%</u>	<u>\$ 65.74</u>	<u>100.0%</u>	<u>\$ (17.19)</u>	<u>-26.1%</u>



Fund Financial Statements Analysis, continued

Proprietary Major Funds

Airport Fund

This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvement projects.

Development Services Fund

This fund accounts for the cost recovery services offered by the City for building, development and planning.

Marina Fund

The Marina Fund accounts for the daily operation and maintenance of the Petaluma Marina, including capital improvement projects.

Transit Fund

The Transit Fund accounts for the daily operation and maintenance of the City's bus system and paratransit system, including capital improvement projects.

Waste Water Utility Fund

This fund is part of the Public Works and Utilities Department which provides comprehensive and integrated management of Petaluma's water resources, including the collection and treatment of wastewater. Capital projects are included in this fund.

Water Utility Fund

This fund is part of the Public Works and Utilities Department which provides comprehensive and integrated management of Petaluma's water resources, including the reliable delivery of high quality water. Capital projects are included in this fund.

Storm Water Fund

This fund is part of the Public Works and Utilities Department which tracks costs associated with the City's storm drainage system.

Proprietary Fund revenues increased by approximately \$2.8 million over the prior year due to increased charges for services in Development Service and the Internal Service Funds, increased connection fees in Waste Water and Water Utility Funds and increased intergovernmental revenue in Transit directly offset by expenses.

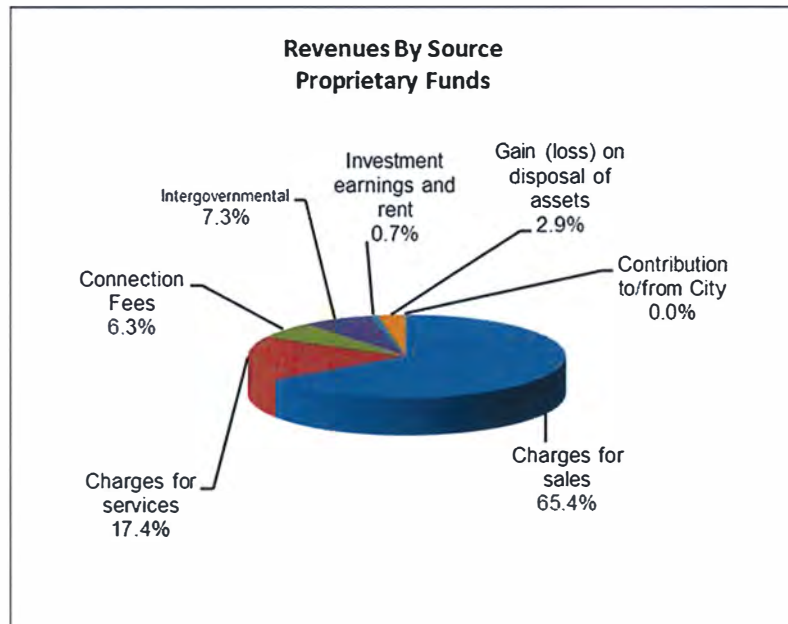
Proprietary Fund expenses decreased overall slightly by \$.8 million. Decreased claims compared to the prior year in the Risk and Worker's Compensation Internal Service Funds of \$2 million is the reason for the overall decrease.

The Charts below show Proprietary Fund Revenues by Source and Expenditures by Function.

Fund Financial Statements Analysis, continued

Revenues Classified by Source
Proprietary Funds
For the Years ending June 30, 2016 and 2015
(in millions of dollars)

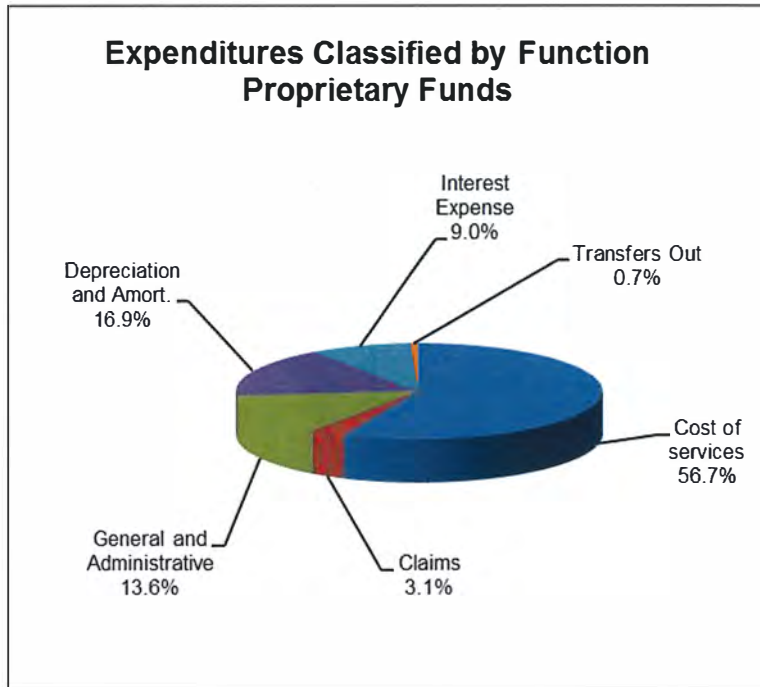
Revenues by Source	FY 2016		FY 2015		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 37.51	65.4%	\$ 38.46	70.6%	\$ (0.95)	-2.5%
Charges for services	9.97	17.4%	9.50	17.4%	0.47	4.9%
Connection Fees	3.59	6.3%	2.17	4.0%	1.42	65.4%
Intergovern. operating/non-operating	4.21	7.3%	3.43	6.3%	0.78	22.7%
Investment earnings and rent	0.40	0.7%	0.12	0.2%	0.29	239.5%
Transfers in	1.66	2.9%	0.81	1.5%	0.85	104.9%
Contribution to/from City/Capital	0.00	0.0%	0.02	0.0%	(0.01)	-97.4%
Total Revenues	<u>\$ 57.34</u>	<u>100.0%</u>	<u>\$ 54.50</u>	<u>100.0%</u>	<u>\$ 2.84</u>	<u>5.2%</u>



Fund Financial Statements Analysis, continued

**Expenditures Classified by Function
Proprietary Funds
For the Years ending June 30, 2015 and 2014
(in millions of dollars)**

Expenditures by Function	FY 2016		FY 2015		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 25.85	56.7%	\$ 23.89	51.4%	\$ 1.96	8.2%
Claims	1.43	3.1%	3.39	7.3%	(1.96)	-57.8%
General and administrative	6.22	13.6%	6.92	14.9%	(0.70)	-10.1%
Depreciation and amortization	7.72	16.9%	7.91	17.0%	(0.19)	-2.4%
Interest expense	4.13	9.0%	4.37	9.4%	(0.24)	-5.5%
Transfers Out	0.30	0.7%	0.02	0.0%	0.27	100.0%
Total Expenditures	<u>\$ 45.65</u>	<u>100.0%</u>	<u>\$ 46.50</u>	<u>100.0%</u>	<u>\$ (0.86)</u>	<u>-1.8%</u>



Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City of Petaluma’s Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements.

As of June 30, 2016, the City of Petaluma Governmental Funds reported combined ending fund balances of \$101.6 million, an increase of \$37 million over fiscal year 2015. Total non-spendable reserves are \$.1 million, restricted and committed reserves are \$90 million and \$4.6 million respectively. Assigned and unassigned are \$4.9 million and \$2.0 million respectively. As mentioned prior, the main contributing factor to the increase in Governmental Fund Balances is due to the restatement of balances related to Notes Receivable and associated Interest Receivable totaling \$26.2 million.

The General Fund is the chief operating fund of the City. At June 30, 2016 total fund balance for the General Fund was \$10.2 million. This is made up of \$.1 million in non-spendable fund balance, \$3.2 million in committed, \$4.77 million in assigned, \$.13 million in assigned encumbrances and \$2.0 million in unassigned fund balance.

The General Fund’s fund balance increased by \$1.4 million during the current fiscal year. This increase is primarily due to one-time revenues received which include the redistribution of property taxes related to the former Redevelopment Agency. Lower expenditures due to unfilled positions were also a contributing factor to the increase.

The fund balance in the City Capital Projects Fund increased by \$3.2 million due to a reimbursement received from the State associated with the Open Space Grant for the construction of East Washington Park.

The Impact Fee Special Revenue fund balance increased by \$4.5 million due to increased fee revenue from increased building related activity.

The fund balances in the Home/Begin, Housing and Non-Major Governmental Funds increased slightly by \$.5m, \$.5m and \$.7m respectively.

Summary of Fund Balances Governmental Funds As of June 30, 2016 and 2015 (in thousands)			
	Governmental Funds 2016	Governmental Funds 2015	Governmental Funds Change
Assets:			
Total assets	\$ 107,795	\$ 98,169	\$ 9,626
Liabilities:			
Total liabilities	5,676	7,248	(1,572)
Deferred Inflows of Resources:			
Unavailable revenue	502	26,341	(25,839)
Total Deferred Inflows	502	26,341	(25,839)
Fund Balance:			
Nonspendables	112	115	(3)
Restricted	90,031	57,640	32,391
Committed	4,609	2,038	2,571
Assigned	4,866	4,758	108
Unassigned	1,999	29	1,970
Total fund balance	101,617	64,580	37,037
Total liabilities and fund balances	\$ 107,795	\$ 98,169	\$ 9,626

Financial Analysis of the Proprietary Funds

Proprietary Funds – Total net position for the Proprietary Funds increased by \$12 million from the prior year. Enterprise Funds activity showed total net position for Airport, Development Services, Wastewater and Water funds up \$.07m, \$.2m, \$8.7m and \$.6m respectively. Marina and Transit funds show decreases of \$.2m and \$.2m respectively. The Storm Water net change in net assets amounted to a decrease of \$.15 million and is currently operating under a loan from Storm Drainage Impact Fees until a new revenue source is designated.

Internal Service Funds activity included an increase in net position of \$2.6 million, mainly due to decreased insurance claims compared to the prior year.

As a reminder, due to the recognition of total net pension liability reported on the Proprietary Fund and Government Wide Financial statements, fund balances for Development Services, Transit, Wastewater, Water, Storm Water and Information Technology reflect decreased available fund balances. See Note 9 for detailed information on net pension liability.

Summary of Statement of Net Position			
Proprietary Funds			
As of June 30, 2016 and 2015			
(in thousands)			
	Proprietary Funds 2016	Proprietary Funds 2015	Proprietary Funds Change
Assets:			
Current assets	\$ 76,556	\$ 72,890	\$ 3,666
Non-current assets	<u>247,592</u>	<u>245,793</u>	<u>1,799</u>
Total assets	<u><u>324,148</u></u>	<u><u>318,683</u></u>	<u><u>5,465</u></u>
Deferred Outflows of Resources:			
Related to Pension	<u>2,862</u>	<u>824</u>	<u>2,038</u>
Total Deferred Outflows of Resources	<u>2,862</u>	<u>824</u>	<u>2,038</u>
Total Assets and Deferred Outflows of Resources	<u>327,010</u>	<u>319,507</u>	<u>7,503</u>
Liabilities:			
Current liabilities	14,887	15,204	(317)
Non-current liabilities	<u>142,323</u>	<u>149,180</u>	<u>(6,857)</u>
Total liabilities	<u>157,210</u>	<u>164,384</u>	<u>(7,174)</u>
Deferred Inflows of Resources:			
Related to Pension	<u>2,992</u>	<u>-</u>	<u>2,992</u>
Total Deferred Inflows of Resources	<u>2,992</u>	<u>-</u>	<u>2,992</u>
Total Liabilities and Deferred Inflows of Resource	<u>160,202</u>	<u>164,384</u>	<u>(4,182)</u>
Net Position:			
Net Investment in Capital Assets	117,989	109,130	8,859
Restricted for debt service	2,246	2,706	(460)
Unrestricted	<u>46,573</u>	<u>43,286</u>	<u>3,287</u>
Total Net Position	<u><u>\$ 166,808</u></u>	<u><u>\$ 155,122</u></u>	<u><u>\$ 11,686</u></u>

General Fund Budgetary Highlights

The General Fund revenues originally adopted were adjusted at mid-year to reflect anticipated changes in taxes, intergovernmental charges, and charges for services. Expenditures originally adopted were also adjusted during the mid-year budget update to reflect higher projected costs of salaries and benefits and supplies. The increased costs were offset by higher projected revenues.

The General Fund total revenues were above the adopted budget estimates by \$1.5 million or 3.6%, due mainly to one-time tax revenues, higher intergovernmental revenues and licenses, permits and fees as well as increased charges for services. All other revenue categories were very close to budgeted amounts.

The General Fund total expenditures were under budget by \$1.2 million or 3% due mainly to savings in salaries and benefits from vacant positions as well as lower than anticipated separation costs.

Capital Asset and Debt Administration

Capital Assets – The City of Petaluma’s investment in capital assets for its Governmental and Business-Type Activities as of June 30, 2016, equals \$436.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment, and infrastructure. Detailed information about the City’s capital assets is contained in Note 5.

The total decrease in the City’s investment in capital assets, net of depreciation, for the current fiscal year was \$3.2 million or a 1.0% decrease (this represents a decrease of \$4.6 million in Governmental Activities and a \$1.4 million increase for Business Activities).

Capital asset balances as of June 30, 2016 and 2015 were:

Capital Assets						
(net of depreciation, in millions)						
as of June 30, 2016 and 2015						
	Governmental		Increase	Business-type		Increase
	Activities		(Decrease)	Activities		(Decrease)
	2016	2015	% Change	2016	2015	% Change
Land	\$ 38.0	\$ 38.0	0%	\$ 10.7	\$ 10.7	0%
Construction in Process	40.0	38.0	5%	19.1	10.8	77%
Bldg and Improv	9.4	10.0	-6%	17.0	17.8	-4%
Vehicle and Equip	2.6	2.1	23%	2.9	3.2	-9%
Infrastructure	100.0	106.5	-6%	196.6	202.4	-3%
Totals	<u>\$ 190.0</u>	<u>\$ 194.6</u>	<u>-2%</u>	<u>\$ 246.3</u>	<u>\$ 244.9</u>	<u>1%</u>

Capital Asset and Debt Administration, continued

Long Term Debt – At the end of the current fiscal year, the City has no general long term debt obligation. The Waste Water Fund had \$92.5 million outstanding in a State Water Resource Control Board loan for the Ellis Creek Recycling Plant and \$22.5 million in outstanding revenue bonds. The Water Utility had \$6.4 million in outstanding revenue bonds. During Fiscal Year 2016 the 2003 Certificate of Participation bonds were refunded. The Department of Transportation loan totaling \$5.2 million was paid off as part of the refunding transaction. Airport had outstanding debt of \$4.5m for the 2016 Refunding Lease at the end of the fiscal year. Finally, the Marina Fund had a State loan outstanding in the amount of \$6.3 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$1.0 billion. At June 30, 2016, the City had no general obligation debt outstanding. Additional information on the City of Petaluma’s long term debt can be found in Note 6 of this report.

Governmental Activities Long-Term Debt			
As of June 30, 2016 and 2015			
(in millions)			
	Balance June 30, 2016	Balance June 30, 2015	Increase (Decrease)
Compensated Absences	\$ 3,489	\$ 3,237	\$ 252
Total Debt	<u>\$ 3,489</u>	<u>\$ 3,237</u>	<u>\$ 252</u>

Business-Type Activities Long-Term Debt			
As of June 30, 2016 and 2015			
(in millions)			
	Balance June 30, 2016	Balance June 30, 2015	Increase (Decrease)
Airport loan-CA Dept Transportation	\$ -	\$ 706	\$ (706)
Airport 2003 Certificates of Participation	-	4,435	(4,435)
2003 COP unamortized bond premium	-	44	(44)
2016 Airport Refunding Lease	4,531	-	4,531
2011 Wastewater Revenue Bonds	22,465	22,465	-
2011 Wastewater unamortized bond discount	(180)	(189)	9
WW-CA SWRCB loan	92,470	98,471	(6,001)
2012 Water Revenue Refunding Bonds	6,357	6,761	(404)
Marina loan-CA Dept of Boating & Waterways	6,268	6,183	85
Compensated Absences	<u>374</u>	<u>388</u>	<u>(14)</u>
Total Debt	<u>\$ 132,285</u>	<u>\$ 139,264</u>	<u>\$ (6,979)</u>

Economic Factors and Next Year's Budget

After multiple years of financial impacts due to the State of California's fragile budget situation, housing market crash and economic recession, the City is continuing its slow rebound. Significant budget reductions over the past several years have allowed Petaluma to align revenues with expenditures. Challenges in the future remain, however, driven by the rising cost of health benefits and retirement costs.

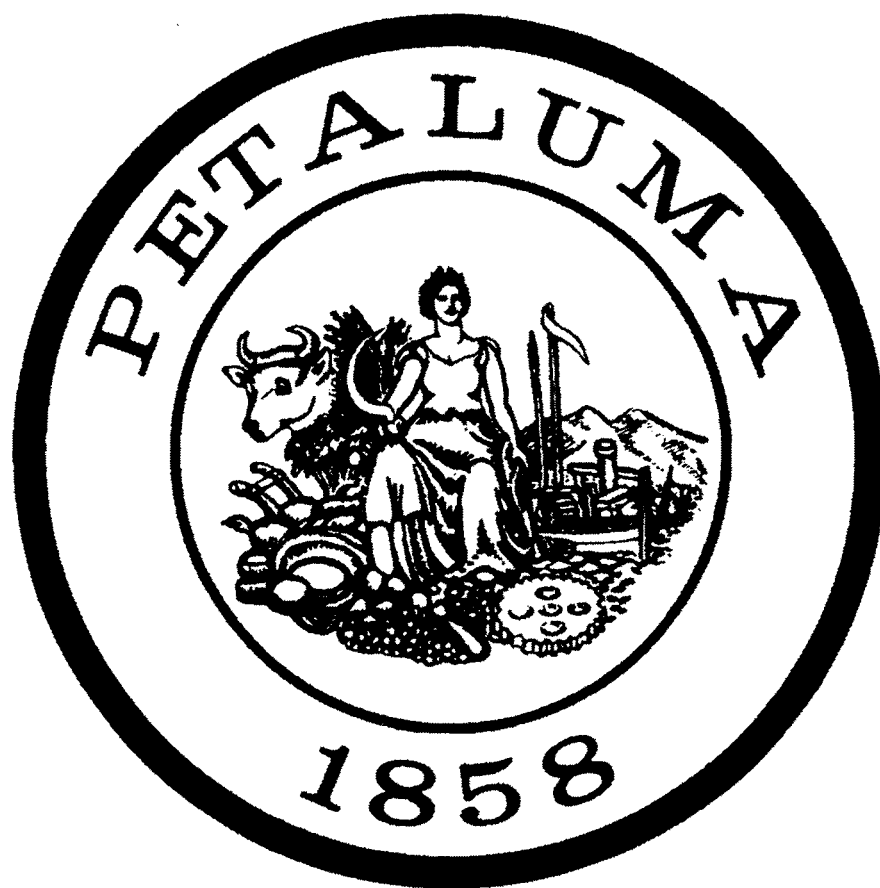
The City has a diverse economic base that includes residential, retail, and commercial assets. Office and Industrial vacancy rates are at healthy levels and new development of industrial buildings is underway. Petaluma has become a magnet for bay area residents looking for meaningful work and housing options. We would expect property taxes to remain stable or increase due to the local growth. Revenues from these sectors from property taxes have stabilized after several years of declines and are projected to increase next fiscal year. Revenues from sales taxes are also anticipated to increase next fiscal year due to the continuation of a stable, growing economy.

There remains, however, a long term projected deficit in the General Fund. The City Council has adopted a goal related to achieving fiscal stability and maintaining financial sustainability. Significant work will be done on developing a five year financial plan and other initiatives in order to address the long term deficit.

The City Council held public meetings and adopted a balanced budget for FY 2016-17.

Requests for Information

This financial report is designed to provide a general overview of the City of Petaluma's finances for all those with an interest in the government's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bill Mushallo, Finance Director, located at 11 English Street, Petaluma, CA 94952. He may be also contacted by phone at 707-778-4323 or by email at bmushallo@ci.petaluma.ca.us. The City's website is www.cityofpetaluma.net.



CITY OF PETALUMA

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

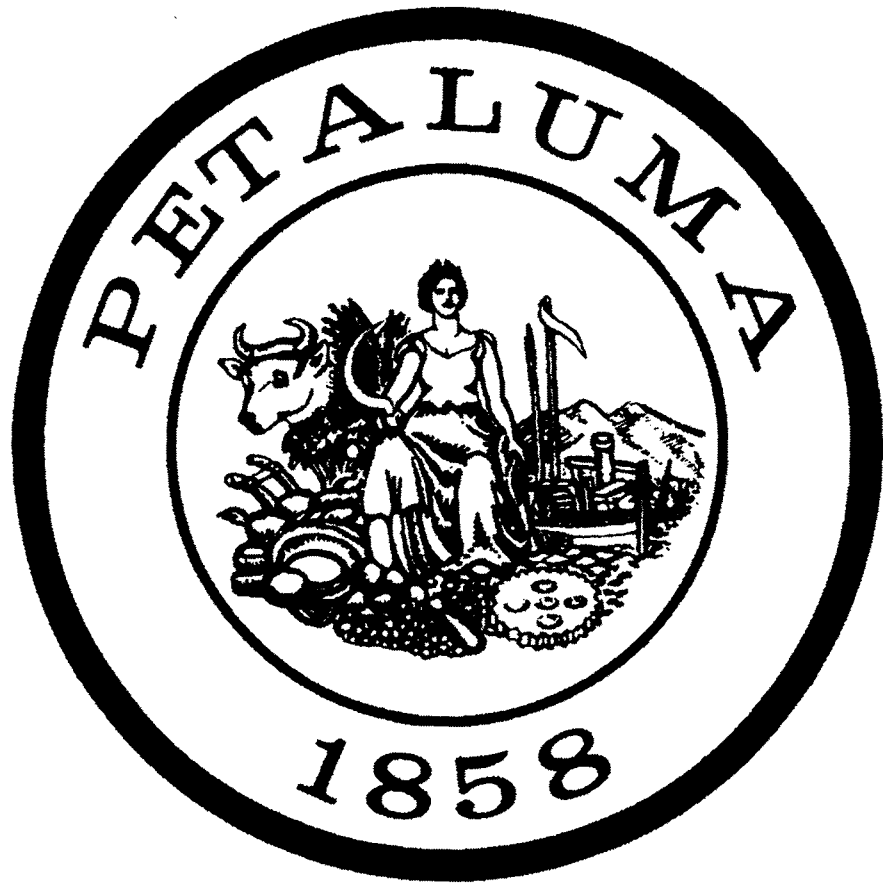
The Statement of Net Position reports the difference between the City's total assets, and deferred outflows of resources and the City's total liabilities and deferred inflow, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects, Debt Service Funds and Permanent Fund. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the modified accrual basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the City of Petaluma Public Financing Corporation, and the Petaluma Public Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.



CITY OF PETALUMA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$56,546,336	\$55,901,299	\$112,447,635
Restricted cash and investments (Note 2)		2,246,500	2,246,500
Receivables:			
Accounts, net	1,318,792	3,251,127	4,569,919
Interest	111,559		111,559
Intergovernmental	7,831,462	1,598,880	9,430,342
Internal balances (Note 3D)	306,491	(306,491)	
Inventories (Note 1F)	25,374	464,164	489,538
Deposits and prepaid items	1,345,370		1,345,370
Non-current deposits	270,640		270,640
Loans receivable (Note 4)	39,742,382		39,742,382
Interest receivable related to loans receivable (Note 4)	10,885,333		10,885,333
Capital assets (Note 5):			
Non-depreciable	77,681,500	29,872,417	107,553,917
Depreciable, net	111,985,050	216,395,526	328,380,576
Total Assets	<u>308,050,289</u>	<u>309,423,422</u>	<u>617,473,711</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 9)	13,139,256	2,538,171	15,677,427
Total assets and deferred outflows of resources	<u>321,189,545</u>	<u>311,961,593</u>	<u>633,151,138</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,131,577	2,593,274	5,724,851
Wages payable	637,061		637,061
Interest payable		850,961	850,961
Unearned revenue	15,074	221,258	236,332
Refundable deposits	348,457	812,288	1,160,745
Claims payable (Note 12):			
Due within one year	2,267,129		2,267,129
Due in more than one year	5,038,663		5,038,663
Compensated absences (Note 1G):			
Due within one year	401,309	145,851	547,160
Due in more than one year	3,489,018	374,266	3,863,284
Net pension liability, due in more than one year (Note 9)	65,217,863	10,211,323	75,429,186
Net OPEB obligation, due in more than one year (Note 10)	6,263,258		6,263,258
Long-term debt (Note 6):			
Due within one year		7,315,632	7,315,632
Due in more than one year		124,594,940	124,594,940
Total Liabilities	<u>86,809,409</u>	<u>147,119,793</u>	<u>233,929,202</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 9)	11,305,596	2,653,304	13,958,900
Total Liabilities and Deferred Inflows of Resources	<u>98,115,005</u>	<u>149,773,097</u>	<u>247,888,102</u>
NET POSITION (Note 8)			
Net investment in capital assets	189,666,550	116,665,454	306,332,004
Restricted for:			
Special projects:			
CDBG	1,039,968		1,039,968
HOME/ BEGIN	20,363,154		20,363,154
Redevelopment low/ moderate income housing	28,588,844		28,588,844
Impact fees	32,523,886		32,523,886
Grants	1,700,285		1,700,285
Gas tax	838,925		838,925
Public safety	579,958		579,958
Landscape Assessment Districts	457,900		457,900
Street maintenance	1,671,407		1,671,407
Transient Occupancy Tax	1,493,800		1,493,800
Debt service		2,246,500	2,246,500
Permanent Nonexpendable	23,852		23,852
Total Restricted	<u>89,281,979</u>	<u>2,246,500</u>	<u>91,528,479</u>
Unrestricted	(55,873,989)	43,276,542	(12,597,447)
Total Net Position	<u>\$223,074,540</u>	<u>\$162,188,496</u>	<u>\$385,263,036</u>

See accompanying notes to financial statements

CITY OF PETALUMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Total
			Charges for Services	Operating Grants and Contributions	
Governmental Activities:					
General government	\$7,842,885	(\$2,644,981)	\$3,118,778	\$7,286	\$3,126,064
Community development	4,493,471	691,549	3,041,924	347,570	3,389,494
Police	15,527,900	1,439	232,240	292,790	525,030
Fire	11,440,319		2,977,077		2,977,077
Parks and recreation	2,527,664	16,060	2,400,854		\$2,000,000 4,400,854
Public works	10,505,752	118,707	2,672,029		983,243 3,655,272
Total Governmental Activities	52,337,991	(1,817,226)	14,442,902	647,646	2,983,243 18,073,791
Business-type Activities:					
Airport	1,658,938	89,397	1,715,315	82,727	1,798,042
Development services	1,683,387	124,766	2,049,407		2,049,407
Marina	396,281	70,197	255,347		255,347
Transit	4,534,626	73,803	308,324	4,069,323	4,377,647
Wastewater utility	17,490,248	677,211	27,218,673		27,218,673
Water utility	11,439,420	636,921	13,356,427	57,125	13,413,552
Storm water	634,983	144,931	888		888
Total Business-type Activities	37,837,883	1,817,226	44,904,381	4,209,175	49,113,556
Total	\$90,175,874		\$59,347,283	\$4,856,821	\$2,983,243 \$67,187,347

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise tax

Other taxes

Intergovernmental, unrestricted

Unrestricted investment earnings

Gain on disposal of assets

Miscellaneous

Transfers (Note 3C)

Total general revenues and transfers

Change in Net Position

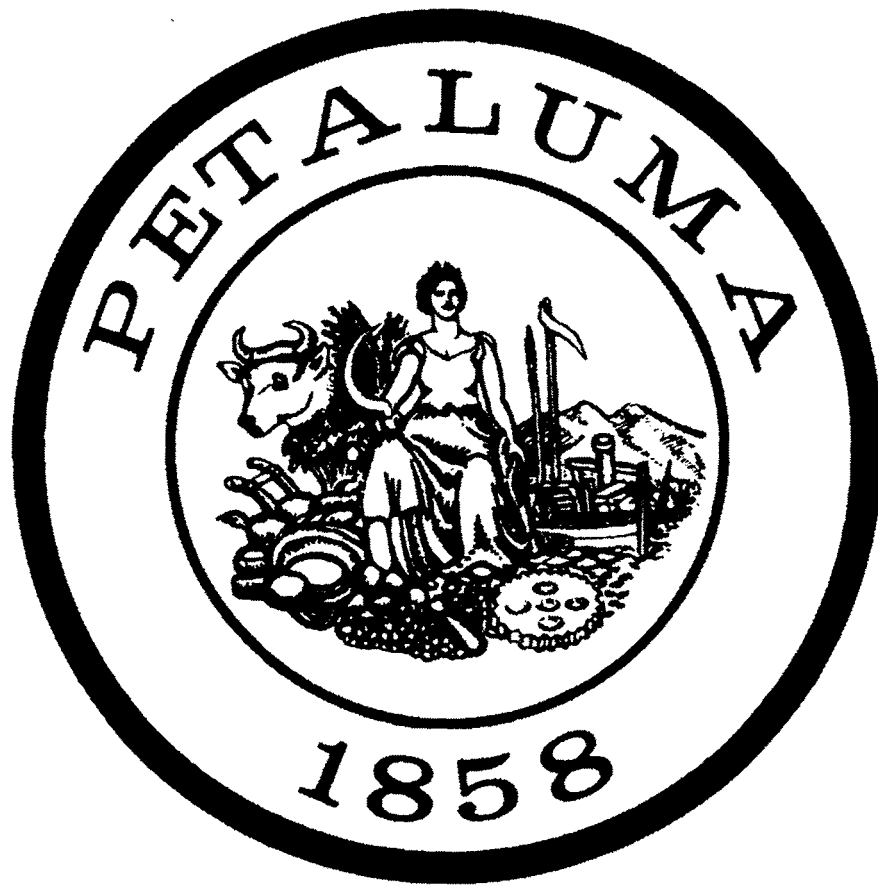
Net Position-Beginning

Net Position-Ending

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$2,071,840)		(\$2,071,840)
(1,795,526)		(1,795,526)
(15,004,309)		(15,004,309)
(8,463,242)		(8,463,242)
1,857,130		1,857,130
(6,969,187)		(6,969,187)
<u>(32,446,974)</u>		<u>(32,446,974)</u>
	\$49,707	49,707
	241,254	241,254
	(211,131)	(211,131)
	(230,782)	(230,782)
	9,051,214	9,051,214
	1,337,211	1,337,211
	(779,026)	(779,026)
	<u>9,458,447</u>	<u>9,458,447</u>
<u>(32,446,974)</u>	<u>9,458,447</u>	<u>(22,988,527)</u>
9,583,057		9,583,057
12,836,372		12,836,372
4,386,505		4,386,505
4,973,753		4,973,753
7,826,858		7,826,858
642,914	338,933	981,847
	825	825
2,783,899		2,783,899
(754,473)	754,473	
<u>42,278,885</u>	<u>1,094,231</u>	<u>43,373,116</u>
9,831,911	10,552,678	20,384,589
<u>213,242,629</u>	<u>151,635,818</u>	<u>364,878,447</u>
<u>\$223,074,540</u>	<u>\$162,188,496</u>	<u>\$385,263,036</u>



FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2016. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

HOME/BEGIN SPECIAL REVENUE FUND

The HOME/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

IMPACT FEES SPECIAL REVENUE FUND

This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provided assistance to low income people in the community, and for the acquisition, development, and enhancement of neighborhood and community parks.

SUCCESSOR HOUSING SPECIAL REVENUE FUND

This fund was established to account for the collection of property tax increment related to the dissolution of the former Petaluma Community Development Commission (PCDC) and its related project areas. This fund is used for loan repayments and activities related to the assets assumed by the City as Successor Agency as well as housing activities of the former PCDC.

CITY CAPITAL PROJECTS FUND

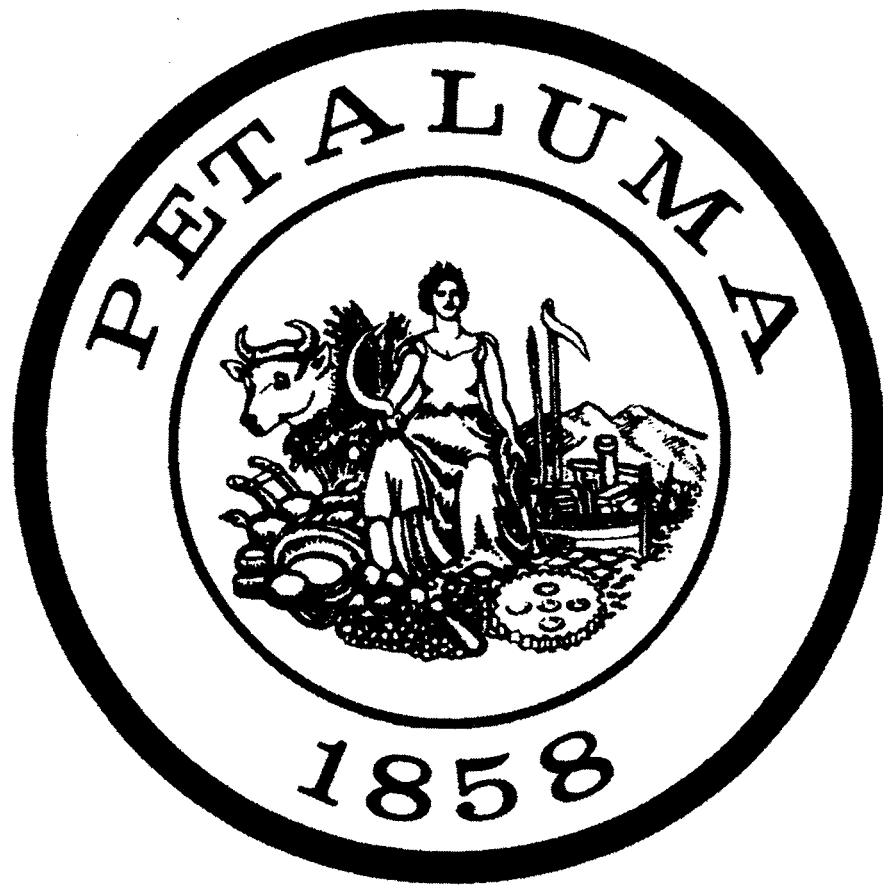
This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

CITY OF PETALUMA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	<u>General</u>	<u>HOME/ Begin Special Revenue</u>	<u>Impact Fees Special Revenue</u>
ASSETS			
Cash and investments (Note 2)	\$5,325,049	\$549,609	\$30,168,404
Receivables:			
Accounts, net	936,571		
Interest	110,947		
Intergovernmental	4,822,823		366
Due from other funds (Note 3A)	2,168,485		
Inventories	10,478		
Deposits and prepaid items	5,277		
Noncurrent deposits			270,640
Loans receivable (Note 4)	49,375	15,371,736	1,323,386
Interest receivable related to loans receivable (Note 4)	22,828	4,441,809	286,730
Advances to other funds (Note 3B)			644,069
	<u>\$13,451,833</u>	<u>\$20,363,154</u>	<u>\$32,693,595</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$1,907,307		\$54,995
Wages payable	637,061		
Unearned revenue	15,074		
Refundable deposits	251,782		34,050
Due to other funds (Note 3A)			
Advances from other funds (Note 3B)			
	<u>2,811,224</u>		<u>89,045</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	409,567		80,664
	<u>409,567</u>		<u>80,664</u>
FUND BALANCES (Note 8):			
Fund balance			
Nonspendable	87,958		
Restricted		\$20,363,154	32,523,886
Committed	3,277,768		
Assigned	4,866,554		
Unassigned	1,998,762		
	<u>10,231,042</u>	<u>20,363,154</u>	<u>32,523,886</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$13,451,833</u>	<u>\$20,363,154</u>	<u>\$32,693,595</u>

See accompanying notes to financial statements

<u>Successor Housing Special Revenue</u>	<u>City Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$464,617	\$1,054,035	\$7,244,263	\$44,805,977
4,485	800	376,936	1,318,792
	2,706,167	302,106	110,947
			7,831,462
			2,168,485
	1,444		10,478
			6,721
			270,640
22,213,885		784,000	39,742,382
5,972,613		161,353	10,885,333
			644,069
<u>\$28,655,600</u>	<u>\$3,762,446</u>	<u>\$8,868,658</u>	<u>\$107,795,286</u>
\$271	\$548,537	\$303,359	\$2,814,469
			637,061
			15,074
60,000	2,625		348,457
	1,821,631		1,821,631
	39,732		39,732
<u>60,271</u>	<u>2,412,525</u>	<u>303,359</u>	<u>5,676,424</u>
<u>6,485</u>		<u>5,270</u>	<u>501,986</u>
<u>6,485</u>		<u>5,270</u>	<u>501,986</u>
		23,852	111,810
28,588,844	18,569	8,536,177	90,030,630
	1,331,352		4,609,120
			4,866,554
			1,998,762
<u>28,588,844</u>	<u>1,349,921</u>	<u>8,560,029</u>	<u>101,616,876</u>
<u>\$28,655,600</u>	<u>\$3,762,446</u>	<u>\$8,868,658</u>	<u>\$107,795,286</u>



CITY OF PETALUMA
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$101,616,876

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 188,342,475

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position. 4,620,259

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 501,986

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Non-current portion of compensated absences	(3,677,866)
Net OPEB obligation	(6,263,258)
Net Pension liability	(63,914,290)
Deferred outflows related to pension	12,815,234
Deferred inflows related to pension	<u>(10,966,876)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$223,074,540

See accompanying notes to financial statements

CITY OF PETALUMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>HOME/ Begin Special Revenue</u>	<u>Impact Fees Special Revenue</u>
REVENUES			
Taxes	\$27,626,228		
Licenses, permits and fees	1,235,542		\$4,638,011
Fines, forfeitures, and penalties	545,739		
Use of money and property	392,166	\$201,903	272,233
Intergovernmental	5,385,022		
Charges for current services	6,926,428		92,760
Other	75,739	341,979	1,059,618
	<u>42,186,864</u>	<u>543,882</u>	<u>6,062,622</u>
EXPENDITURES			
Current:			
General government	5,158,235		
Community development	754,910		631,546
Police	16,474,125		30
Fire	12,722,037		23
Parks and recreation	1,676,878		10,961
Public works	3,654,782		75,419
Capital outlay	318,964		
	<u>40,759,931</u>		<u>717,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>1,426,933</u>	<u>543,882</u>	<u>5,344,643</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	7,607		
Transfers in (Note 3C)	1,691,267		409,837
Transfers (out) (Note 3C)	(1,704,068)		(1,232,075)
	<u>(5,194)</u>		<u>(822,238)</u>
NET CHANGE IN FUND BALANCES			
	1,421,739	543,882	4,522,405
BEGINNING FUND BALANCES, as adjusted (Note 1N)			
	<u>8,809,303</u>	<u>19,819,272</u>	<u>28,001,481</u>
ENDING FUND BALANCES			
	<u>\$10,231,042</u>	<u>\$20,363,154</u>	<u>\$32,523,886</u>

See accompanying notes to financial statements

<u>Successor Housing Special Revenue</u>	<u>City Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$3,904,021	\$31,530,249
	\$804,912		6,678,465
		10,769	556,508
\$71,627	23,285	25,205	986,419
	759,023	5,145,901	11,289,946
28,233		428,274	7,475,695
528,968	250	158,465	2,165,019
<u>628,828</u>	<u>1,587,470</u>	<u>9,672,635</u>	<u>60,682,301</u>
	153,548	7,286	5,319,069
323,718		796,556	2,506,730
		384,224	16,858,379
	20,951	5,703	12,748,714
	859,708	401,848	2,949,395
	1,247,743	2,860,086	7,838,030
		15,417	334,381
<u>323,718</u>	<u>2,281,950</u>	<u>4,471,120</u>	<u>48,554,698</u>
<u>305,110</u>	<u>(694,480)</u>	<u>5,201,515</u>	<u>12,127,603</u>
			7,607
128,130	4,297,763	1,851,262	8,378,259
	(409,837)	(6,386,752)	(9,732,732)
<u>128,130</u>	<u>3,887,926</u>	<u>(4,535,490)</u>	<u>(1,346,866)</u>
433,240	3,193,446	666,025	10,780,737
28,155,604	(1,843,525)	7,894,004	90,836,139
<u>\$28,588,844</u>	<u>\$1,349,921</u>	<u>\$8,560,029</u>	<u>\$101,616,876</u>

CITY OF PETALUMA
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$10,780,737
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance	2,169,414
Gain on disposal of capital assets are added back to fund balance	162,778
Depreciation expense is deducted from the fund balance	(7,695,191)
(Depreciation expense is net of internal service fund depreciation of \$212,561 which has already been allocated to serviced funds)	

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue	417,241
Compensated absences	(239,846)
Net OPEB obligation	(1,019,943)
Net pension liability, and deferred outflows and inflows of resources	4,123,006

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	1,133,715
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$9,831,911
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See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

AIRPORT FUND

This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvements.

DEVELOPMENT SERVICES FUND

This fund accounts for cost recovery services, including building services, development services and planning services provided to developers, where fees charged are required to cover costs of providing services.

MARINA FUND

This fund accounts for the daily operation and maintenance of the Petaluma Marina, structural and equipment improvements, and planning and implementing promotional campaigns.

TRANSIT FUND

This fund is used to account for the operation of City's transit services.

WASTEWATER UTILITY FUND

This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

WASTEWATER RATE STABILIZATION FUND

This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirements.

WATER UTILITY FUND

This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

STORM WATER FUND

The Storm Water Utility was set up to track costs associated with the City's storm drainage system. Some examples of these costs include maintenance, monitoring, ground water and drinking water protection, infrastructure management, code development and enforcement, drainage system inspection and regulation, and floodplain management.

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$1,240,490	\$1,287,798	\$17,368	\$173,697
Cash and investments with fiscal agents (Note 2)				
Receivables:				
Accounts, net	80,856		15,074	6,035
Intergovernmental	2,322			1,596,558
Interest				
Inventories (Note 1F)	35,269		4,043	73,361
Deposits and prepaid items				
Total Current Assets	<u>1,358,937</u>	<u>1,287,798</u>	<u>36,485</u>	<u>1,849,651</u>
Non-Current Assets:				
Advance to other funds (Note 3B)				
Capital assets (Note 5):				
Nondepreciable	4,403,889			1,631,967
Depreciable	18,904,363	356,272	5,034,455	6,498,411
Less: accumulated depreciation	<u>(10,816,977)</u>	<u>(356,272)</u>	<u>(3,315,228)</u>	<u>(3,487,416)</u>
Total Non-current Assets	<u>12,491,275</u>	<u>1,719,227</u>	<u>1,719,227</u>	<u>4,642,962</u>
Total Assets	<u>13,850,212</u>	<u>1,287,798</u>	<u>1,755,712</u>	<u>6,492,613</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 9)		216,014		108,007
Total Assets and Deferred Outflows of Resources	<u>13,850,212</u>	<u>1,503,812</u>	<u>1,755,712</u>	<u>6,600,620</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	8,781	47,334	5,201	1,256,802
Interest payable	24,899		64,169	
Unearned revenue				216,330
Due to other funds (Note 3A)			309,100	
Refundable deposits	143,042	480,315	20,382	
Claims payable, due within one year (Note 12)				
Compensated absences, due within one year (Note 1G)	3,583	12,190	387	4,275
Long-term debt, due within one year (Note 6)	<u>388,000</u>		<u>359,260</u>	
Total Current Liabilities	<u>568,305</u>	<u>539,839</u>	<u>758,499</u>	<u>1,477,407</u>
Non-Current liabilities:				
Claims payable, due in more than one year (Note 12)				
Compensated absences, due in more than one year (Note 1G)	23,080	23,531	2,016	2,335
Advance from other funds (Note 3B)				
Net pension liability (Note 9)		869,049		434,524
Long-term debt, due in more than one year (Note 6)	<u>4,143,000</u>		<u>5,908,823</u>	
Total Non-current Liabilities	<u>4,166,080</u>	<u>892,580</u>	<u>5,910,839</u>	<u>436,859</u>
Total Liabilities	<u>4,734,385</u>	<u>1,432,419</u>	<u>6,669,338</u>	<u>1,914,266</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 9)		225,813		112,907
Total Liabilities and Deferred Inflows of Resources	<u>4,734,385</u>	<u>1,658,232</u>	<u>6,669,338</u>	<u>2,027,173</u>
NET POSITION (NOTE 8):				
Net investment in capital assets	7,960,275		(2,240,773)	4,642,962
Restricted for debt service				
Unrestricted	<u>1,155,552</u>	<u>(154,420)</u>	<u>(2,672,853)</u>	<u>(69,515)</u>
Total Net Position	<u>\$9,115,827</u>	<u>(\$154,420)</u>	<u>(\$4,913,626)</u>	<u>\$4,573,447</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business type activities
 Equipment Replacement (BA) Fund is completely allocated to the business-type activities

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	
\$36,915,982	\$3,607,608	\$12,658,304		\$55,901,247	\$11,740,411
2,246,500				2,246,500	
2,586,921		561,741	\$500	3,251,127	
				1,598,880	
1,427		343,714	6,350	464,164	612
					14,896
					1,338,649
<u>41,750,830</u>	<u>3,607,608</u>	<u>13,563,759</u>	<u>6,850</u>	<u>63,461,918</u>	<u>13,094,568</u>
16,222,010		7,614,551		29,872,417	
240,861,842		64,537,191		336,192,534	8,292,766
(65,124,166)		(36,697,329)		(119,797,388)	(6,968,311)
<u>191,959,686</u>		<u>35,454,413</u>		<u>246,267,563</u>	<u>1,324,455</u>
233,710,516	3,607,608	49,018,172	6,850	309,729,481	14,419,023
1,188,080		972,066	54,004	2,538,171	324,022
<u>234,898,596</u>	<u>3,607,608</u>	<u>49,990,238</u>	<u>60,854</u>	<u>312,267,652</u>	<u>14,743,045</u>
406,443		867,383	1,330	2,593,274	317,108
723,009		38,884		850,961	
		4,928		221,258	
			8,640	317,740	29,114
		168,549		812,288	
					2,267,129
69,265		51,490	4,661	145,851	16,227
6,145,372		423,000		7,315,632	
<u>7,344,089</u>		<u>1,554,234</u>	<u>14,631</u>	<u>12,257,004</u>	<u>2,629,578</u>
152,629		156,846	13,829	374,266	5,038,663
			604,337	604,337	196,234
4,779,769		3,910,719	217,262	10,211,323	1,303,573
108,609,117		5,934,000		124,594,940	
<u>113,541,515</u>		<u>10,001,565</u>	<u>835,428</u>	<u>135,784,866</u>	<u>6,538,470</u>
120,885,604		11,555,799	850,059	148,041,870	9,168,048
1,241,972		1,016,159	56,453	2,653,304	338,720
<u>122,127,576</u>		<u>12,571,958</u>	<u>906,512</u>	<u>150,695,174</u>	<u>9,506,768</u>
77,205,197		29,097,413		116,665,074	1,324,455
2,246,500				2,246,500	
33,319,323	3,607,608	8,320,867	(845,658)	42,660,904	3,911,822
<u>\$112,771,020</u>	<u>\$3,607,608</u>	<u>\$37,418,280</u>	<u>(\$845,658)</u>	<u>161,572,478</u>	<u>\$5,236,277</u>
				615,586	
				432	
				<u>\$162,188,496</u>	

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
OPERATING REVENUES				
Charges for sales	\$725,625	\$721	\$8,891	
Charges for services	989,690	2,048,686	246,456	\$308,324
Connection fee				
Total Operating Revenues	<u>1,715,315</u>	<u>2,049,407</u>	<u>255,347</u>	<u>308,324</u>
OPERATING EXPENSES				
Cost of services	813,694	1,564,978	111,155	3,902,459
Claims				
General and administrative	341,555	243,175	187,751	300,681
Depreciation	420,074		97,291	405,289
Total Operating Expenses	<u>1,575,323</u>	<u>1,808,153</u>	<u>396,197</u>	<u>4,608,429</u>
Operating Income (Loss)	<u>139,992</u>	<u>241,254</u>	<u>(140,850)</u>	<u>(4,300,105)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	18,280	7,118	(1,147)	(705)
Interest expense	(173,012)		(70,281)	
Intergovernmental	82,727			4,069,323
Gain or (loss) on disposal of assets				
Total Nonoperating Revenues (Expenses)	<u>(72,005)</u>	<u>7,118</u>	<u>(71,428)</u>	<u>4,068,618</u>
Income (Loss) Before Contributions and Transfers	67,987	248,372	(212,278)	(231,487)
Transfers in (Note 3C)				25,000
Transfers (out) (Note 3C)				
Net Contributions and Transfers				<u>25,000</u>
Change in net position	67,987	248,372	(212,278)	(206,487)
BEGINNING NET POSITION (DEFICITS)	<u>9,047,840</u>	<u>(402,792)</u>	<u>(4,701,348)</u>	<u>4,779,934</u>
ENDING NET POSITION (DEFICITS)	<u>\$9,115,827</u>	<u>(\$154,420)</u>	<u>(\$4,913,626)</u>	<u>\$4,573,447</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities

See accompanying notes to financial statements

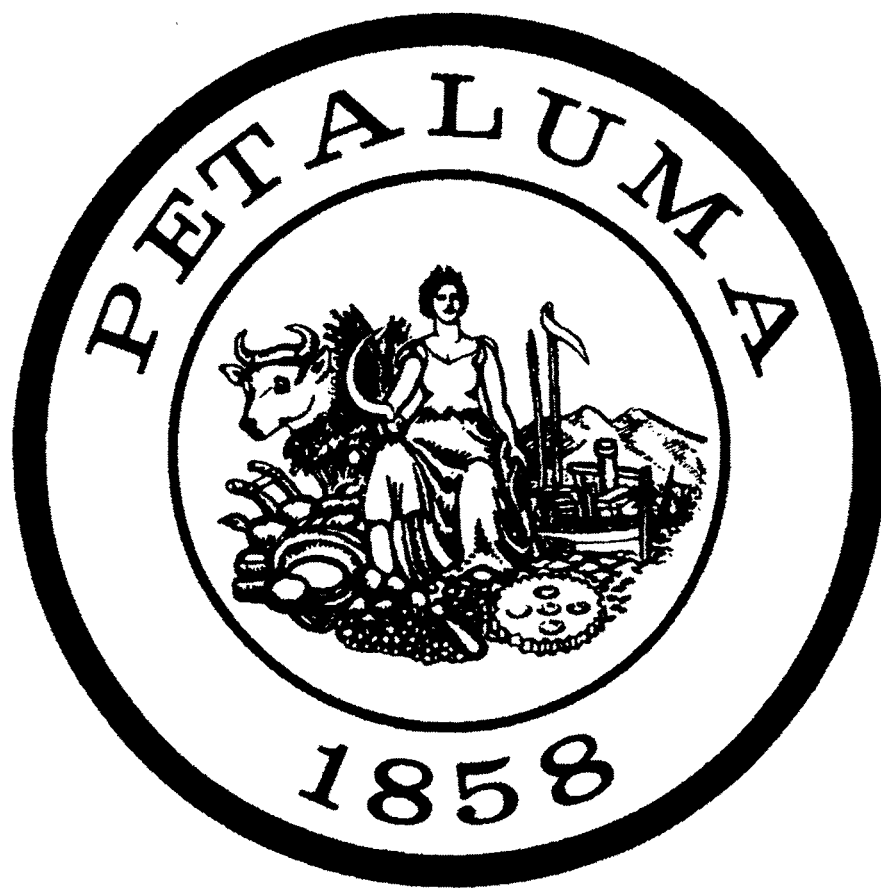
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$24,220,480		\$12,550,657		\$37,506,374	\$5,281
1,600		216,441	\$888	3,812,085	6,160,075
2,996,593		589,329		3,585,922	
27,218,673		13,356,427	888	44,904,381	6,165,356
7,124,121		9,557,395	587,000	23,660,802	2,188,166
3,022,865		1,607,055	192,914	5,895,996	1,433,431
5,336,071		1,238,608		7,497,333	328,955
15,483,057		12,403,058	779,914	37,054,131	219,088
11,735,616		953,369	(779,026)	7,850,250	4,169,640
211,039	\$21,443	82,919	(14)	338,933	1,995,716
(3,644,679)		(238,244)		(4,126,216)	63,679
825		57,125		4,209,175	
(3,432,815)	21,443	(98,200)	(14)	422,717	(442)
8,302,801	21,443	855,169	(779,040)	8,272,967	63,237
393,580		(300,000)	635,893	1,054,473	2,058,953
393,580		(300,000)	635,893	(300,000)	603,096
8,696,381	21,443	555,169	(143,147)	9,027,440	(3,096)
104,074,639	3,586,165	36,863,111	(702,511)	754,473	600,000
\$112,771,020	\$3,607,608	\$37,418,280	(\$845,658)	1,525,238	2,658,953
				\$10,552,678	2,577,324
					\$5,236,277

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$1,697,190	\$2,029,248	\$255,866	\$311,552
Cash payments to suppliers for goods and services	(1,053,888)	(975,787)	(396,033)	(2,744,758)
Cash payments to employees for services	(168,696)	(736,844)	(33,632)	(316,731)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>474,606</u>	<u>316,617</u>	<u>(173,799)</u>	<u>(2,749,937)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds				25,000
Transfers to other funds				
Interfund loan payments				
Interfund loan receipts			68,980	
Intergovernmental receipts	82,727			3,205,111
Cash Flows from (used for) Noncapital Financing Activities	<u>82,727</u>		<u>68,980</u>	<u>3,230,111</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets			(52,347)	(559,262)
Proceeds form capital debt				
Payments on long-term debt	(654,604)			
Proceeds from the issuance of long-term debt				
Interest paid	(239,293)			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(893,897)</u>		<u>(52,347)</u>	<u>(559,262)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (expense)	18,280	7,118	(1,147)	(705)
Cash Flows from (used for) Investing Activities	<u>18,280</u>	<u>7,118</u>	<u>(1,147)</u>	<u>(705)</u>
Net Cash Flows	(318,284)	323,735	(158,313)	(79,793)
Cash and investments at beginning of period	1,558,774	964,063	175,681	253,490
Cash and investments at end of period	<u>\$1,240,490</u>	<u>\$1,287,798</u>	<u>\$17,368</u>	<u>\$173,697</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$139,992	\$241,254	(\$140,850)	(\$4,300,105)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization	420,074		97,291	405,289
Change in:				
Accounts receivable	(4,799)		(1,750)	7,596
Intergovernmental	(1,765)			
Inventories	8,544		(4,043)	(3,965)
Deposits and prepaids	87			412
Accounts payable and accrued liabilities	(78,638)	(31,418)	(126,995)	705,549
Refundable deposits	(11,648)	(20,159)	2,269	
Unearned revenue				(4,780)
Claims payable				
Compensated absences	2,759	8,884	279	643
Net pension liability, deferred inflows and deferred outflows		118,056		439,424
Cash Flows from (used for) Operating Activities	<u>\$474,606</u>	<u>\$316,617</u>	<u>(173,799)</u>	<u>(2,749,937)</u>

See accompanying notes to financial statements

Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$26,528,756		\$13,463,757	\$388	\$44,286,757	\$6,173,982
(5,997,351)		(8,315,289)	(311,501)	(19,794,607)	(2,543,905)
(3,467,970)		(2,656,532)	(256,902)	(7,637,307)	(1,479,675)
					(2,019,499)
17,063,435		2,491,936	(568,015)	16,854,843	130,903
393,580			635,893	1,054,473	603,096
		(300,000)		(300,000)	(3,096)
			(67,864)	(67,864)	(30,164)
				68,980	9,015
		57,125		3,344,963	
393,580		(242,875)	568,029	4,100,552	578,851
(4,274,810)		(4,027,168)		(8,913,587)	(611,480)
825				825	
(10,523,211)		(404,000)		(11,581,815)	
4,531,000				4,531,000	
(3,677,488)		(240,715)		(4,157,496)	
(13,943,684)		(4,671,883)		(20,121,073)	(611,480)
211,039	\$21,443	82,919	(14)	338,933	64,921
211,039	21,443	82,919	(14)	338,933	64,921
3,724,370	21,443	(2,339,903)		1,173,255	163,195
35,438,112	3,586,165	14,998,207		56,974,492	11,577,216
\$39,162,482	\$3,607,608	\$12,658,304		\$58,147,747	\$11,740,411
\$11,735,616		\$953,369	(\$779,026)	\$7,850,250	\$1,995,716
5,336,071		1,238,608		7,497,333	219,088
(690,299)		92,538	(500)	(597,214)	8,626
				(1,765)	
2,685		(10,391)	5,499	(1,671)	(5,684)
382				881	(870,188)
(368,076)		52,394	(9,007)	143,809	(435,252)
		14,648		(14,890)	
		144		(4,636)	
					(586,068)
17,357		(224)	(4,692)	25,006	7,979
1,029,699		150,850	219,711	1,957,740	(203,314)
\$17,063,435		\$2,491,936	(\$568,015)	\$16,854,843	\$130,903



FIDUCIARY FUNDS

PRIVATE PURPOSE TRUST FUNDS

These funds account for assets legally held in trust for specific purposes.

AGENCY FUNDS

These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

CITY OF PETALUMA
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

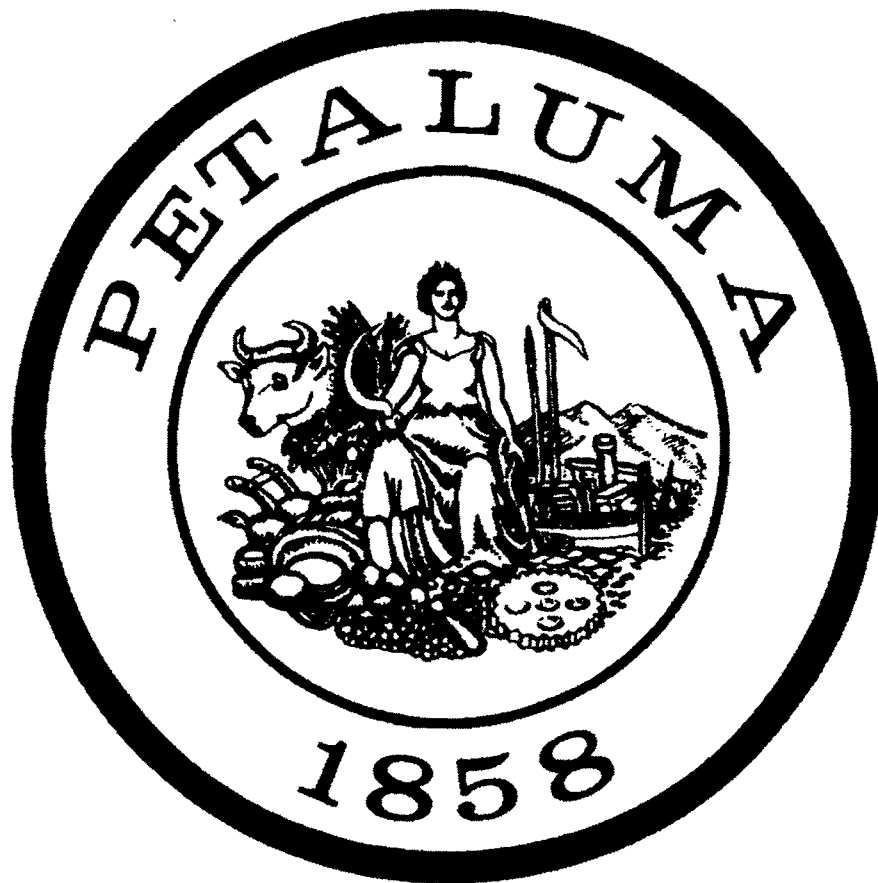
	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments (Note 2)	\$2,355,482	\$3,358,868
Restricted cash and investments (Note 2)	11,384,609	
Accounts receivable		221
Intergovernmental receivable		30,307
Notes receivable (Note 15B)	234,744	
Total Assets	13,974,835	\$3,389,396
 LIABILITIES		
Accounts payable and accrued liabilities	15,543	\$3,389,087
Deposits payable		309
Claims payable	128,750	
Interest payable	485,743	
Refundable deposits	1,000	
Long-term debt (Note 15C):		
Long-term debt, due within one year	2,567,000	
Long-term debt, due in more than one year	69,478,903	
Total Liabilities	72,676,939	\$3,389,396
 NET POSITION		
Held in trust for private purposes	(\$58,702,104)	

See accompanying notes to financial statements

CITY OF PETALUMA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trusts
ADDITIONS	
Property tax	\$5,685,097
Use of money and property	3,539
Investment income	5,087
Total Additions	5,693,723
DEDUCTIONS	
Community development	607,950
Interest expense	2,982,470
Total Deductions	3,590,420
Change in Net Position	2,103,303
NET POSITION HELD IN TRUST OR FOR PRIVATE PURPOSES	
Beginning of year	(60,805,407)
End of year	(\$58,702,104)

See accompanying notes to financial statements



CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City was incorporated as a general law City by the state legislature on April 12, 1858. The City currently operates under a Council-Manager form of government established under a charter election in 1947. The City provides the following services as authorized by its charter: police and fire protection, transit service, parks and recreation, public works, community development, and general administrative services. In addition, the City owns and operates a water and waste water system, a municipal airport, and a marina.

A. *Reporting Entity*

The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees, and sue or be sued. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Petaluma include the activities of the City, as well as the City of Petaluma Public Financing Corporation, and the Petaluma Public Financing Authority, which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

BLENDED COMPONENT UNITS

City of Petaluma Public Financing Corporation

The City of Petaluma Public Financing Corporation (PPFC) was established in November of 1990 and is a not-for-profit benefit corporation, created under the laws of the State of California. Although PPFC is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFC does not issue separate basic financial statements.

Petaluma Public Financing Authority

The Petaluma Public Financing Authority (PPFA) was established in May 1996 as a joint powers authority between the City and former Redevelopment Agency. Its purpose was to issue revenue bonds, which provided funds for a consolidated special assessment bond refunding. Although PPFA is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFA does not issue separate basic financial statements.

B. *Basis of Presentation*

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

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to 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 and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type 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. 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 and proprietary funds in the accompanying financial statements:

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HOME/BEGIN SPECIAL REVENUE FUND

The Home/BEGIN Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

IMPACT FEES SPECIAL REVENUE FUND

This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provide assistance to low income people in the community and for the acquisition, development, and enhancement of neighborhood and community parks.

SUCCESSOR HOUSING SPECIAL REVENUE FUND

This fund was established to account for housing activities and the collection of housing loans of the former Petaluma Community Development Commission (PCDC) and its related project areas. This fund is used for loan collections and assets assumed by the City as Successor Agency as well as housing activities of the former PCDC.

CITY CAPITAL PROJECTS FUND

This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

AIRPORT FUND

This fund accounts for the daily operation and maintenance of the Petaluma Airport, including capital improvements.

DEVELOPMENT SERVICES FUND

This fund accounts for cost recovery services, including building services, development services and planning services provided to developers, where fees charged are required to cover cost of providing services.

MARINA FUND

This fund accounts for the daily operation and maintenance of the Petaluma Marina, structural and equipment improvements, and planning and implementing promotional campaigns.

TRANSIT FUND

This fund is used to account for the operation of City's transit services.

WASTEWATER UTILITY FUND

This fund is part of the Public Works & Utilities Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

WASTEWATER RATE STABILIZATION FUND

This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirements.

WATER UTILITY FUND

This fund is part of the Public Works & Utilities Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

STORM WATER FUND

The Storm Water Utility was set up to track costs associated with the with the City's storm drainage system. Some examples of these costs include maintenance, monitoring, ground water and drinking water protection, infrastructure management, code development and enforcement, drainage system inspection and regulation, and floodplain management.

INTERNAL SERVICE FUNDS

These funds account for employee benefits, general services, information services, risk management, vehicle and equipment replacement, and workers' compensation; all of which are provided to other departments on a cost-reimbursement basis.

FIDUCIARY FUNDS

The Private-Purpose Trust Funds are used to account for resources legally held in trust for special purposes.

Agency Funds are used to account for assets held by the City as an agent for non-related parties, a not-for-profit organization, and certain assessment districts located in the City. The financial activities of these funds are excluded from the Entity-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. *Basis of Accounting*

The government-wide, proprietary fund and fiduciary fund 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.

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 sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

Those revenues susceptible to accrual are use of money and property revenue, charges for services and fines and penalties. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

E. *Budgetary Policy and Control*

The City Council adopts an annual budget, submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year lapse and become a part of the unreserved fund balance which may be appropriated for the next fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within funds and between departments. Transfers of operating budgets from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriations and all changes in capital improvement project budgets require the approval of the City Council. Supplemental appropriations during the fiscal year were not material.

The annual budget is prepared on a basis consistent with generally accepted accounting principles. It is adopted for all governmental type funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded when issued in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental and proprietary fund types. Open encumbrances at year-end are recorded as reservations of fund balance since the commitments will be paid by subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

In fiscal 2015-16, no major funds had expenditures in excess of its budget.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, in fiscal 2015-16, the following Non-major Governmental Funds incurred expenditures in excess of its budget:

- Gas Tax Special Revenue Fund
- Landscape Assessment Districts Special Revenue Fund

Sufficient resources were available within the funds to finance these overages

F. Inventories

Inventories in General Fund, which consisted primarily of supplies and parts, are recorded at cost and inventories in Proprietary Funds, which consisted primarily supplies, meters, and vehicle parts held for future consumption, are record at the lower of cost or market on a first-in, first-out basis. Reported expenditures/expenses reflecting the purchase of supplies have been restated to reflect the consumption method of recognizing inventory-related expenditures/expenses. A nonspendable reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute *available spendable resources*, even though they are a component of net current assets.

G. Leave Benefits

The City has compensated absences for regular vacation and sick leave which are accounted for in accordance with generally accepted accounting principles (GAAP). Employees may accumulate earned vacation time according to certain limits. Management employees are limited to the amount, which may be earned, in a three year period. All other employees are limited to the amount, which may be earned, in a two year period. All employees may accumulate unused sick leave without limits. The unused sick leave vests after five years of service for firefighters, and after ten years of service for all other employees. Vested sick leave is payable upon death or retirement for all employees at 50% of the vested amount, up to a limit of 1,000 hours for fire battalion chiefs, 720 hours for firefighters, 700 hours for police mid-management employees, and 480 hours for all other employees. All employees may elect, in lieu of a cash payment, to have all vested sick leave applied to their years of service under the retirement plan. Public safety employees are also eligible for vested sick leave to be paid upon a disability retirement at 50% of the vested amount, up to a limit of 1,000 hours for firefighters, and 700 hours for all police officers. A liability is calculated for all of the cost of compensated absences based on benefits earned by employees in the current period, for which there is a probability of payment at termination. The salary and related payroll costs are those in effect as of June, 30, 2016. Compensated absences are recorded as liabilities on the Government-Wide Financial Statements and the Proprietary Fund Financial Statements. For all compensated absences recorded, the programs that have incurred the expense are used to liquidate the liability.

Changes in compensated absences for the year ended June 30, 2016, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,642,502	\$495,111	\$4,137,613
Additions	2,362,685	650,873	3,013,558
Payments	<u>(2,114,860)</u>	<u>(625,867)</u>	<u>(2,740,727)</u>
Ending Balance	<u>\$3,890,327</u>	<u>\$520,117</u>	<u>\$4,410,444</u>
Current Portion	<u>\$401,309</u>	<u>\$145,851</u>	<u>\$547,160</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues

Property Taxes – Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified voters. Property taxes attach as a lien on the property as of January 1. Secured property taxes are levied on July 1 and are due in two installments by December 10 and April 10. The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the “Teeter Plan.” The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County. The City reports property tax revenue net of collection fees.

Sales Tax Revenue -- The City accrues the State’s July and August sales tax payments for the previous fiscal year. The July and August payments are comprised of the actual, May and June receipts, respectively and the respective receipts are recognized as revenue in the fiscal year.

Operating and Non-Operating Revenues of Proprietary Funds -- Operating revenues in the proprietary fund are those revenues that are generated from the primary operations 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.

I. Interest Payable

In the Government-Wide Financial Statements, interest payable for long-term debt is recognized as the liability is incurred in the appropriate activity.

In the Fund Financial Statements, propriety fund types recognize the interest payable when the liability is incurred.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

M. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Prior Period Adjustment*

The City changed its accounting policy related to loans receivable in fiscal year 2016. Rather than offsetting long-term loans receivable with unavailable revenue (deferred inflows of resources), loans receivable are now a component of fund balance. The City made adjustments to the beginning fund balances as follows:

Governmental Funds	
Beginning fund balances as of June 30, 2015	\$64,579,759
General Fund	49,375
Home/ Begin Special Revenue Fund	19,496,568
Impact Fees Special Revenue Fund	331,909
Successor Housing Special Revenue Fund	5,443,645
Community Development Block Fund	934,883
Beginning fund balance as adjusted	\$90,836,139

O. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – Fair Value Measurement and Application. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants. The objective of this Statement is to address for certain external investment pool and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. This statement is effective for the periods beginning after December 15, 2015, or the 2015-2016 fiscal year

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS

A. *Policies*

The City pools its available cash for investment purposes. The City considers pooled cash and highly liquid investments held with financial institutions, a fiscal agent, and in a pooled account with the State, to be cash equivalents.

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

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

Investment income is allocated among funds on the basis of interest income on certain investments and is allocated based on the source of the investment and legal requirements which apply.

Cash and investments with an original maturity of three months or less are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Commission agreements. Cash and investments as of June 30, 2016, are as follows:

City cash and investments in primary government:	
Cash and investments	\$112,447,635
Restricted cash and investments	<u>2,246,500</u>
Total cash and investments in primary government	<u>114,694,135</u>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	5,714,350
Restricted cash and investments	<u>11,384,609</u>
Total cash and investments in Fiduciary Funds	<u>17,098,959</u>
Total cash and investments	<u><u>\$131,793,094</u></u>

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	\$2,361
Cash and investments with financial institutions	117,723,829
Cash and investments with fiscal agents	<u>14,066,904</u>
Total Cash and Investments	<u><u>\$131,793,094</u></u>

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City's investment policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund (LAIF)	No Limit	N/A	N/A	N/A
Securities of the State or Local Agencies of the State	No Limit *	N/A	N/A	N/A
California Asset Management Program	No Limit	N/A	N/A	N/A
Certificates of Deposit	2 years	N/A	30%	N/A
Banker's Acceptances	180 days	N/A	40%	30%
Securities of the U.S. Treasury or Other Federal Agencies	5 years *	N/A	N/A	N/A
Repurchase Agreements	30 days	A-1/P-1	N/A	N/A
Money Market Funds	No Limit	Two highest ratings	20%	N/A
Medium-Term Notes (as currently owned)	5 years	N/A	N/A	N/A

* May be changed if approved by Council

D. *Investments Authorized by Debt Agreements*

The City and the Successor Agency to the PCDC held cash and investments with fiscal agents in the amount of \$14,066,904 at June 30, 2016, including certain amounts which are held to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. The City invests funds only as permitted by specific State statutes governing their investment or applicable City ordinance, resolution, or bond indenture.

E. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 flow and liquidity needed for operations.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Investment Type	12 months or less	13 - 24 months	25 - 36 months	37 - 48 months	Fair Value Total
Securities of U.S. Government Agencies					
FHLB	\$475,219	\$3,177,420	\$3,137,838		\$6,790,477
FNMA		1,204,130	2,517,848		3,721,978
FNMA - Collateralized Mortgage Obligation		110,892	770,088	\$577,626	1,458,606
U.S. Treasury Bonds/ Notes	2,029,210	6,021,579	4,477,086		12,527,875
Certificate of Deposit	250,000				250,000
Local Agency Investment Fund	44,819,575				44,819,575
California Asset Management Program	36,696,439				36,696,439
California Asset Management Program Held by Fiscal Agents	203,708				203,708
Money Market Funds	<u>11,180,813</u>				<u>11,180,813</u>
Total Investments	<u>\$95,654,964</u>	<u>\$10,514,021</u>	<u>\$10,902,860</u>	<u>\$577,626</u>	117,649,471
<i>Cash on hand and in banks</i>					<u>14,143,623</u>
Total Cash and Investments					<u>\$131,793,094</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2016, these investments have an average maturity of 167 days.

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority, and public agency, created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. At June 30, 2016, the fair value was approximate to the City's cost. At June 30, these investments have an average maturity of 45 days.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

Money market mutual funds are available for withdrawal on demand and at June 30, 2016, have an average maturity of 26-45 days.

F. 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 a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2016, are as follows:

Investment Type	AAAm	AA+/AA/AA-	Total
Securities of U.S. Government Agencies			
FHLB		\$6,790,477	\$6,790,477
FNMA		3,721,978	3,721,978
FNMA - Collateralized Mortgage Obligation		1,458,606	1,458,606
California Asset Management Program	\$36,696,439		36,696,439
Money Market Funds	11,180,813		11,180,813
<i>Held by Trustees:</i>			
California Asset Management Program	203,708		203,708
Totals	<u>\$48,080,960</u>	<u>\$11,971,061</u>	<u>60,052,021</u>
<i>Not rated:</i>			
Certificate of Deposit			250,000
Local Agency Investment Fund			44,819,575
Cash on Hand and in Banks			14,143,623
<i>Exempt from credit rate disclosure:</i>			
U.S. Treasury Bonds/ Notes			<u>12,527,875</u>
Total Cash and Investments			<u><u>\$131,793,094</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Fair Value Hierarchy

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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
Securities of U.S. Government Agencies			
FHLB		\$6,790,477	\$6,790,477
FNMA		3,721,978	3,721,978
FNMA - Collateralized Mortgage Obligation		1,458,606	1,458,606
U.S. Treasury Bonds/ Notes	\$12,527,875		12,527,875
Certificate of Deposit		250,000	250,000
Local Agency Investment Fund		44,819,575	44,819,575
Total Investments	<u>\$12,527,875</u>	<u>\$57,040,636</u>	69,568,511
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			36,696,439
Held by Trustees:			
California Asset Management Program			203,708
Investments Measured at Amortized Cost:			
Money Market Funds			11,180,813
Total Investments			<u>\$117,649,471</u>

US Treasury Bond/ Notes totaling \$12.5 million, classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. US Governmental Agencies Securities totaling \$11.9 million, classified as Level 2 in the fair value hierarchy are valued using institutional bond quotes and certificates of deposits in the amount of \$250 thousand are valued using market prices. The California Local Agency Investment Fund (LAIF) classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. The California Asset Management Program (CAMP) is valued based on the fair value amounts provide by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

H. Concentration of Credit Risk

Investments in any one issuer, other than U.S. Treasury securities, money market mutual funds, and California Local Agency Investment Funds that represent 5% or more of total City-wide investments are as follows at June 30, 2016:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agencies Securities	\$6,790,477

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS

A. *Current Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. During fiscal 2015-2016 the General Fund made a short-term loans to the City Capital Projects Fund in the amount of \$1,821,631, the Marina Enterprise Fund in the amount of \$309,100, the Storm Water Enterprise Fund in the amount of \$8,640 and the Information Services Internal Service Fund in the amount of \$29,114.

B. *Long-Term Advances*

During fiscal 2011-2012, the Storm Drainage Impact Fee Fund which is rolled up within the Impact Fees Special Revenue Fund advanced the Storm Water Enterprise Fund to cover storm water maintenance costs for the period from January 1, 2012 to December 31, 2014. The advance bears an annual interest rate of 0.60 percent. As of June 30, 2016, the outstanding amount of the advance was \$604,337.

In addition during fiscal 2012-2013 the Impact Fees Special Revenue Fund advanced the City Capital Projects Fund to provide temporary funding for the Swim Center Renewable Energy project. As of June 30, 2016, the outstanding amount of the advance was \$39,732.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2016, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	\$1,691,267 (A)
Impact Fees Special Revenue	City Capital Projects	409,837 (B)
Successor Housing	Impact Fees Special Revenue Fund	100,000 (A)
	Non-Major Governmental Funds	28,130 (A)
City Capital Projects	General Fund	412,015 (B)
	Impact Fees Special Revenue Fund	1,069,655 (B)
	Non-Major Governmental Funds	2,816,093 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	1,851,262 (A)
Transit Enterprise Fund	Impact Fees Special Revenue Fund	25,000 (A)
Wastewater Utility Enterprise Fund	General Fund	93,580 (C)
	Water Utility Enterprise Fund	300,000 (D)
Storm Water Enterprise Fund	General Fund	598,473 (D)
	Impact Fees Special Revenue Fund	37,420 (A)
Internal Service Funds	General Fund	600,000 (A)
	Internal Service Funds	3,096 (A)
		<u>\$10,035,828</u>

Purposes for transfers:

- (A) General support
- (B) Capital project transfers
- (C) Settlement
- (D) Maintenance

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4 - LOANS RECEIVABLE

Loans receivable and related unavailable revenue, comprised balances from the following programs, all of which are discussed below:

Housing Loans to Not-For Profit Agencies	
Old Elm Partners	\$2,504,336
Roundwalk Village Partners	2,471,246
Boulevard (Buckelew) Project	480,200
Downtown River Associate LP	7,148,134
Edith Street Apartments, Inc.	1,217,884
Lieb Senior Apartments, Inc.	1,593,886
575 Vallejo Street Association	851,184
579 Vallejo Street Association	990,000
Casa Grande	4,128,287
Wood Sorrel	1,347,513
Logan Place	7,643,219
Salishan Apartments Inc.	388,380
Vintage Chateau	4,499,825
Madrone	366,089
Washington Creek	320,000
Caufield Senior Housing	182,999
Total Housing Loans to Not-For Profit Agencies	36,133,182
First-Time Home Buyers Loans	3,609,200
Total	\$39,742,382

A. *Housing Loans to Not-For-Profit-Agencies*

The City has provided various loans to not-for-profit agencies for the construction of units for low-income rental housing projects. The loans are funded using HOME funds, Community Development Block Grant funds, the General fund, and other Housing funds. The interest rates range from zero to 5.78%. Payment is deferred until a variety of events occur, such as: sale or transfer of property, failure to adhere to low and moderate housing provisions of the promissory note, to the extent of residual receipts, or at the maturity date of the note. The maturity dates range from 32-55 years.

The City and the former PCDC have also loaned funds to not-for-profit agencies to finance constructions of low and moderate income housing. The terms range from 13 to 60 years, and the interest rates range from zero to 6.56%. Payments are deferred until a variety of events occur, such as: sale or transfer of property, failure to adhere to low and moderate housing provisions of the promissory note, to the extent of residual receipts, or at the maturity date of the note. Management evaluated these loans and they are expected to be collected, therefore, no allowance for doubtful accounts was set up.

With the dissolution of the PCDC as discussed in Note 15, the City agreed to become the successor to the PCDC's housing activities and as a result the Successor Housing Special Revenue Fund assumed the loans receivable of the former Redevelopment Special Revenue Fund.

As of June 30, 2016, the total principal and interest receivable related to these loans was \$36,133,182 and \$10,885,333, respectively.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4 - LOANS RECEIVABLE (Continued)

B. *First-Time Home Buyers Loans*

The City offers qualified low and moderate income first time home buyers silent second mortgages on home purchases. Accrued interest and principal are due when the primary loan is refinanced or on sale of the property. The interest rate is the lower of the principal amount plus interest at a rate of 10% per annum, or 28.6% to 33% net of sales price. At June 30, 2016, the outstanding balance of the loans was \$3,609,200.

NOTE 5 - CAPITAL ASSETS

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities in the Governmental-Wide Financial Statement. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize all vehicles, office equipment and items with an inherently higher value with a unit cost of \$5,000 or more, and a useful life of one year or more. Land, easements, land improvements, buildings, building improvements and infrastructure with a cost exceeding \$50,000 and a useful life exceeding one year are also capitalized.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Vehicles and equipment 3-15 years
Building and improvements 10-50 years
Infrastructure 20-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure within the basic financial statements. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

- Sidewalks and bridges
- Street system
- Sewer system
- Pipes

The assets include streets, bridges, sidewalks, drainage systems, and lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction related debt incurred during the period of construction for business-type and proprietary funds assets is capitalized as a cost of the constructed assets.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - CAPITAL ASSETS (Continued)

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Estimated historical costs were developed in one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/ acquisition to the current date, was computed on a straight-line basis, using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the government-wide financial statements as “capital lease obligations.” A capital asset is recorded at the net present value of the total lease payments in the government-wide financial statements.

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2016, is as follows:

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Governmental Activities					
Capital Assets not being Depreciated:					
Land	\$38,009,488				\$38,009,488
Construction in Progress	38,061,905	\$2,089,618	(\$93,126)	(\$386,385)	39,672,012
Total Capital Assets not being Depreciated	76,071,393	2,089,618	(93,126)	(386,385)	77,681,500
Capital Assets being Depreciated:					
Buildings and Improvements	21,700,309			1,202	21,701,511
Vehicles and Equipment	13,726,944	1,023,997	(42,422)		14,708,519
Infrastructure	195,329,507		(239,842)	385,183	195,474,848
Total Capital Assets being Depreciated	230,756,760	1,023,997	(282,264)	386,385	231,884,878
Less Accumulated Depreciation:					
Buildings and Improvements	(11,770,308)	(509,164)			(12,279,472)
Vehicles and Equipment	(11,598,036)	(554,901)	41,982		(12,110,955)
Infrastructure	(88,828,737)	(6,843,687)	163,023		(95,509,401)
Total Accumulated Depreciation	(112,197,081)	(7,907,752)	205,005		(119,899,828)
Net Capital Assets being Depreciated	118,559,679	(6,883,755)	(77,259)	386,385	111,985,050
Governmental Activities Capital Assets, Net	\$194,631,072	(\$4,794,137)	(\$170,385)		\$189,666,550

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
<i>Business-type Activities</i>					
Capital Assets not being Depreciated:					
Land	\$10,731,229				\$10,731,229
Construction in Progress	10,852,296	\$8,500,493		(\$211,601)	19,141,188
Total Capital Assets not being Depreciated	21,583,525	8,500,493		(211,601)	29,872,417
Capital Assets being Depreciated:					
Buildings and Improvements	30,000,255				30,000,255
Vehicles and Equipment	11,003,018	413,094	(\$119,576)		11,296,536
Infrastructure	295,834,759			211,601	296,046,360
Total Capital Assets being Depreciated	336,838,032	413,094	(119,576)	211,601	337,343,151
Less Accumulated Depreciation for:					
Buildings and Improvements	(12,248,868)	(761,525)			(13,010,393)
Vehicles and Equipment	(7,895,269)	(629,097)	119,576		(8,404,790)
Infrastructure	(93,419,204)	(6,113,238)			(99,532,442)
Total Accumulated Depreciation	(113,563,341)	(7,503,860)	119,576		(120,947,625)
Net Capital Assets being Depreciated	223,274,691	(7,090,766)		211,601	216,395,526
Business-type Activities Capital Assets, Net	<u>\$244,858,216</u>	<u>\$1,409,727</u>			<u>\$246,267,943</u>

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are required to be accounted for as revenues at the time the capital assets are contributed.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Functions

General Government	\$107,709
Community Development	2,701,176
Police	213,705
Fire	93,260
Parks and Recreation	643,113
Public Works	3,936,228
Internal Service Funds:	
Information Services	51,769
Vehicle Replacement - GG	160,792
Total Depreciation Expense	<u><u>\$7,907,752</u></u>

Business Functions

Airport	\$420,074
Marina	97,291
Transit	405,289
Wastewater Utility	5,336,071
Water Utility	1,238,608
Internal Service Fund:	
Vehicle Replacement - BA	6,527
Total Depreciation Expense	<u><u>\$7,503,860</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

A. The City's Long-Term Debt

The City's long-term debt activities for the year ended June 30, 2016, were as follows:

Business-Type Activity Debt:	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amount due within one year
Revenue Bonds:						
2011 Wastewater Revenue Refunding Bonds 5.50-6.00%, due 5/1/2036	\$22,465,000	\$22,465,000			\$22,465,000	
Less: Original issue discount	(228,228)	(189,425)		(\$9,129)	(180,296)	
2012 Water Revenue Refunding Bonds 3.670%, due 5/1/2031	7,529,000	6,761,000		404,000	6,357,000	\$423,000
Total Revenue Bonds		29,036,575		394,871	28,641,704	423,000
Certificates of Participation:						
2003 Certificates of Participation 2.500-5.125%, due 8/1/2028	6,295,000	4,435,000		4,435,000		
Add: Original issue premium	81,875	44,210		44,210		
Total Certificates of Participation		4,479,210		4,479,210		
State Loan Fund:						
State Revolving Loan Fund 1.400%, due 4/9/2029	125,964,254	98,471,125		6,001,340	92,469,785	6,145,372
Notes Payable:						
California Department of Boating and Waterways	3,960,000	6,183,449	\$84,634		6,268,083	359,260
California Department of Transportation	2,465,000	706,394		706,394		
Total Notes Payable		6,889,843	84,634	706,394	6,268,083	359,260
Lease Obligation:						
2016 Airport Refunding Lease Obligation 2.710%, due 11/1/2025	4,531,000		4,531,000		4,531,000	388,000
Total Lease Obligation			4,531,000		4,531,000	388,000
Total Business Type Activity Debt		\$138,876,753	\$4,615,634	\$11,581,815	\$131,910,572	\$7,315,632

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future principal and interest payment on all Business-type debt were as follows at June 30, 2016.

Business-Type Activity Debt:

For The Year Ending June 30	Revenue Bonds		State Revolving Loan		Notes Payable		Lease Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$423,000	\$1,530,590	\$6,145,372	\$2,219,275	\$359,260	\$50,715	\$388,000	\$130,835
2018	337,000	1,516,644	6,292,861	2,071,786	375,427	34,548	413,000	106,679
2019	347,000	1,504,093	6,443,889	1,920,758	392,310	17,654	424,000	95,338
2020	361,000	1,491,101	6,598,543	1,766,104	4,284,238		436,000	83,685
2021	375,000	1,477,594	6,756,908	1,607,739	856,848		447,000	71,720
2022 - 2026	2,096,000	7,167,244	36,296,280	5,526,952			2,423,000	167,654
2027 - 2031	7,978,000	6,597,409	23,935,932	1,158,006				
2032 - 2036	16,905,000	3,144,550						
Outstanding Accumulated Payments and Penalties	28,822,000	\$24,429,225	92,469,785	\$16,270,620	6,268,083	\$102,917	4,531,000	655,911
Less: Original Issuance Premium (Discount)	(180,296)							
Total Payments due	\$28,641,704		\$92,469,785		\$6,268,083		\$4,531,000	

C. Description of the City's Long-Term Debt Issues

2011 Wastewater Revenue Refunding Bonds - On February 23, 2011 the City issued Wastewater Revenue Refunding Bonds in the amount of 22,465,000. The proceeds of the bonds were used to refund obligations of the City that are payable from the revenues of the City's wastewater and storm drainage system. The Bonds mature annually each May 1 from 2030 to 2036 in amounts ranging from \$2,705,000 to \$3,785,000 and bear interest at rates ranging from 5.00% to 6.00%. Interest is payable semiannually May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Wastewater System. Debt service amounts to \$1,305,050 in fiscal 2015-16. Total principal and interest remaining to be paid on the Bonds was \$45 million as of June 30, 2016.

2012 Water Revenue Refunding Bonds - On October 1, 2012, the City issued Water Revenue Bonds, Series 2001 in the amount of \$7,529,000. The proceeds of the bonds were used to refund the 2001 Water Revenue Bonds, and to finance improvements to the Water System. This current refunding was undertaken to reduce debt service payments over the next 20 years by \$72,683, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$51,077. The Bonds mature annually each November 1 from 2013 to 2031, in amounts ranging from \$337,000 to \$520,000 and bear interest 3.760%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Water Utility Fund. Net revenue and debt service amounts to \$2,332,021 and \$644,715 in fiscal 2015-16. Total principal and interest remaining to be paid on the Bonds was \$8.2 million as of June 30, 2016.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT (Continued)

2003 Certificates of Participation - On December 9, 2003, the City issued the 2003 Certificates of Participation in the amount of \$6,295,000. The proceeds of the certificates were used to retire the 1993 Certificates which were issued to finance portions of the Petaluma Municipal Airport. The certificates mature annually each August 1 from 2005 to 2028, in amounts ranging from \$165,000 to \$435,000 and bear interest at rates ranging from 2.500% to 5.125%. Interest is payable semiannually on February 1 and August 1. The certificates maturing on or after August 1, 2014, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after August 1, 2013, at a price equal to the principal amount, plus accrued interest on the redemption date. Principal and interest due with respect to the certificates will be made from the base rental payments payable by the City (the Airport Fund is the primary obligator).

The certificate of participation was issued at a premium of \$81,875 which the City paid off in fiscal year 2016.

In the fiscal year ending June 30, 2016, the City retired the 2003 Certificates of Participation with the issuance of the 2016 Airport Lease Obligation.

State Revolving Loan Fund - In October 2005, the City was awarded \$125,964,254 for the Ellis Creek Water Recycling Facility from the California Clean Water State Revolving Fund. The first draw was in September 2006. Upon completion of the construction of the recycling facility, the State Division of Financial Assistance for the State Water Resources Control Board will prepare an appropriate SRF installment sale agreement payment schedule. The City may without penalty prepay all or any portion of the outstanding principal amount of the obligation provided that the City also pays all accrued interest on the principal amount prepaid through the date of the prepayment. This obligation is secured by the net revenues of the Wastewater Enterprise Fund. The interest rate is 1.4%. The outstanding balance at June 30, 2016 was \$92,469,785.

California Department of Boating and Waterways - On March 11, 1993, the California Department of Boating and Waterways issued a note in the amount of \$3,960,000 to finance construction of the Petaluma Marina. The terms of the loan allow unpaid interest to be added to the outstanding principal. The loan balance was increased by unpaid interest and penalties for the years ended June 30, 1998, and 2000 through 2013. The debt is the responsibility of the Marina Fund. The outstanding balance at June 30, 2016 was \$6,268,083. The City has been attempting to work with the California Department of Boating and Waterways in order to eliminate the liability in the Marina Fund.

California Department of Transportation - On October 4, 1996, the California Department of Transportation issued three airport loans, in the amounts of \$975,000, \$50,000 and \$40,000, which were used to finance construction of hangars, installation of an electronic payment fueling system, and upgrading of the fueling system, respectively, at the Airport. In June 2005 an additional \$1,400,000 was loaned to finance the construction of additional hangars.

In the fiscal year ending June 30, 2016, the City refunded this loan with the issuance of the 2016 Airport Lease Obligation.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT (Continued)

2016 Airport Lease Obligation – In March of 2016, the Petaluma Public Financing Authority entered into a lease obligation with the City in the amount of \$4,531,000. The proceeds of the lease obligation were used to retire the 2003 Certificates of Participation and the 2005 California Department of Transportation Airport Loans. The lease obligation is payable each November from 2016 to 2025, in amounts ranging from \$388,000 to \$511,000 and bear interest at rate of 2.71%. Interest is payable semiannually on May 1 and November 1. The refunding resulted in an overall debt service savings of \$798,082. The net present value of the debt service savings is called an economic gain and amounted to \$631,546.

NOTE 7 - DEBT WITHOUT CITY COMMITMENT

The following bond issues are not reported in the City's financial statements, because they are special obligations payable solely from, and secured by, specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit, nor the taxing power of the City, the County, the State of California, or any political subdivision thereof, is pledged for payment of these bonds.

Multi-Family Housing Revenue Bonds - the Redevelopment Agency issued \$4,750,000 in Multifamily Housing Revenue Bonds, with a variable rate of interest, not to exceed 12%, with the variable rate to be determined by the marketing agent. The proceeds from the bonds were used to make a loan to Oakmont Retirement Investors, LLC for the purpose of financing the acquisition and construction of a 76-unit assisted living care/multi-family rental facility known as Oakmont at Petaluma. The bonds are special obligation of the former PCDC, payable solely from the rental revenue and other assets pledged or assigned to Payment of the bonds by Windchime of Walnut Creek, LP. These bonds are not recorded as liabilities on the City's financial statements.

On September 19, 2011, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$20,000,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Logan Place, L.P., for the purpose of financing the acquisition and construction of 66-unit, affordable housing development in the City of Petaluma, known as the "Logan Place." The bonds are special obligation of City, the payments of the bonds are solely the responsibility of the Logan Place, L.P. These bonds are not recorded as liabilities on the City's financial statements.

On February 6, 2012, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$12,500,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Petaluma Ecumenical Properties, for the purpose of financing the acquisition and construction of 50-unit, multi-family, low-income senior rental housing development in the City of Petaluma, known as the "Kellgren Senior Apartments." The bonds are special obligation of the City, the payments of the bonds are solely the responsibility of the Petaluma Ecumenical Properties, LLC. These bonds are not recorded as liabilities on the City's financial statements.

On August 6, 2012, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$15,000,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Round Walk Village Partners 2, L.P., for the purpose of financing the acquisition and construction of 129-unit, multi-family housing development in the City of Petaluma, known as the "Round Walk Village." The bonds are special obligation of the City, the payments of the bonds are solely the responsibility of the Round Walk Village Partners 2, L.P. These bonds are not recorded as liabilities on the City's financial statements.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 - DEBT WITHOUT CITY COMMITMENT (Continued)

On September 15, 2003, former PCDC issued Multi-Family Housing Revenue Bonds and Taxable Multi-Family Housing Revenue Bonds in the amount of \$6,197,000. The proceeds of the bonds were used to finance the construction and equipping of an 81 unit, multi-family, rental housing development in the City of Petaluma, known as the "Downtown River Apartments." The bonds are special obligation of the former PCDC payable solely from rental revenue and other assets pledged or assigned to payment of the bonds by the obligator. These bonds are not recorded as liabilities on the City's financial statements.

On October 5, 2015, the City approved the issuance of the Multi-Family Housing Revenue Bonds in the amount of \$25,000,000 through the California Municipal Financing Agency. The proceeds from the bonds are to be used by the developer, Eden Housing Inc., for the purpose of financing the acquisition and rehabilitation of 2 affordable housing develops, a 32-unit, multi-family, low-income residential rental housing development in the City of Petaluma, known as the "Washington Creek Apartments" and a 74-unit, multi-family, low-income residential rental housing development in the City of Petaluma, known as the "Corona Ranch Apartments." The bonds are special obligation of the City, the payments of the bonds are solely the responsibility of the Eden Housing Inc. These bonds are not recorded as liabilities on the City's financial statements.

NOTE 8 - NET POSITION AND FUND BALANCES

A. Net Position

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three captions on the Statement of Net Position. These captions apply only to net position, which is determined only at the Government-wide level and business type authorities, 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 and related deferred inflows or outflows of resources.

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 to use.

B. Fund Balance

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

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the City Council's highest level of decision-making authority. The City Council can, by adoption of resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by resolution of the City Council or its designee, City Manager, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances, Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

Detailed classifications of the City's Fund Balances as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	HOME /Begin Special Revenue	Impact Fees Special Revenue	Successor Housing Special Revenue	City Capital Projects	Non-Major Governmental	Total
Nonspendables:							
Items not in spendable form:							
Inventories	\$10,478						\$10,478
Deposits and prepaids	5,277						5,277
Loans receivable and interest receivable related	72,203						72,203
Subtotal	87,958						87,958
Amounts required to maintained intact:							
Permanent funds						\$23,852	23,852
Total Nonspendable Fund Balances	87,958					23,852	111,810
Restricted for:							
Special projects			\$32,523,886		\$18,569		32,542,455
Community redevelopment						8,536,177	8,536,177
Low-income housing		\$20,363,154		\$28,588,844			48,951,998
Total Restricted Fund Balances		20,363,154	32,523,886	28,588,844	18,569	8,536,177	90,030,630
Committed to:							
Special projects	3,277,768				1,331,352		4,609,120
Total Committed Fund Balances	3,277,768				1,331,352		4,609,120
Assigned:							
Special projects	4,866,554						4,866,554
Total Assigned Fund Balances	4,866,554						4,866,554
Unassigned:							
General Fund	1,998,762						1,998,762
Total Unassigned Fund Balances	1,998,762						1,998,762
Total Fund Balances	<u>\$10,231,042</u>	<u>\$20,363,154</u>	<u>\$32,523,886</u>	<u>\$28,588,844</u>	<u>\$1,349,921</u>	<u>\$8,560,029</u>	<u>\$101,616,876</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

C. Fund Deficits

As of June 30, 2016, the Development Services Fund, the Marina Enterprise Fund, the Storm Water Enterprise Fund, the Information Services Internal Service Fund, and the Workers' Compensation Internal Service Fund, had negative net positions of \$154,420, \$4,913,626, \$845,658, \$1,416,952 and \$74,772, respectively. See Note 13C for further discussion of the Marina Fund. The deficits of the Storm Water Enterprise Fund and the Information Services Internal Service Fund are expected to be repaid by future revenues.

NOTE 9 – PENSION PLANS

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's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. 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.

A. General Information about the Pension Plans and Summary of Balances by Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 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.

Below is a summary of the deferred outflows of resources, net pension liabilities, and deferred inflows of resources by Plan for the year ended June 30, 2016:

	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	\$5,452,249	\$21,726,219	\$5,645,328
Safety	10,225,178	53,702,967	8,313,572
Total	<u>\$15,677,427</u>	<u>\$75,429,186</u>	<u>\$13,958,900</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Prior to July 1, 2010	Between July 1, 2010 and December 31, 2012	On or after January 1, 2013
Hire date			
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 - 67	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	18.002%	18.002%	50% of the Total Normal Cost

	Safety		
	Prior to July 1, 2010	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	1.426% to 2%	2.4% to 3%	2% to 2.7%
Required employee contribution rates	7%	9%	11.75%
Required employer contribution rates	42.456%	42.456%	50% of the Total Normal Cost

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2014	June 30, 2015
Inactive employees or beneficiaries currently receiving benefits	237	250
Inactive employees entitled to but not yet receiving benefits	227	227
Active employees	184	188
Total	648	665

	Safety	
	June 30, 2014	June 30, 2015
Inactive employees or beneficiaries currently receiving benefits	179	188
Inactive employees entitled to but not yet receiving benefits	76	78
Active employees	108	111
Total	363	377

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

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 20% (1)
Investment Rate of Return	7.5% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality (3)	Derived using CalPERS Membership Data for all Funds

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

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

(3) 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 CalPERS 2014 experience study report available on CalPERS website.

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

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$98,977,089	\$79,425,238	\$19,551,851
Changes in the year:			
Service cost	2,007,788		2,007,788
Interest on the total pension liability	7,267,715		7,267,715
Differences between actual and expected experience	(848,115)		(848,115)
Changes in assumptions	(1,694,544)		(1,694,544)
Changes in benefit terms			
Contribution - employer		1,990,786	(1,990,786)
Contribution - employee (paid by employer)			
Contribution - employee		889,286	(889,286)
Net investment income		1,767,481	(1,767,481)
Administrative expenses		(89,077)	89,077
Benefit payments, including refunds of employee contributions	(4,871,008)	(4,871,008)	
Net changes	<u>1,861,836</u>	<u>(312,532)</u>	<u>2,174,368</u>
Balance at June 30, 2015	<u>\$100,838,925</u>	<u>\$79,112,706</u>	<u>\$21,726,219</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$165,790,776	\$116,108,714	\$49,682,062
Changes in the year:			
Service cost	3,115,595		3,115,595
Interest on the total pension liability	12,221,159		12,221,159
Differences between actual and expected experience	(423,859)		(423,859)
Changes in assumptions	(3,032,668)		(3,032,668)
Changes in benefit terms			
Plan to resource movement		61,599	(61,599)
Contribution - employer		4,384,155	(4,384,155)
Contribution - employee (paid by employer)			
Contribution - employee		1,037,804	(1,037,804)
Net investment income		2,505,960	(2,505,960)
Administrative expenses		(130,196)	130,196
Benefit payments, including refunds of employee contributions	(8,276,688)	(8,276,688)	
Net changes	<u>3,603,539</u>	<u>(417,366)</u>	<u>4,020,905</u>
Balance at June 30, 2015	<u>\$169,394,315</u>	<u>\$115,691,348</u>	<u>\$53,702,967</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

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

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$34,533,047	\$76,720,647
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$21,726,219	\$53,702,967
1% Increase	8.65%	8.65%
Net Pension Liability	\$11,069,022	\$34,801,338

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City contributions to the plan were \$7,339,530. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,099,340	
Differences between actual and expected experience		(\$533,998)
Changes in assumptions		(1,066,935)
Net differences between projected and actual earnings on plan investments	3,352,909	(\$4,044,395)
Total	\$5,452,249	(\$5,645,328)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,240,190	
Differences between actual and expected experience		(\$302,756)
Changes in assumptions		(2,166,191)
Net differences between projected and actual earnings on plan investments	4,984,988	(\$5,844,625)
Total	\$10,225,178	(\$8,313,572)

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – PENSION PLANS (Continued)

\$7,339,530 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<i>Miscellaneous Plan:</i>		<i>Safety Plan:</i>	
Year Ended	Annual	Year Ended	Annual
June 30	Amortization	June 30	Amortization
2017	(\$1,451,631)	2017	(\$1,689,541)
2018	(1,169,112)	2018	(1,689,541)
2019	(509,904)	2019	(1,195,749)
2020	838,228	2020	1,246,247
Total	(\$2,292,419)	Total	(\$3,328,584)

E. *Deferred Public Agency Retirement System*

The City of Petaluma contributes to a Public Agency Retirement System/Alternative Retirement System (PARS), a public agency multiple-employer defined contribution pension trust. PARS provides benefits at the time of retirement, total disability or death. PARS acts as a common investment and administrative agent for participating public agencies. Benefit provisions and all other requirements are established by federal statute and city resolutions. Copies of PARS' annual financial report may be obtained from their office at 3961 MacArthur Blvd., Suite 200, Newport Beach, CA 92660.

Participants are required to contribute 7% of their annual salary. The City is required to contribute 0.5% of the annual salary of covered participants. The contribution requirements were established on the Adoption Agreement. For fiscal year ended June 30, 2016, the City contributed \$2,019 and the covered employees contributed \$28,259 the total of which met the requirements of the plan.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

A. *Plan Description*

The City of Petaluma Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and the union representing City employees.

The City provides eligible employees who retire with a monthly retiree allowance, currently provided through the California Public Employees' Retirement System (CALPERS) Health Benefits Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The monthly benefit allowance varies by bargaining unit labor contract. The benefit allowances have been long-standing and previously ratified by labor and the City Council through the negotiation process. The dollar amount varies by bargaining units and by years of service. The range of the benefit is \$100 to \$156.83 per month for retirees who satisfy the Plan's service requirements for a City cash subsidy. The City's employer contribution for each employee shall be at least the minimum amount required by PEMHCA based on unequal method for retirees participating in PEMHCA healthcare plans. The City pays this contribution directly to CALPERS and any remaining cash subsidy directly to retirees. No dental or vision benefits are provided, except for some retired Council Members. The Plan does not issue a financial report.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

In the 1990s, the City adopted various resolutions relating to a health benefit allowance for Council Members. There are six former Council Members receiving a benefit under the resolution ranging from \$100 to \$120 per month. In 1995, State law prohibited newly elected Council Members from receiving the benefit unless on a self-pay basis. The exception would be if a Council Member could retire into CALPERS and was covered under the PEMHCA.

B. Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of CALPERS service or disability. The benefits are available only to employees who retire from the City. There were 288 active participants and 234 retired participants as of June 30, 2014.

C. Funding Policy

There is no statutory requirement for the City to pre-fund its OPEB obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. The City has been and is continuing to build up resources in the employee benefits fund to pay down the unfunded OPEB liability. There are no employee contributions.

The City contributed \$257,057 during the 2015-16 fiscal year on a pay-as-you-go basis for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.

D. Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligations

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

The following table, based on the City's actuarial valuation as of June 30, 2013, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Net OPEB Obligation at June 30, 2015	\$5,243,315
Annual required contribution (ARC)	1,324,000
Interest on net OPEB obligation	209,000
Amortization of NOO	(256,000)
Annual OPEB cost	1,277,000
Contributions:	
Benefit payments	257,057
Increase in net OPEB obligation	1,019,943
Net OPEB Obligation at June 30, 2016	\$6,263,258
Percentage of ARC Contributed	19.42%

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost plan, and the net OPEB obligation for fiscal 2015-16 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2014	\$1,187,000	\$232,507	19.6%	\$4,284,617
6/30/2015	1,204,000	245,302	20.4%	5,243,315
6/30/2016	1,277,000	257,057	20.1%	6,263,258

E. Funded Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial Accrued Liability (AAL) for benefits was \$10,780,000 and the Actuarial Value of the Plan Asset was \$0 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$10,780,000. The covered payroll (annual payroll of active employees covered by the plan) was \$24,185,000 and the ratio of UAAL to the covered payroll was 44.6 percent.

Actuarial valuations of an ongoing plan involves estimates of the value of expected benefit payments and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, plus merit increases per CALPERS 1997-2007 experience study. PEMHCA minimum trend rate is 4.5% and, the benefit cap has a 0% increase, but not less than PEMHCA minimum amount. PEMHCA is a community-rated plan not required to value implied subsidies to retirees. The plan is not funded in a segregated restricted trust. The UAAL is amortized as a level percentage of projected payroll over 30 years on a closed basis, starting with 2008-09 (23 years remaining as of 2015-16).

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 11 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan (Plan) created in accordance with California Government Code Section 53212 and Internal Revenue Code of 1986, Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

In March, 1997, the City amended the Plan's documents to comply with a new federal law. The Plan's assets have been placed into a trust for the exclusive benefit of the employees and their beneficiaries. The City is the administrator of the Plan but the assets are held by an independent investment manager and, therefore, are not recorded as assets of the City. Each employee directs the investment of the assets in his or her account.

NOTE 12 - RISK MANAGEMENT

The City provides coverage up to a maximum of \$500,000 for each general liability claim. The City is a member of a public entity risk pool, which provides liability coverage of up to \$40,000,000 per occurrence, including the City's risk-limit. The actuarially determined liability at June 30, 2016, for general liability was \$2,339,124, which includes an estimate for incurred, but not reported claims.

The amounts of coverage for the risk retention, pool participation, purchased insurance and cost reimbursed benefits have not changed from the prior year. The amount of settled claims has not exceeded the maximum coverage in any of the past three years, under risk retention, pool participation, purchased insurance and cost reimbursed plans.

The public entity risk pool (Pool), to which the City belongs, assesses each member an annual contribution to cover claims, operating costs and claim settlement expenses. The Pool has a multi-level risk sharing arrangement for its liability program. Members assume their own losses, up to their retention level. Losses in excess of the retention are paid out of a central pool maintained by the Pool for each of the four levels of coverage. This central pool is funded by all of the members participating in that program layer through contributions. Losses in excess of participation limits and coverages are the responsibility of the individual member from which the loss or claim originated.

The City provides coverage up to a maximum of \$1,000,000 for each workers' compensation claim. In addition, the City carries excess insurance which provides liability coverage up to the statutory limit. The actuarially determined liability as of June 30, 2016 for workers' compensation was \$4,966,668 which includes an estimate for incurred, but not reported claims.

Most funds of the City participate in the retention program, and make payments to the Risk Management Fund and the Workers' Compensation Fund, based on budgetary estimates of the amounts needed to pay prior and current year claims, and to establish a reserve for catastrophic losses.

The accrued claims liability reported in the risk funds as of June 30, 2016, is based upon the requirement of GASB Statement No.10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for future claims and payments for workers' compensation were based on an actuarial study, which was completed for the year ended June 30, 2016. Liabilities for future claims and payments for general liability were determined by management, based on the results of the actuarial study as of June 30, 2016.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 12 - RISK MANAGEMENT

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2016, 2015, and 2014:

For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Payable Due within One Year
2014	\$7,509,800	\$297,162	(\$1,071,139)	\$6,735,823	\$2,120,498
2015	6,735,823	2,586,750	(1,430,713)	7,891,860	2,469,423
2016	7,891,860	631,865	(1,217,933)	7,305,792	2,267,129

Employee medical, disability and life insurance benefits are also purchased. The City self-insures for additional employee benefit insurance such as dental, vision and unemployment, on a cost reimbursement basis, up to defined annual maximums. No liability has been accrued for these claims, as they are deemed immaterial.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City participates in several Federal and State grant programs. These programs are subject to the audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act and applicable State requirements. In addition, these programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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

B. *Construction and Other Commitments*

The City's governmental funds had year-end commitments at June 30, 2016 totaling \$809,327 for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$6,290,973. In addition, the City's governmental funds had outstanding professional service contracts at year-end in the amount of \$719,320 and proprietary funds in the amount of \$2,375,841.

C. *Marina Enterprise Fund Finances*

At June 30, 2016, the Marina Enterprise Fund had \$17,368 in cash while accumulated deficit was \$4.9 million. As discussed in Note 6C, the Marina Enterprise Fund had an outstanding loan of \$6.3 million payable to the California Department of Boating and Waterways, to which the City has not made payments since 2000. The City has been working with the Department in order to eliminate the loan. In addition, the City management is currently exploring options at the Marina to improve operations.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The City is compelled to take pollution remediation action because of an imminent endangerment;
- The City violates a pollution prevention-related permit or license;
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation
- The City commences or legally obligates itself to commence pollution remediation.

At June 30, 2016, the City had identified the following sites which met one of the above obligating events:

Payran Street Site 301 Payran Street, site of a former fire station and underground storage tank, has had an extensive history of subsurface investigations and remediation work since approximately 1988. Groundwater sampling and analysis has confirmed that both onsite and offsite groundwater is impacted with petroleum hydrocarbons. The Sonoma County Department of Environmental Health acts as the Local Oversight Program (LOP) on behalf of the State Water Resources Control Board and has directed the City to continue with its cleanup of the site. As of this date the City has spent the State Fund limit of \$1.5m for past work and the more recent Dual Phase Vapor Extraction Remediation. The City has entered an agreement with Edd Clark & Associates to prepare a corrective action plan and implement a remediation system to clean up the site. The operation of this remediation system is expected to last up to 3 years with an estimated total project cost of \$436,000.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *Redevelopment Dissolution*

Effective January 31, 2012, all Redevelopment Agencies were dissolved. Certain assets of the former Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining former Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

ABx1 26 and AB1484 direct the State Controller to review the activities of all former redevelopment agencies and successor agencies to determine whether an asset transfer between a former redevelopment agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. In February 2015, the California State Controller's Office (SCO) concluded that \$1.7 million in loan repayments made by the former Petaluma Community Development Commission (PCDC) to the City prior to the dissolution of the PCDC must be turned over to the Successor Agency. Petaluma submitted a letter stating its disagreement with the SCO. In addition to the loan repayment, the City and the California Department of Finance have litigated over the use of \$7.7 million in 2011 bond proceeds to fund the Rainer Crosstown Connector Highway Project. The litigation portion is complete however the decision on the use of bond proceeds is pending due to the complexity of the case and State law. It is anticipated the funds will be released for use however at this point it is unknown.

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

B. *Notes Receivable*

The Successor Agency assumed the Storefront Loan Program of the PCDC as of February 1, 2012, which offers low interest loans to property owners with buildings located in the Central Business District (Downtown) as an incentive to make improvements to the exterior storefronts. At June 30, 2016, the outstanding balance of the loans was \$234,744.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

C. Long-Term Debt

Current Year Transactions and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency’s tax increment revenues. Tax Allocation Bond transactions were as follows:

Successor Agency Debt:	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Amount due within one year
Tax Allocation Bonds:					
2007 Tax Allocation Bonds					
4.00-4.50%, due 5/1/2039	\$31,825,000	\$30,105,000	\$265,000	\$29,840,000	\$270,000
Unamortized Discount	(568,396)	(421,859)	(17,762)	(404,097)	
2011A Tax Allocations Bonds					
4.79%, due 5/1/2024	11,369,000	8,574,000	784,000	7,790,000	822,000
2015 Tax Allocation Bonds, Series A					
3.73%, due 5/1/2033	19,545,000	19,545,000	325,000	19,220,000	620,000
Unamortized Discount		(8,529)	8,529		
2015 Tax Allocation Bonds, Series B					
3.25%, due 5/1/2030	16,060,000	16,060,000	460,000	15,600,000	855,000
Unamortized Premium		98,792	(98,792)		
Total Tax Allocation Bonds		<u>\$73,952,404</u>	<u>\$1,725,975</u>	<u>\$72,045,903</u>	<u>\$2,567,000</u>

Redevelopment Agency Tax Allocation Bonds

2007 Tax Allocation Bonds – In 2007, the former PCDC issued Subordinate Tax Allocation Bonds, Series 2007 in the amount of \$31,825,000. The proceeds of the bonds were used to refund the 2000B Tax Allocation Bonds and provide \$30,000,000 in project funds. The Bonds mature annually each May 1 from 2008 to 2039, in amounts ranging from \$115,000 to \$4,355,000 and bear interest at rates ranging from 4.00% to 4.50%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or before May 1, 2016, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after May 1, 2015, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable solely from secured tax revenues.

The bonds were issued at a discount of \$568,396 which is being amortized over the 32-year life of the bonds resulting in an annual amortization of \$17,762.

2011 Tax Allocation Bonds - On March 17, 2011, the former PCDC issued Subordinate Tax Allocation Bonds, Series 2011 in the amount of \$11,369,000. The proceeds of the bonds will be used to fund Transportation improvement around the City of Petaluma. The Bonds mature annually each May 1 from 2012 to 2024, in amounts ranging from \$650,000 to \$1,140,000 and bear interest at rate of 4.79%. Interest is payable semiannually on May 1 and November. The bonds are payable solely from secured tax revenues.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

2015 Series A & B Tax Allocation Bonds - On March 1, 2015 the former PCDC issued Refunding Tax Allocation Bonds, Series 2015A & B Tax Allocation Bonds in the amount of \$19,545,000 and \$16,060,000. The proceeds of the bonds will be used to refund the 2003A and 2005A Tax Allocation Bonds. The Bonds mature annually each May from 2016 to 2033, and May 2016 to 2030, respectively, in amounts ranging from \$325,000 to \$3,950,000 and from \$35,000 to \$685,000 and bear interest rates of 3.73% and 3.25%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from secured tax revenues.

As discussed above, the former PCDC has pledged tax increment revenues for the repayment of the Tax Allocation Bonds. In future years, annual principal and interest payments on Tax Allocation Bonds are expected to require 29% of tax incremental revenues. The total principal and interest remaining to be paid on the Bonds was \$110,773,946 at June 30, 2016. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The RPTTF received for fiscal year 2015-2016 was \$5,685,097 which represented coverage of 115% of the \$4,940,891 of debt service.

2003A and 2005A Tax Allocation Bonds - As of June 30, 2016 the outstanding defeased balance related to the 2003A and 2005A Tax Allocation Bonds was \$18,820,000 and \$15,040,000, respectively.

Debt Service Requirements

Annual debt service requirements are shown below:

Successor Agency Debt: For The Year Ending June 30	Tax Allocation Bonds	
	Principal	Interest
2017	\$2,567,000	\$2,902,039
2018	2,681,000	2,800,428
2019	2,778,000	2,694,450
2020	2,891,000	2,584,462
2021	2,996,000	2,470,013
2022 - 2026	14,427,000	10,520,085
2027 - 2031	13,260,000	8,035,817
2032 - 2036	18,340,000	5,174,326
2037 - 2039	12,510,000	1,142,326
Total payments due	\$72,450,000	\$38,323,946
Less: Original Issuance Premium (Discount)	(404,097)	
	<u>\$72,045,903</u>	

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

D. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

City of Petaluma, Agent Multiple-Employer Defined Benefit Plans
As of June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	MISCELLANEOUS	
	2014	2015
Total Pension Liability		
Service Cost	\$1,931,227	\$2,007,788
Interest	6,997,431	7,267,715
Differences between expected and actual experience	0	(848,115)
Changes in assumptions	0	(1,694,544)
Changes in benefits	0	0
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)
Net change in total pension liability	4,358,592	1,861,836
Total pension liability - beginning	94,618,497	98,977,089
Total pension liability - ending (a)	<u>\$98,977,089</u>	<u>\$100,838,925</u>
Plan fiduciary net position		
Contributions - employer	\$2,390,127	\$1,990,786
Contributions - employee	1,243,703	889,286
Net investment income	11,808,495	1,767,481
Administrative Expense		(89,077)
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)
Net change in plan fiduciary net position	10,872,259	(312,532)
Plan fiduciary net position - beginning	68,552,979	79,425,238
Plan fiduciary net position - ending (b)	<u>\$79,425,238</u>	<u>\$79,112,706</u>
Net pension liability - ending (a)-(b)	<u>\$19,551,851</u>	<u>\$21,726,219</u>
Plan fiduciary net position as a percentage of the total pension liability	80.25%	78.45%
Covered - employee payroll	\$12,004,148	\$13,001,281
Net pension liability as percentage of covered-employee payroll	162.88%	167.11%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

City of Petaluma, Agent Multiple-Employer Defined Pension Plans
For the fiscal year ended June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	MISCELLANEOUS	
	2015	2016
Actuarially determined contribution	\$1,938,902	\$2,099,340
Contributions in relation to the actuarially determined contributions	(1,938,902)	(2,099,340)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$12,437,220	\$13,001,281
Contributions as a percentage of covered-employee payroll	15.59%	16.15%
Notes to Schedule		
Valuation date:	6/30/2012	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost Method
Amortization method	Level Percentage of Payroll
Remaining amortization period	20 years as of the Valuation Date
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% net of administrative expenses
Retirement age	

The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

Mortality The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* - Fiscal year 2015 was the 1st year of implementation.

City of Petaluma, Agent Multiple-Employer Defined Benefit Plans
As of June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	SAFETY	
	2014	2015
Total Pension Liability		
Service Cost	\$3,422,621	\$3,115,595
Interest	11,716,276	12,221,159
Differences between expected and actual experience	0	(423,859)
Changes in assumptions	0	(3,032,668)
Changes in benefits	0	0
Benefit payments, including refunds of employee contributions	(7,707,622)	(8,276,688)
Net change in total pension liability	7,431,275	3,603,539
Total pension liability - beginning	158,359,501	165,790,776
Total pension liability - ending (a)	\$165,790,776	\$169,394,315
Plan fiduciary net position		
Contributions - employer	\$5,842,432	\$4,384,155
Contributions - employee	1,731,948	1,037,804
Net investment income	17,135,155	2,505,960
Plan to Plan Resource Movement		61,599
Administrative Expense		(130,196)
Benefit payments, including refunds of employee contributions	(7,707,622)	(8,276,688)
Net change in plan fiduciary net position	17,001,913	(417,366)
Plan fiduciary net position - beginning	99,106,801	116,108,714
Plan fiduciary net position - ending (b)	\$116,108,714	\$115,691,348
Net pension liability - ending (a)-(b)	\$49,682,062	\$53,702,967
Plan fiduciary net position as a percentage of the total pension liability	70.03%	68.30%
Covered - employee payroll	\$11,800,515	\$11,238,710
Net pension liability as percentage of covered-employee payroll	421.02%	477.84%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

City of Petaluma, Agent Multiple-Employer Defined Pension Plans
For the fiscal year ended June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	SAFETY	
	2015	2016
Actuarially determined contribution	\$4,401,132	\$5,240,190
Contributions in relation to the actuarially determined contributions	(4,401,132)	(5,240,190)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$10,371,371	\$11,238,710
Contributions as a percentage of covered-employee payroll	42.44%	46.63%
Notes to Schedule		
Valuation date:	6/30/2012	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost Method
Amortization method	Level Percentage of Payroll
Remaining amortization period	20 years as of the Valuation Date
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% net of administrative expenses
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* - Fiscal year 2015 was the 1st year of implementation.

CITY OF PETALUMA
Required Supplemental Information
For the year ended June 30, 2016

Other Post Employment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Underfunded) Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2013	\$0	\$10,780,000	(\$10,780,000)	0.00%	\$24,971,000	(43.17%)
6/30/2011	0	9,871,000	(9,871,000)	0.00%	24,343,000	(40.55%)
6/30/2008	0	7,002,000	(7,002,000)	0.00%	23,627,000	(29.64%)

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

HOME/BEGIN SPECIAL REVENUE FUND

The Home/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

IMPACT FEES SPECIAL REVENUE FUND

This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provide assistance to low income people in the community and for the acquisition, development, and enhancement of neighborhood and community parks.

SUCCESSOR HOUSING SPECIAL REVENUE FUND

This fund was established to account for loan repayments and activities related to the assets assumed by the City as Housing Successor to the Petaluma Community Development Commission (PCDC) for the housing activities of the former PCDC.

CITY OF PETALUMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$26,638,997	\$26,989,241	\$27,626,228	\$636,987
Licenses, permits, and fees	899,169	922,169	1,235,542	313,373
Fines, forfeitures and penalties	542,500	539,500	545,739	6,239
Use of money and property	443,800	443,800	392,166	(51,634)
Intergovernmental	5,004,503	5,229,503	5,385,022	155,519
Charges for current services	5,921,784	6,496,784	6,926,428	429,644
Other	48,680	26,640	75,739	49,099
Total Revenues	<u>39,499,433</u>	<u>40,647,637</u>	<u>42,186,864</u>	<u>1,539,227</u>
EXPENDITURES:				
General government:				
City council	120,305	121,802	111,086	10,716
City clerk	264,256	270,144	241,382	28,762
City attorney	879,885	1,025,611	740,868	284,743
City Manager	1,100,140	1,134,048	1,102,548	31,500
Administrative services	3,587,898	3,427,146	2,962,351	464,795
Community development	554,149	754,149	754,910	(761)
Police	16,023,530	16,602,425	16,474,125	128,300
Fire	12,240,359	12,810,952	12,722,037	88,915
Parks	1,644,283	1,721,337	1,676,878	44,459
Public works	3,678,109	3,761,774	3,654,782	106,992
Capital outlay		339,000	318,964	20,036
Total Expenditures	<u>40,092,914</u>	<u>41,968,388</u>	<u>40,759,931</u>	<u>1,208,457</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(593,481)</u>	<u>(1,320,751)</u>	<u>1,426,933</u>	<u>2,747,684</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	2,040	2,040	7,607	5,567
Transfers in	1,617,012	1,735,002	1,691,267	(43,735)
Transfers (out)	(1,367,053)	(1,709,068)	(1,704,068)	5,000
Total other financing sources (uses)	<u>251,999</u>	<u>27,974</u>	<u>(5,194)</u>	<u>(33,168)</u>
NET CHANGE IN FUND BALANCE	<u>(\$341,482)</u>	<u>(\$1,292,777)</u>	<u>1,421,739</u>	<u>\$2,714,516</u>
BEGINNING FUND BALANCE, AS ADJUSTED			<u>8,809,303</u>	
ENDING FUND BALANCE			<u>\$10,231,042</u>	

CITY OF PETALUMA
HOME/BEGIN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

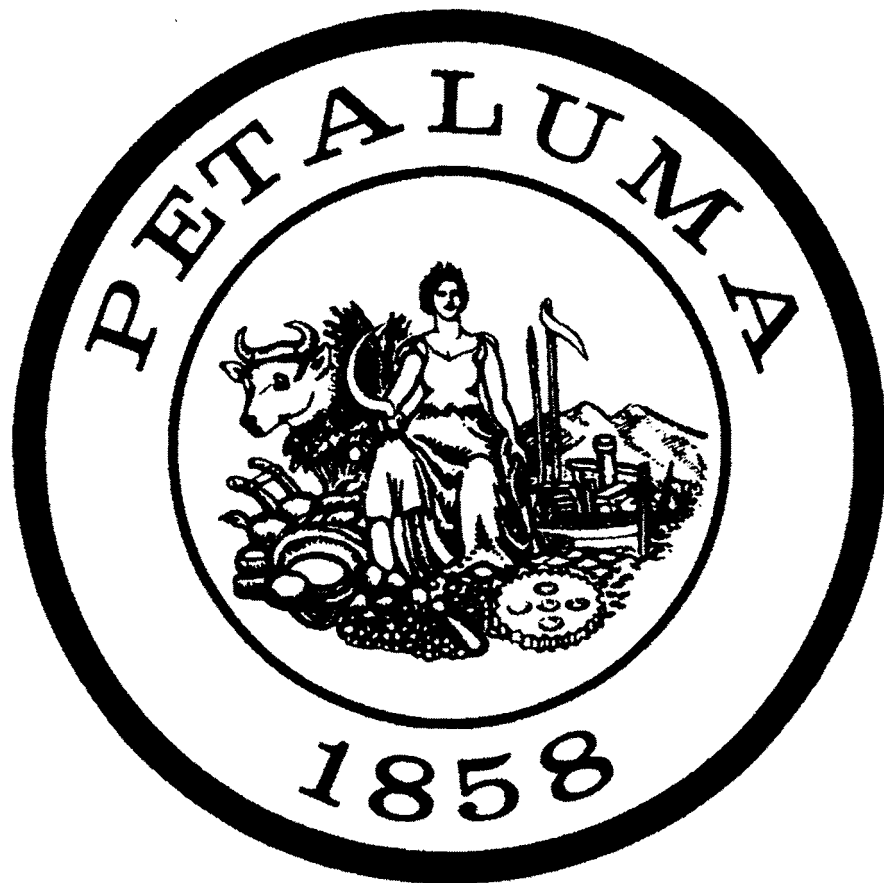
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$837	\$837	\$201,903	\$201,066
Other			341,979	341,979
Total Revenues	<u>837</u>	<u>837</u>	<u>543,882</u>	<u>543,045</u>
EXPENDITURES:				
Community Development				
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>837</u>	<u>837</u>	<u>543,882</u>	<u>543,045</u>
NET CHANGE IN FUND BALANCE	<u>\$837</u>	<u>\$837</u>	543,882	<u>\$543,045</u>
BEGINNING FUND BALANCE, AS ADJUSTED			<u>19,819,272</u>	
ENDING FUND BALANCE			<u>\$20,363,154</u>	

CITY OF PETALUMA
IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
License, permits and fees	\$4,501,005	\$4,501,005	\$4,638,011	\$137,006
Use of money and property	66,501	66,501	272,233	205,732
Charges for services	92,301	92,301	92,760	459
Other			<u>1,059,618</u>	<u>1,059,618</u>
 Total Revenues	 <u>4,659,807</u>	 <u>4,659,807</u>	 <u>6,062,622</u>	 <u>1,402,815</u>
EXPENDITURES:				
Current:				
Community development	648,996	663,396	631,546	31,850
Police	30	30	30	
Fire	8	8	23	(15)
Parks and Recreation	7,390	7,390	10,961	(3,571)
Public works	63,093	63,093	75,419	(12,326)
 Total Expenditures	 <u>719,517</u>	 <u>733,917</u>	 <u>717,979</u>	 <u>15,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>3,940,290</u>	 <u>3,925,890</u>	 <u>5,344,643</u>	 <u>1,418,753</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	365,925	458,310	409,837	(48,473)
Transfers (out)	(4,437,452)	(1,237,000)	(1,232,075)	4,925
 Total other financing sources (uses)	 <u>(4,071,527)</u>	 <u>(778,690)</u>	 <u>(822,238)</u>	 <u>(43,548)</u>
NET CHANGE IN FUND BALANCE	 <u>(\$131,237)</u>	 <u>\$3,147,200</u>	 4,522,405	 <u>\$1,375,205</u>
BEGINNING FUND BALANCE, AS ADJUSTED			<u>28,001,481</u>	
ENDING FUND BALANCE			<u>\$32,523,886</u>	

CITY OF PETALUMA
 SUCCESSOR HOUSING FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$24,997	\$24,997	\$71,627	\$46,630
Charges for current services	22,295	22,295	28,233	5,938
Charges for current services			<u>528,968</u>	<u>528,968</u>
 Total Revenues	 <u>47,292</u>	 <u>47,292</u>	 <u>628,828</u>	 <u>581,536</u>
EXPENDITURES:				
Current:				
Community Development	<u>319,967</u>	<u>350,667</u>	<u>323,718</u>	<u>26,949</u>
 Total Expenditures	 <u>319,967</u>	 <u>350,667</u>	 <u>323,718</u>	 <u>26,949</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (272,675)	 (303,375)	 305,110	 608,485
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>128,130</u>	<u>128,130</u>	<u>128,130</u>	
 NET CHANGE IN FUND BALANCE	 <u>(\$144,545)</u>	 <u>(\$175,245)</u>	 433,240	 <u>\$608,485</u>
 BEGINNING FUND BALANCE, AS ADJUSTED			 <u>28,155,604</u>	
 ENDING FUND BALANCE			 <u>\$28,588,844</u>	



**BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

CITY CAPITAL PROJECTS FUND

This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

CITY OF PETALUMA
CITY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Licenses, permits and fees	\$804,000	\$804,912	\$912
Use of money and property		23,285	23,285
Intergovernmental	3,157,000	759,023	(2,397,977)
Other	<u>722,000</u>	<u>250</u>	<u>(721,750)</u>
Total Revenues	<u>4,683,000</u>	<u>1,587,470</u>	<u>(3,095,530)</u>
EXPENDITURES			
Current:			
General government	188,000	153,548	34,452
Fire	120,000	20,951	99,049
Parks and recreation	1,557,500	859,708	697,792
Public works	11,494,000	1,247,743	10,246,257
Capital outlay	<u>239,500</u>	<u></u>	<u>239,500</u>
Total Expenditures	<u>13,599,000</u>	<u>2,281,950</u>	<u>11,317,050</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,916,000)</u>	<u>(694,480)</u>	<u>8,221,520</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,988,115	4,297,763	1,690,352
Transfers (out)	<u>(409,837)</u>	<u>(409,837)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>5,578,278</u>	<u>3,887,926</u>	<u>1,690,352</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$3,337,722)</u></u>	<u>3,193,446</u>	<u><u>\$6,531,168</u></u>
BEGINNING FUND BALANCE		<u>(1,843,525)</u>	
ENDING FUND BALANCE		<u><u>\$1,349,921</u></u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

The fund accounts for federal grants received under the Housing and Community Development Act of 1974 from the US Department of Housing and Urban Development. Funds are used to develop a viable urban community, by providing adequate housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

GRANTS AND DONATIONS FUND

The fund accounts for various donations received by City departments, and related expenditures.

GAS TAX FUND

The fund reports receipts and disbursements of funds under Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California. Expenditures in this fund, for administrations, maintenance and construction, must be street related.

PUBLIC SAFETY FUND

The fund is used to account for asset seizure, supplemental law enforcement, abandoned vehicle abatement and fire hazmat activities.

LANDSCAPE ASSESSMENT DISTRICTS FUND

The fund details revenue and maintenance costs associated with forty-seven landscape assessment districts maintained by the City of Petaluma. These districts collect funds from the property owners, and use the funds to maintain common landscape areas within the boundaries of the district.

STREET FUND

The fund accounts for revenue received from the solid waste surcharge, imposed as part of the franchise fee on the waste hauler. This revenue, along with transfers from various other City funds, will be expended on street maintenance activities.

TRANSIENT OCCUPANCY TAX FUND

The fund reports the hotel and motel occupancy tax receipts, and the disbursements to local, not-for-profit groups, which sponsor community events, or promote tourism.

PRINCE PARK FUND

The fund details the activity of the ongoing maintenance of Prince Park. The activities included in this fund are receipts of investment earnings, and transfers out to the general fund to cover costs of the park's maintenance.

PERMANENT FUND

WICKERSHAM PARK TRUST FUND

The fund accounts for resources that are held by the City, which are legally restricted to the extent that only earnings may be used maintenance improvements to Wickersham Park.

CITY OF PETALUMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
ASSETS					
Cash and investments	\$4,810	\$1,645,986	\$819,624	\$661,667	\$453,480
Receivables:					
Accounts					
Intergovernmental	93,805	55,757	19,301	20,312	14,410
Interest receivable related to notes receivable	161,353				
Notes receivable	784,000				
Total Assets	\$1,043,968	\$1,701,743	\$838,925	\$681,979	\$467,890
LIABILITIES					
Accounts payable and accrued liabilities	\$4,000	\$1,458		\$102,021	\$9,990
Total Liabilities	4,000	1,458		102,021	9,990
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable					
Total deferred inflows of resources					
FUND BALANCES					
Fund balances:					
Nonspendable					
Restricted	1,039,968	1,700,285	\$838,925	579,958	457,900
Total Fund Balances	1,039,968	1,700,285	838,925	579,958	457,900
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,043,968	\$1,701,743	\$838,925	\$681,979	\$467,890

SPECIAL REVENUE FUNDS			PERMANENT	Total Nonmajor Governmental Funds
Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	
\$1,576,917	\$1,303,993	\$753,934	\$23,852	\$7,244,263
75,588	301,348			376,936
98,521				302,106
				161,353
				784,000
<u>\$1,751,026</u>	<u>\$1,605,341</u>	<u>\$753,934</u>	<u>\$23,852</u>	<u>\$8,868,658</u>
<u>\$74,349</u>	<u>\$111,541</u>			<u>\$303,359</u>
<u>74,349</u>	<u>111,541</u>			<u>303,359</u>
<u>5,270</u>				<u>5,270</u>
<u>5,270</u>				<u>5,270</u>
<u>1,671,407</u>	<u>1,493,800</u>	<u>\$753,934</u>	<u>\$23,852</u>	<u>23,852</u>
<u>1,671,407</u>	<u>1,493,800</u>	<u>753,934</u>	<u>23,852</u>	<u>8,536,177</u>
<u>1,671,407</u>	<u>1,493,800</u>	<u>753,934</u>	<u>23,852</u>	<u>8,560,029</u>
<u>\$1,751,026</u>	<u>\$1,605,341</u>	<u>\$753,934</u>	<u>\$23,852</u>	<u>\$8,868,658</u>

CITY OF PETALUMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
REVENUES					
Taxes					
Fines, forfeitures, and penalties				\$10,769	
Use of money and property	\$119		\$5,528	2,312	\$1,336
Intergovernmental	347,570	\$2,706,035	1,310,306	358,706	
Charges for current services					400,046
Other	10,470	89,418			
Total Revenues	<u>358,159</u>	<u>2,795,453</u>	<u>1,315,834</u>	<u>371,787</u>	<u>401,382</u>
EXPENDITURES					
Current:					
General Government		7,286			
Community development	319,440	22,689			
Police		166,682		217,542	
Fire				5,703	
Parks and recreation					401,848
Public works			36,462		
Capital outlay				15,417	
Total Expenditures	<u>319,440</u>	<u>196,657</u>	<u>36,462</u>	<u>238,662</u>	<u>401,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>38,719</u>	<u>2,598,796</u>	<u>1,279,372</u>	<u>133,125</u>	<u>(466)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	<u>(28,130)</u>	<u>(2,610,828)</u>	<u>(1,851,262)</u>	<u>(185,655)</u>	
Total Other Financing Sources (Uses)	<u>(28,130)</u>	<u>(2,610,828)</u>	<u>(1,851,262)</u>	<u>(185,655)</u>	
NET CHANGE IN FUND BALANCES	10,589	(12,032)	(571,890)	(52,530)	(466)
BEGINNING FUND BALANCES, AS ADJUSTED	<u>1,029,379</u>	<u>1,712,317</u>	<u>1,410,815</u>	<u>632,488</u>	<u>458,366</u>
ENDING FUND BALANCES	<u>\$1,039,968</u>	<u>\$1,700,285</u>	<u>\$838,925</u>	<u>\$579,958</u>	<u>\$457,900</u>

SPECIAL REVENUE FUNDS			PERMANENT	Total Nonmajor Governmental Funds
Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	
\$1,413,497	\$2,490,524			\$3,904,021
				10,769
6,299	6,863	\$2,666	\$82	25,205
423,284				5,145,901
28,228				428,274
58,577				158,465
<u>1,929,885</u>	<u>2,497,387</u>	<u>2,666</u>	<u>82</u>	<u>9,672,635</u>
				7,286
	454,427			796,556
				384,224
				5,703
				401,848
2,823,624				2,860,086
				15,417
<u>2,823,624</u>	<u>454,427</u>			<u>4,471,120</u>
(893,739)	2,042,960	2,666	82	5,201,515
1,851,262				1,851,262
(160,265)	(1,494,112)	(56,500)		(6,386,752)
<u>1,690,997</u>	<u>(1,494,112)</u>	<u>(56,500)</u>		<u>(4,535,490)</u>
797,258	548,848	(53,834)	82	666,025
874,149	944,952	807,768	23,770	7,894,004
<u>\$1,671,407</u>	<u>\$1,493,800</u>	<u>\$753,934</u>	<u>\$23,852</u>	<u>\$8,560,029</u>

CITY OF PETALUMA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

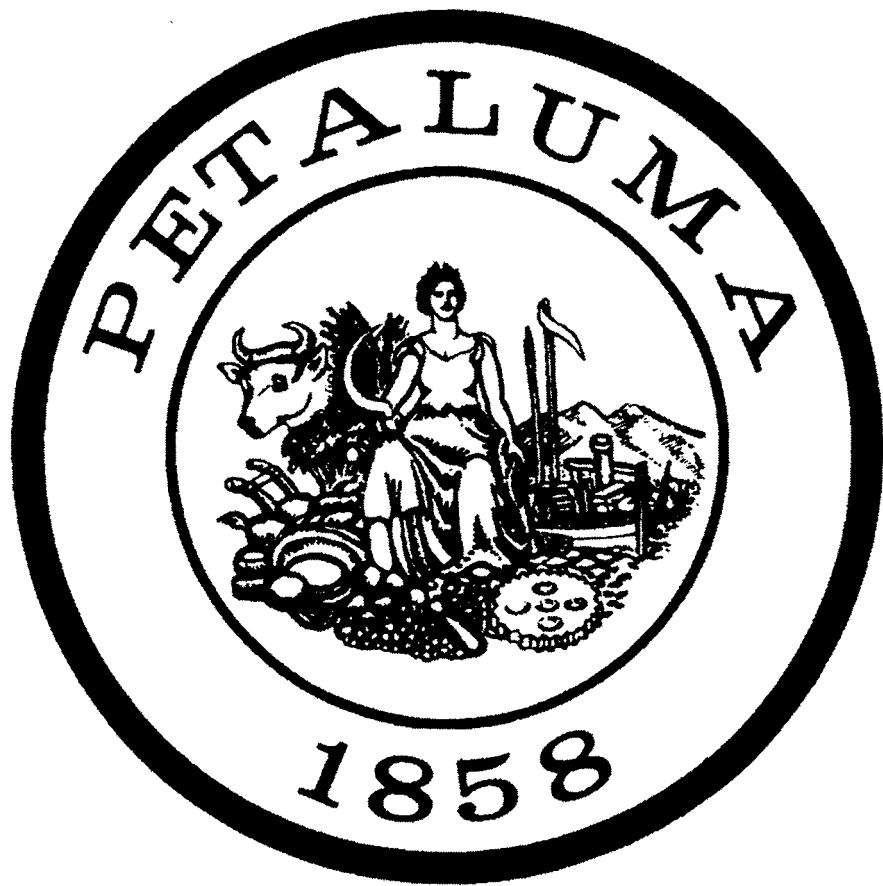
	COMMUNITY DEVELOPMENT BLOCK GRANT			GRANTS AND DONATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Fines, forfeitures, and penalties						
Use of money and property	\$39	\$119	\$80			
Intergovernmental	326,163	347,570	21,407	\$4,786,230	\$2,706,035	(\$2,080,195)
Charges for current services						
Other		10,470	10,470	232,500	89,418	(143,082)
Total Revenues	<u>326,202</u>	<u>358,159</u>	<u>31,957</u>	<u>5,018,730</u>	<u>2,795,453</u>	<u>(2,223,277)</u>
EXPENDITURES						
Current:						
General government					7,286	(7,286)
Community development	324,458	319,440	5,018	57,384	22,689	34,695
Police				823,230	166,682	656,548
Fire						
Parks and recreation						
Public works						
Capital outlay						
Total Expenditures	<u>324,458</u>	<u>319,440</u>	<u>5,018</u>	<u>880,614</u>	<u>196,657</u>	<u>683,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,744</u>	<u>38,719</u>	<u>36,975</u>	<u>4,138,116</u>	<u>2,598,796</u>	<u>(1,539,320)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(28,130)	(28,130)		(4,302,000)	(2,610,828)	1,691,172
Total Other Financing Sources (Uses)	<u>(28,130)</u>	<u>(28,130)</u>		<u>(4,302,000)</u>	<u>(2,610,828)</u>	<u>1,691,172</u>
NET CHANGE IN FUND BALANCE	<u>(\$26,386)</u>	<u>10,589</u>	<u>\$36,975</u>	<u>(\$163,884)</u>	<u>(12,032)</u>	<u>\$151,852</u>
BEGINNING FUND BALANCES, AS ADJUSTED		<u>1,029,379</u>			<u>1,712,317</u>	
ENDING FUND BALANCES		<u>\$1,039,968</u>			<u>\$1,700,285</u>	

GAS TAX			PUBLIC SAFETY			LANDSCAPE ASSESSMENT DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$88,600	\$10,769	(\$77,831)			
\$3,764	\$5,528	\$1,764	1,758	2,312	554	\$1,162	\$1,336	\$174
1,251,262	1,310,306	59,044	315,000	358,706	43,706			
						388,293	400,046	11,753
<u>1,255,026</u>	<u>1,315,834</u>	<u>60,808</u>	<u>405,358</u>	<u>371,787</u>	<u>(33,571)</u>	<u>389,455</u>	<u>401,382</u>	<u>11,927</u>
			201,779	217,542	(15,763)			
			10,070	5,703	4,367			
						376,459	401,848	(25,389)
34,569	36,462	(1,893)						
			60,000	15,417	44,583			
<u>34,569</u>	<u>36,462</u>	<u>(1,893)</u>	<u>271,849</u>	<u>238,662</u>	<u>33,187</u>	<u>376,459</u>	<u>401,848</u>	<u>(25,389)</u>
<u>1,220,457</u>	<u>1,279,372</u>	<u>58,915</u>	<u>133,509</u>	<u>133,125</u>	<u>(384)</u>	<u>12,996</u>	<u>(466)</u>	<u>(13,462)</u>
<u>(1,851,262)</u>	<u>(1,851,262)</u>		<u>(229,390)</u>	<u>(185,655)</u>	<u>43,735</u>			
<u>(1,851,262)</u>	<u>(1,851,262)</u>		<u>(229,390)</u>	<u>(185,655)</u>	<u>43,735</u>			
<u>(\$630,805)</u>	<u>(571,890)</u>	<u>\$58,915</u>	<u>(\$95,881)</u>	<u>(52,530)</u>	<u>\$43,351</u>	<u>\$12,996</u>	<u>(466)</u>	<u>(\$13,462)</u>
	<u>1,410,815</u>			<u>632,488</u>			<u>458,366</u>	
	<u>\$838,925</u>			<u>\$579,958</u>			<u>\$457,900</u>	(Continued)

CITY OF PETALUMA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>STREET</u>			<u>TRANSIENT OCCUPANCY TAX</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Taxes	\$1,364,199	\$1,413,497	\$49,298	\$2,018,000	\$2,490,524	\$472,524
Fines, forfeitures, and penalties						
Use of money and property	2,441	6,299	3,858	3,967	6,863	2,896
Intergovernmental	400,000	423,284	23,284			
Charges for current services		28,228	28,228			
Other		58,577	58,577			
Total Revenues	<u>1,766,640</u>	<u>1,929,885</u>	<u>163,245</u>	<u>2,021,967</u>	<u>2,497,387</u>	<u>475,420</u>
EXPENDITURES						
Current:						
General government						
Community development				515,617	454,427	61,190
Police						
Fire						
Parks and recreation						
Public works	3,023,556	2,823,624	199,932			
Capital outlay	6,000		6,000			
Total Expenditures	<u>3,029,556</u>	<u>2,823,624</u>	<u>205,932</u>	<u>515,617</u>	<u>454,427</u>	<u>61,190</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,262,916)</u>	<u>(893,739)</u>	<u>369,177</u>	<u>1,506,350</u>	<u>2,042,960</u>	<u>536,610</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,851,262	1,851,262				
Transfers (out)	(165,100)	(160,265)	4,835	(1,504,112)	(1,494,112)	10,000
Total Other Financing Sources (Uses)	<u>1,686,162</u>	<u>1,690,997</u>	<u>4,835</u>	<u>(1,504,112)</u>	<u>(1,494,112)</u>	<u>10,000</u>
	<u>\$423,246</u>	<u>797,258</u>	<u>\$374,012</u>	<u>\$2,238</u>	<u>548,848</u>	<u>\$546,610</u>
BEGINNING FUND BALANCES, AS ADJUSTED		<u>874,149</u>			<u>944,952</u>	
ENDING FUND BALANCES		<u>\$1,671,407</u>			<u>\$1,493,800</u>	

PRINCE PARK			WICKERSHAM PARK TRUST		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$2,913	\$2,666	(\$247)		\$82	\$82
<u>2,913</u>	<u>2,666</u>	<u>(247)</u>		<u>82</u>	<u>82</u>
<u>2,913</u>	<u>2,666</u>	<u>(247)</u>		<u>82</u>	<u>82</u>
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(\$53,587)</u>	<u>(53,834)</u>	<u>(\$247)</u>		<u>82</u>	<u>\$82</u>
	<u>807,768</u>			<u>23,770</u>	
	<u>\$753,934</u>			<u>\$23,852</u>	



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

EMPLOYEE BENEFITS FUND

The fund accounts for City employees' dental, unemployment and vision benefits, and retiree benefits.

GENERAL SERVICES FUND

The fund accounts for purchasing, printing and mail services.

INFORMATION SERVICES FUND

The fund accounts for the cost of purchasing, operating and maintaining the City's voice, data and computer systems.

RISK MANAGEMENT FUND

The fund accounts for the accumulation of the resources and expenses related to the City's risk management activities and general insurance programs.

VEHICLE/EQUIPMENT REPLACEMENT FUND (GG) AND (BA)

The fund accounts for the accumulation of resources, and related expenses incurred for the replacement of major equipment and vehicles in the City. The fund is divided into two sub-funds, one for equipment acquired for general government (GG) activities, and one for equipment acquired for business-type activities (BA).

WORKERS' COMPENSATION FUND

The fund accounts for the accumulation of resources, and expenses related to funding workers' compensation benefits for City employees.

CITY OF PETALUMA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Employee Benefits	General Services	Information Services	Risk Management
ASSETS				
Current Assets:				
Cash and investments	\$821,217	\$177,512		\$5,481,242
Receivables				
Accounts, net				
Interest	612			
Inventories		14,896		
Deposits and prepaid items	23,211		\$4,000	1,311,438
Total Current Assets	845,040	192,408	4,000	6,792,680
Non-current Assets:				
Advances to other funds				
Capital assets:				
Depreciable		36,440	1,885,859	
Less accumulated depreciation		(27,144)	(1,768,751)	
Total Non-current Assets		9,296	117,108	
Total Assets	845,040	201,704	121,108	6,792,680
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension			324,022	
Total Assets and Deferred Outflows of Resources	845,040	201,704	445,130	6,792,680
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	43,249	2,985	13,379	47,615
Claims payable, due within one year				941,546
Compensated absences, due within one year		1,765	14,462	
Due to other funds			29,114	
Total Current Liabilities	43,249	4,750	56,955	989,161
Non-current liabilities:				
Claims payable, due in more than one year				1,397,578
Compensated absences, due in more than one year		33,400	162,834	
Net pension liability			1,303,573	
Total Non-current Liabilities		33,400	1,466,407	1,397,578
Total Liabilities	43,249	38,150	1,523,362	2,386,739
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension			338,720	
Total Liabilities and Deferred Inflows of Resources	43,249	38,150	1,862,082	2,386,739
NET POSITION				
Net investment in capital assets		9,296	117,108	
Unrestricted	801,791	154,258	(1,534,060)	4,405,941
Total Net Position	\$801,791	\$163,554	(\$1,416,952)	\$4,405,941

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Equipment Replacement (BA)</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$158,612	\$52	\$5,101,776	\$11,740,411
			612
			14,896
			<u>1,338,649</u>
<u>158,612</u>	<u>52</u>	<u>5,101,776</u>	<u>13,094,568</u>
5,219,850	1,150,617		8,292,766
<u>(4,022,179)</u>	<u>(1,150,237)</u>		<u>(6,968,311)</u>
<u>1,197,671</u>	<u>380</u>		<u>1,324,455</u>
<u>1,356,283</u>	<u>432</u>	<u>5,101,776</u>	<u>14,419,023</u>
			324,022
<u>1,356,283</u>	<u>432</u>	<u>5,101,776</u>	<u>14,743,045</u>
		209,880	317,108
		1,325,583	2,267,129
			16,227
			<u>29,114</u>
		<u>1,535,463</u>	<u>2,629,578</u>
		3,641,085	5,038,663
			196,234
			<u>1,303,573</u>
		<u>3,641,085</u>	<u>6,538,470</u>
		<u>5,176,548</u>	<u>9,168,048</u>
			338,720
		<u>5,176,548</u>	<u>9,506,768</u>
1,197,671	380		1,324,455
<u>158,612</u>	<u>52</u>	<u>(74,772)</u>	<u>3,911,822</u>
<u>\$1,356,283</u>	<u>\$432</u>	<u>(\$74,772)</u>	<u>\$5,236,277</u>

CITY OF PETALUMA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

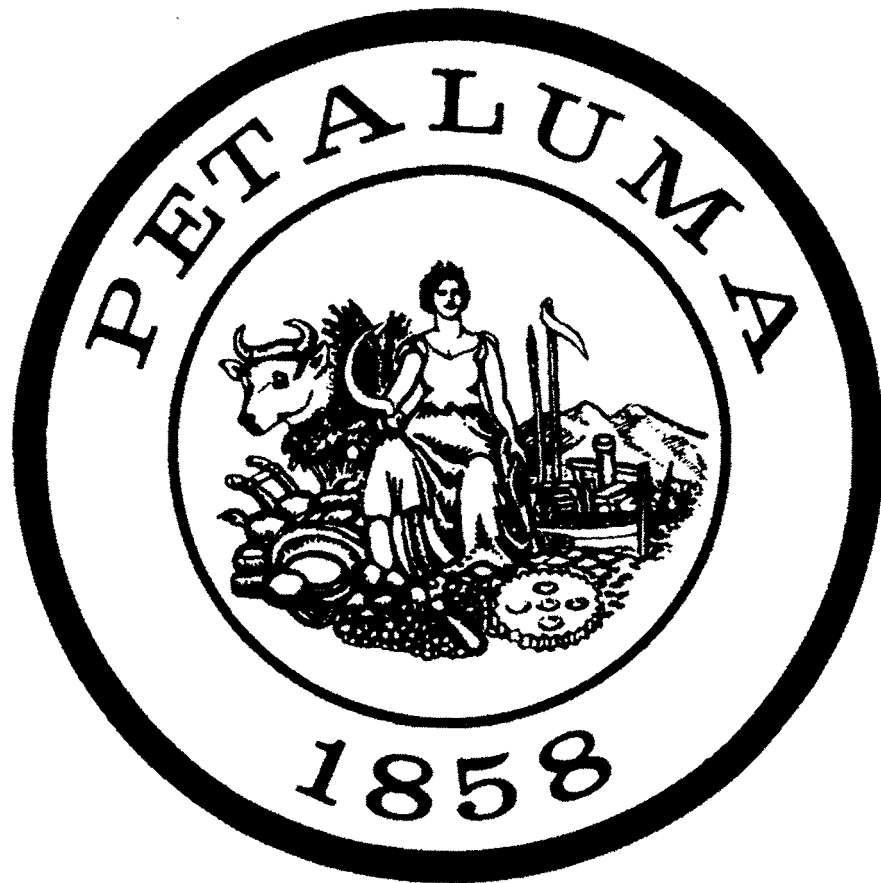
	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
OPERATING REVENUES				
Charges for sales		\$5,281		
Charges for services	\$1,064,610	229,746	\$1,802,161	\$1,693,949
Total Operating Revenues	<u>1,064,610</u>	<u>235,027</u>	<u>1,802,161</u>	<u>1,693,949</u>
OPERATING EXPENSES				
Cost of services	189,387	184,364	1,134,033	537,568
Claims	419,462			(203,964)
General and administrative	180,901	23,043	350,917	(544,516)
Depreciation			51,769	
Total Operating Expenses	<u>789,750</u>	<u>207,407</u>	<u>1,536,719</u>	<u>(210,912)</u>
Operating Income (Loss)	<u>274,860</u>	<u>27,620</u>	<u>265,442</u>	<u>1,904,861</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	2,127	531	(1,221)	31,690
Loss on disposal of capital assets				
Total Nonoperating Revenues (Expenses)	<u>2,127</u>	<u>531</u>	<u>(1,221)</u>	<u>31,690</u>
INCOME (LOSS) BEFORE TRANSFERS	276,987	28,151	264,221	1,936,551
Transfers in	200,000			
Transfers (out)				
Change in Net Position	476,987	28,151	264,221	1,936,551
BEGINNING NET POSITION	<u>324,804</u>	<u>135,403</u>	<u>(1,681,173)</u>	<u>2,469,390</u>
ENDING NET POSITION (DEFICIT)	<u><u>\$801,791</u></u>	<u><u>\$163,554</u></u>	<u><u>(\$1,416,952)</u></u>	<u><u>\$4,405,941</u></u>

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Vehicle/ Equipment Replacement (BA)</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
			\$5,281
		\$1,369,609	6,160,075
		1,369,609	6,165,356
		142,814	2,188,166
		1,217,933	1,433,431
		318,610	328,955
\$160,792	\$6,527		219,088
160,792	6,527	1,679,357	4,169,640
(160,792)	(6,527)	(309,748)	1,995,716
702		29,850	63,679
(442)			(442)
260		29,850	63,237
(160,532)	(6,527)	(279,898)	2,058,953
403,096			603,096
	(3,096)		(3,096)
242,564	(9,623)	(279,898)	2,658,953
1,113,719	10,055	205,126	2,577,324
<u>\$1,356,283</u>	<u>\$432</u>	<u>(\$74,772)</u>	<u>\$5,236,277</u>

CITY OF PETALUMA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Employee Benefits	General Services	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$1,064,610	\$235,027	\$1,802,161	\$1,693,949
Cash payments to suppliers for goods and services	(270,250)	(78,790)	(784,612)	(1,346,036)
Cash payments to employees for services	(100,628)	(129,034)	(931,403)	
Claims paid	(419,462)			(595,434)
Cash Flows from (used for) Operating Activities	<u>274,270</u>	<u>27,203</u>	<u>86,146</u>	<u>(247,521)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	200,000			
Transfers (to) other funds				
Interfund receipts				9,015
Interfund payments			(30,164)	
Cash Flows from (used for) Noncapital Financing Activities	<u>200,000</u>		<u>(30,164)</u>	<u>9,015</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets			(54,761)	
Cash Flows from (used for) Capital Financing Activities			<u>(54,761)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings (expense)	3,369	531	(1,221)	31,690
Cash Flows from (used for) Investing Activities	<u>3,369</u>	<u>531</u>	<u>(1,221)</u>	<u>31,690</u>
Net Cash Flows	477,639	27,734		(206,816)
Cash and investments at beginning of period	<u>343,578</u>	<u>149,778</u>		<u>5,688,058</u>
Cash and investments at end of period	<u>\$821,217</u>	<u>\$177,512</u>		<u>\$5,481,242</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:				
Operating income (loss)	\$274,860	\$27,620	\$265,442	\$1,904,861
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			51,769	
Changes in assets and Liabilities:				
Accounts receivable				
Inventories		(5,684)		
Deposits and prepaids	556	136	(1,270)	(869,610)
Accounts payable	(1,146)	(1,199)	(28,130)	(483,374)
Accrued claims				(799,398)
Compensated absence		6,330	1,649	
Due to retirement system			(203,314)	
Cash Flows from (used for) Operating Activities	<u>\$274,270</u>	<u>\$27,203</u>	<u>\$86,146</u>	<u>(\$247,521)</u>

Vehicle/ Equipment Replacement (GG)	Vehicle/ Equipment Replacement (BA)	Workers' Compensation	Total
\$8,539	\$87	\$1,369,609	\$6,173,982
		(64,217)	(2,543,905)
		(318,610)	(1,479,675)
		(1,004,603)	(2,019,499)
<u>8,539</u>	<u>87</u>	<u>(17,821)</u>	<u>130,903</u>
403,096			603,096
	(3,096)		(3,096)
			9,015
			(30,164)
<u>403,096</u>	<u>(3,096)</u>		<u>578,851</u>
(556,719)			(611,480)
(556,719)			(611,480)
702		29,850	64,921
702		29,850	64,921
(144,382)	(3,009)	12,029	163,195
302,994	3,061	5,089,747	11,577,216
<u>\$158,612</u>	<u>\$52</u>	<u>\$5,101,776</u>	<u>\$11,740,411</u>
(\$160,792)	(\$6,527)	(\$309,748)	\$1,995,716
160,792	6,527		219,088
8,539	87		8,626
			(5,684)
			(870,188)
		78,597	(435,252)
		213,330	(586,068)
			7,979
			(203,314)
<u>\$8,539</u>	<u>\$87</u>	<u>(\$17,821)</u>	<u>\$130,903</u>



FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS:

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

This fund was established to account for the activities of the Successor Agency to the former PCDC.

THOMAS LEE CHARITY TRUST FUND

This fund is a private purpose trust fund in which trust earnings are available for one-time aid to Petaluma citizens in need.

CHILD CARE TRUST FUND

This is a private purpose trust fund in which the fund's earnings are available for childcare vouchers for eligible Petaluma working families with childcare costs.

AGENCY FUNDS:

GENERAL AGENCY FUND

These funds account for resources received from, held for, and due to, nonrelated parties.

PUBLIC COMMUNITY ACCESS FUND

This fund is used to account for monies received from the local television cable company and used by the not-for-profit organization that provides public television to City residents.

ASSESSMENT DISTRICTS FUND

These funds account for monies held by the City, collected from parcel assessments, and used to pay special assessment debt, pursuant to the provisions of the Improvements Bonds Act of 1915.

CITY OF PETALUMA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
ASSETS				
Cash and investments	\$2,167,764	\$24,129	\$163,589	\$2,355,482
Restricted cash and investments	11,384,609			11,384,609
Notes receivable	234,744			234,744
Total Assets	13,787,117	24,129	163,589	13,974,835
LIABILITIES				
Accounts payable and accrued liabilities	15,543			15,543
Claims payable	128,750			128,750
Interest payable	485,743			485,743
Refundable deposits	1,000			1,000
Long-term debt:				
Due within one year	2,567,000			2,567,000
Due in more than one year	69,478,903			69,478,903
Total Liabilities	72,676,939			72,676,939
NET POSITION				
Held in trust for private purposes or for other governments	<u>(\$58,889,822)</u>	<u>\$24,129</u>	<u>\$163,589</u>	<u>(\$58,702,104)</u>

CITY OF PETALUMA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
ADDITIONS				
Property tax	\$5,685,097			\$5,685,097
Use of money and property	2,669	\$111	\$759	3,539
Investment income (loss)	5,317	(30)	(200)	5,087
Total Revenues	5,693,083	81	559	5,693,723
DEDUCTIONS				
Community development	607,950			607,950
Interest expense	2,982,470			2,982,470
Total Expenditures	3,590,420			3,590,420
Change in Net Position	2,102,663	81	559	2,103,303
NET POSITION HELD IN TRUST OR FOR SPECIFIC PURPOSES				
Beginning of period	(60,992,485)	24,048	163,030	(60,805,407)
End of period	(\$58,889,822)	\$24,129	\$163,589	(\$58,702,104)

CITY OF PETALUMA
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
<u>General Agency Fund</u>				
<u>Assets</u>				
Cash and investments	\$2,046,627	\$1,945,529	\$2,046,627	\$1,945,529
Accounts receivable	185	221	185	221
Total Assets	<u>\$2,046,812</u>	<u>\$1,945,750</u>	<u>\$2,046,812</u>	<u>\$1,945,750</u>
<u>Liabilities</u>				
Accrued liabilities	\$2,046,536	\$1,945,441	\$2,046,536	\$1,945,441
Deposits payable	276	309	276	309
Total Liabilities	<u>\$2,046,812</u>	<u>\$1,945,750</u>	<u>\$2,046,812</u>	<u>\$1,945,750</u>
<u>Public Community Access Fund</u>				
<u>Assets</u>				
Cash and investments	\$41,789	\$94	\$41,789	\$94
Total Assets	<u>\$41,789</u>	<u>\$94</u>	<u>\$41,789</u>	<u>\$94</u>
<u>Liabilities</u>				
Accrued liabilities	\$41,789	\$94	\$41,789	\$94
<u>Assessment Districts Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,325,682	\$1,413,245	\$1,325,682	\$1,413,245
Intergovernmental receivable	71,797	30,307	71,797	30,307
Total Assets	<u>\$1,397,479</u>	<u>\$1,443,552</u>	<u>\$1,397,479</u>	<u>\$1,443,552</u>
<u>Liabilities</u>				
Accrued liabilities	\$1,397,479	\$1,443,552	\$1,397,479	\$1,443,552
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$3,414,098	\$3,358,868	\$3,414,098	\$3,358,868
Accounts receivable	185	221	185	221
Intergovernmental receivable	71,797	30,307	71,797	30,307
Total Assets	<u>\$3,486,080</u>	<u>\$3,389,396</u>	<u>\$3,486,080</u>	<u>\$3,389,396</u>
<u>Liabilities</u>				
Accrued liabilities	\$3,485,804	\$3,389,087	\$3,485,804	\$3,389,087
Deposits payable	276	309	276	309
Total Liabilities	<u>\$3,486,080</u>	<u>\$3,389,396</u>	<u>\$3,486,080</u>	<u>\$3,389,396</u>

City of Petaluma, CA
Statistical Section

This part of the City of Petaluma's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Schedule
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	1, 2, 3, 4, 5
Revenue Capacity <i>These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	6, 7, 8, 9, 10, 11
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	12, 13, 14, 15
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	16, 17
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	18, 19, 20

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Schedule 1
City of Petaluma, CA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets	\$ 128,149,019	\$ 113,972,864	\$ 113,574,606	\$ 114,705,474
Restricted:				
Special projects	34,938,959	36,707,513	43,425,547	45,022,351
Debt service	681,264	7,187	7,187	322,279
Capital projects	7,471,666	40,354,175	37,584,928	29,385,584
Permanent-non expendable	16,000	-	-	23,177
Unrestricted	24,261,726	24,661,177	22,775,416	21,886,630
Total governmental activities net position	<u>195,518,634</u>	<u>215,702,916</u>	<u>217,367,684</u>	<u>211,345,495</u>
Business-type activities				
Net Investment in Capital Assets	87,376,102	82,677,183	83,208,450	87,764,411
Restricted:				
Special projects	-	-	-	-
Debt service	1,290,671	1,344,216	1,135,775	1,121,485
Capital projects	-	-	-	-
Unrestricted	6,189,560	17,336,938	30,290,323	33,986,673
Total business-type activities net position	<u>94,856,333</u>	<u>101,358,337</u>	<u>114,634,548</u>	<u>122,872,569</u>
Primary government				
Net Investment in Capital Assets	215,525,121	196,650,047	196,783,056	202,469,885
Restricted:				
Special projects	34,938,959	36,707,513	43,425,547	45,022,351
Debt service	1,971,935	1,351,403	1,142,962	1,443,764
Permanent fund: non expendable trust	16,000	-	-	23,177
Capital projects	7,471,666	40,354,175	37,584,928	29,385,584
Unrestricted	30,451,286	41,998,115	53,065,739	55,873,303
Total primary government activities net position	<u>\$ 290,374,967</u>	<u>\$ 317,061,253</u>	<u>\$ 332,002,232</u>	<u>\$ 334,218,064</u>

2011	2012	2013	2014	2015	2016
\$ 133,614,588	\$ 182,493,710	\$ 182,884,119	\$ 179,955,291	\$ 194,631,072	\$ 189,666,550
42,252,463	45,082,152	52,781,562	56,684,273	56,831,818	89,258,127
415,569	-	-	-	-	-
39,709,880	733,240	-	-	-	-
23,418	23,575	23,665	23,755	23,770	23,852
(7,036,556)	19,573,193	24,073,206	28,599,585	(38,244,031)	(55,873,989)
<u>208,979,362</u>	<u>247,905,870</u>	<u>259,762,552</u>	<u>265,262,904</u>	<u>213,242,629</u>	<u>223,074,540</u>
106,985,367	97,392,844	99,071,053	101,630,468	108,204,912	116,665,454
-	-	-	-	-	-
3,383,336	3,368,110	2,706,388	2,705,842	2,705,813	2,246,500
-	-	-	-	-	-
<u>14,791,955</u>	<u>31,125,709</u>	<u>40,176,194</u>	<u>47,338,349</u>	<u>40,725,093</u>	<u>43,276,542</u>
<u>125,160,658</u>	<u>131,886,663</u>	<u>141,953,635</u>	<u>151,674,659</u>	<u>151,635,818</u>	<u>162,188,496</u>
240,599,955	279,886,554	281,955,172	281,585,759	302,835,984	306,332,004
42,252,463	45,082,152	52,781,562	56,684,273	56,831,818	89,258,127
3,798,905	3,368,110	2,706,388	2,705,842	2,705,813	2,246,500
23,418	23,575	23,665	23,755	23,770	23,852
39,709,880	733,240	-	-	-	-
7,755,399	50,698,902	64,249,400	75,937,934	2,481,062	(12,597,447)
<u>\$ 334,140,020</u>	<u>\$ 379,792,533</u>	<u>\$ 401,716,187</u>	<u>\$ 416,937,563</u>	<u>\$ 364,878,447</u>	<u>\$ 385,263,036</u>

Schedule 2
City of Petaluma, CA
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses:				
Governmental activities:				
General government	\$ 987,253	\$ 4,193,590	\$ 4,555,487	\$ 7,610,166
Community development	13,395,617	18,167,372	16,380,437	18,797,323
Police	15,327,707	16,535,445	15,788,825	15,727,066
Fire	8,425,482	8,193,495	8,174,322	10,172,173
Parks and recreation	5,388,317	6,154,005	5,337,468	2,956,236
Public works	10,840,989	9,724,943	6,698,175	10,145,360
Debt service	2,411,702	3,497,893	3,522,910	3,349,762
Indirect expense allocation				(1,420,750)
Total governmental activities net position	<u>56,777,067</u>	<u>66,466,743</u>	<u>60,457,624</u>	<u>67,337,336</u>
Business-type activities				
Airport	1,437,423	1,586,579	1,342,029	1,542,320
Ambulance	2,165,665	2,503,099	2,307,644	-
Development Services	1,285,879	1,348,591	1,524,440	1,050,823
Marina	973,383	807,938	678,347	600,797
Public Transportation	2,180,198	2,540,221	2,281,271	2,037,363
Wastewater	10,168,807	11,544,863	10,722,037	11,615,051
Water Utility	11,672,040	10,570,251	10,528,513	10,584,053
Storm Water				-
Indirect expense allocation				1,420,750
Total business-type activities net assets	<u>29,883,395</u>	<u>30,901,542</u>	<u>29,384,281</u>	<u>28,851,157</u>
Total primary government activities net position	<u>\$ 86,660,462</u>	<u>\$ 97,368,284</u>	<u>\$ 89,841,905</u>	<u>\$ 96,188,493</u>
Program Revenues :				
Governmental activities:				
Charges for services:				
General government	\$ 4,375,803	\$ 263,871	\$ 3,443,554	\$ 3,067,208
Community development	2,716,987	5,433,211	1,622,257	1,603,801
Police	804,138	708,284	282,203	285,067
Fire	539,327	-	354,651	1,980,928
Parks and recreation	1,623,461	1,379,888	1,097,340	920,627
Public works	999,774	138,806	145,004	257,400
Operating grants and contributions	7,103,205	9,278,484	1,649,225	1,675,098
Capital grants and contributions	11,508,822	11,271,768	3,401,082	3,601,567
Total government activities program revenues	<u>29,671,517</u>	<u>28,474,312</u>	<u>11,995,316</u>	<u>13,391,696</u>
Business-type activities:				
Airport	1,725,886	1,971,936	1,721,866	1,656,007
Ambulance	1,959,471	1,855,217	2,042,455	
Development Services	1,056,394	952,925	1,234,681	1,212,558
Marina	225,298	245,634	253,888	268,650
Public Transportation	185,323	201,802	202,524	191,704
Wastewater Utility	15,088,411	16,910,890	17,555,638	19,068,591
Water Utility	11,276,420	11,914,062	12,461,378	11,718,421
Storm water				
Operating grants and contributions	2,963,475	-	-	-
Capital grants and contributions	2,559,227	2,386,860	4,055,695	2,681,248
Total business-type activities program revenues	<u>37,039,905</u>	<u>36,439,326</u>	<u>39,528,125</u>	<u>36,797,179</u>
Total primary government program revenues	<u>\$ 66,711,422</u>	<u>\$ 64,913,638</u>	<u>\$ 51,523,441</u>	<u>\$ 50,188,875</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 6,666,303	\$ 5,872,122	\$ 6,435,412	\$ 5,557,915	\$ 6,217,478	\$ 7,842,885
14,999,852	5,277,051	9,701,909	4,427,499	3,557,139	4,493,471
15,583,297	18,015,788	16,328,693	15,594,733	15,681,606	15,527,900
10,282,621	11,056,239	11,412,188	11,143,797	12,255,873	11,440,319
2,439,642	2,394,835	2,777,778	3,181,968	2,497,607	2,527,664
7,562,505	10,805,587	9,273,743	9,146,857	10,273,849	10,505,752
3,361,901	1,876,877	1,007	-	-	-
(984,500)	(851,273)	(850,357)	(859,304)	(1,332,733)	(1,817,226)
<u>59,911,621</u>	<u>54,447,226</u>	<u>55,080,373</u>	<u>48,193,465</u>	<u>49,150,819</u>	<u>50,520,765</u>
1,544,378	2,060,164	1,956,849	1,731,830	1,648,939	1,658,938
-	-	-	-	-	-
1,047,568	1,197,701	1,145,142	1,248,470	1,314,221	1,683,387
499,941	538,029	494,854	467,323	422,502	396,281
4,057,615	2,317,905	2,464,412	2,973,974	2,692,703	4,534,626
17,979,930	17,847,608	17,582,495	17,866,754	18,965,735	17,490,248
11,790,875	12,388,010	12,150,268	13,046,584	13,159,889	11,439,420
-	162,962	367,201	556,848	361,271	634,983
984,500	851,273	850,357	859,304	1,332,733	1,817,226
<u>37,904,807</u>	<u>37,363,652</u>	<u>37,011,578</u>	<u>38,751,087</u>	<u>39,897,993</u>	<u>39,655,109</u>
<u>\$ 97,816,428</u>	<u>\$ 91,810,878</u>	<u>\$ 92,091,951</u>	<u>\$ 86,944,552</u>	<u>\$ 89,048,812</u>	<u>\$ 90,175,874</u>
\$ 1,734,612	\$ 1,697,561	\$ 1,683,790	\$ 1,957,958	\$ 2,780,709	\$ 3,118,778
1,489,215	1,849,691	7,648,689	2,201,532	1,651,455	3,041,924
303,190	198,093	230,793	232,352	177,500	232,240
2,148,991	2,267,921	2,383,025	2,421,869	2,359,121	2,977,077
828,595	2,342,066	2,651,535	1,144,415	1,875,867	2,400,854
516,805	1,593,884	8,850,951	3,362,076	2,729,827	2,672,029
1,942,063	2,871,876	1,148,472	1,200,590	782,758	647,646
889,116	1,308,367	7,517,779	3,646,751	11,363,165	2,983,243
<u>9,852,587</u>	<u>14,129,459</u>	<u>32,115,034</u>	<u>16,167,543</u>	<u>23,720,402</u>	<u>18,073,791</u>
1,729,631	1,832,434	1,784,648	1,821,942	1,759,606	1,715,315
1,253,868	1,334,879	1,715,375	1,531,052	1,395,230	2,049,407
284,372	283,903	298,189	255,972	242,993	255,347
221,620	261,899	254,711	292,501	312,964	308,324
18,987,640	23,585,304	25,305,037	24,295,231	26,032,141	27,218,673
11,673,782	14,460,991	15,408,460	15,209,463	14,430,666	13,356,427
					888
3,868,941	2,071,633	2,146,869	3,676,644	3,434,460	4,209,175
1,842,350	138,305	-	449,283	-	-
<u>39,862,204</u>	<u>43,969,348</u>	<u>46,913,289</u>	<u>47,532,088</u>	<u>47,608,060</u>	<u>49,113,556</u>
<u>\$ 49,714,791</u>	<u>\$ 58,098,807</u>	<u>\$ 79,028,323</u>	<u>\$ 63,699,631</u>	<u>\$ 71,328,462</u>	<u>\$ 67,187,347</u>

Schedule 2

City of Petaluma, CA

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Net revenues (expenses):				
Governmental activities	\$ (27,105,550)	\$ (37,992,431)	\$ (48,462,308)	\$ (53,945,640)
Business-type activities	7,156,510	5,537,784	10,143,844	7,946,022
Total net revenues (expenses)	<u>\$ (19,949,040)</u>	<u>\$ (32,454,647)</u>	<u>\$ (38,318,464)</u>	<u>\$ (45,999,618)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,135,526	\$ 7,392,338	\$ 7,172,637	\$ 6,923,955
Redevelopment tax increment	15,697,091	16,777,120	17,241,026	17,224,163
Sales taxes	11,460,165	11,649,972	9,445,467	8,631,248
Franchise tax	2,607,627	2,549,185	3,089,600	3,132,790
Intergovernmental, unrestricted	5,593,600	8,111,724	8,061,316	6,159,837
Other taxes	2,345,441	2,335,038	2,792,427	2,793,543
Unrestricted investment earnings	3,721,310	3,743,723	2,185,882	796,641
Gain on disposal of assets				-
Miscellaneous revenue	-	1,205,975	680,896	2,039,729
Transfers	869,137	167,558	(1,042,655)	221,545
Total governmental activities	<u>49,429,897</u>	<u>58,176,721</u>	<u>49,626,596</u>	<u>47,923,451</u>
Business-type activities:				
Taxes:				
Unrestricted investment earnings	\$ 881,406	\$ 1,131,778	\$ 772,842	\$ 521,229
Gain on disposal of assets				-
Miscellaneous revenue	542,080	0	-	(7,685)
Transfers	(869,137)	(167,558)	1,042,655	(221,545)
Total business-type activities	<u>554,349</u>	<u>964,220</u>	<u>1,815,497</u>	<u>291,999</u>
Total primary government	<u>\$ 49,984,246</u>	<u>\$ 59,140,941</u>	<u>\$ 51,442,093</u>	<u>\$ 48,215,450</u>
Changes in net position:				
Governmental activities	\$ 22,324,347	\$ 20,184,292	\$ 1,164,288	\$ (6,022,189)
Business-type activities	<u>7,710,859</u>	<u>6,502,004</u>	<u>11,959,341</u>	<u>8,238,021</u>
Total primary government	<u>\$ 30,035,206</u>	<u>\$ 26,686,297</u>	<u>\$ 13,123,629</u>	<u>\$ 2,215,832</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ (50,059,034)	\$ (40,317,767)	\$ (22,965,339)	\$ (32,025,922)	\$ (25,430,417)	\$ (32,446,974)
1,957,397	6,605,696	9,901,711	8,781,001	7,710,067	9,458,447
<u>\$ (48,101,637)</u>	<u>\$ (33,712,071)</u>	<u>\$ (13,063,628)</u>	<u>\$ (23,244,921)</u>	<u>\$ (17,720,350)</u>	<u>\$ (22,988,527)</u>
\$ 6,736,251	\$ 6,814,419	\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,583,057
16,166,274	7,153,936	-	-	-	-
8,843,821	9,383,601	9,904,433	11,459,527	12,393,784	12,836,372
3,202,734	3,063,429	3,651,287	4,088,228	4,200,929	4,386,505
6,046,647	6,117,382	6,971,230	6,918,391	8,060,611	7,826,858
3,062,970	3,251,193	3,710,336	4,045,534	4,413,036	4,973,753
332,785	436,659	316,101	241,751	140,208	642,914
-	-	-	-	4,684	-
3,351,769	3,455,064	1,694,223	3,562,242	4,897,416	2,783,899
(50,350)	39,568,592	(90,000)	(746,420)	(610,580)	(754,473)
<u>47,692,901</u>	<u>79,244,275</u>	<u>34,822,021</u>	<u>37,526,273</u>	<u>42,016,377</u>	<u>42,278,885</u>
\$ 280,342	\$ 159,409	\$ 75,261	\$ 190,603	\$ 113,214	\$ 338,933
-	-	-	3,000	6,720	825
-	-	-	-	-	-
50,350	(39,100)	90,000	746,420	610,580	754,473
<u>330,692</u>	<u>120,309</u>	<u>165,261</u>	<u>940,023</u>	<u>730,514</u>	<u>1,094,231</u>
<u>\$ 48,023,593</u>	<u>\$ 79,364,584</u>	<u>\$ 34,987,282</u>	<u>\$ 38,466,296</u>	<u>\$ 42,746,891</u>	<u>\$ 43,373,116</u>
\$ (2,366,133)	\$ 38,926,508	\$ 11,856,682	\$ 5,500,351	\$ 16,585,960	\$ 9,831,911
2,288,089	6,726,005	10,066,972	9,721,024	8,440,581	10,552,678
<u>\$ (78,044)</u>	<u>\$ 45,652,513</u>	<u>\$ 21,923,654</u>	<u>\$ 15,221,375</u>	<u>\$ 25,026,541</u>	<u>\$ 20,384,589</u>

Schedule 3
City of Petaluma, CA
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Reserved	\$ 8,538,875	\$ 2,849,553	\$ 252,265	\$ 881,458
Unreserved, designated	294,705	761,418	54,582	-
Unreserved	129,604	3,875	1,732,418	926,720
Total general fund	<u>8,963,184</u>	<u>3,614,846</u>	<u>2,039,265</u>	<u>1,808,178</u>
All Other Governmental Funds:				
Reserved	28,746,906	40,732,331	57,098,058	56,141,521
Unreserved, designated for:				
Special revenue funds	926,105	625,383	165,151	21,753
Capital project funds	-	82,077	-	-
Unreserved, reported in:				
Special revenue funds	7,129,104	4,206,199	15,182,712	21,369,514
Debt service funds	-	-	(36,727)	-
Capital project funds	38,595,870	31,998,281	8,548,759	(2,802,574)
Permanent trust	-	-	-	23,177
Permanent funds	21,365	22,398	22,982	-
Total all other governmental funds	<u>75,419,350</u>	<u>77,666,669</u>	<u>80,980,935</u>	<u>74,753,391</u>
Total governmental fund balances	<u>\$ 84,382,534</u>	<u>\$ 81,281,515</u>	<u>\$ 83,020,200</u>	<u>\$ 76,561,569</u>
General Fund:				
Nonspendable				
Committed				
Assigned				
Unassigned				
Total general fund				
All Other Governmental Funds:				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total governmental fund balances				

Fiscal Year					
2011	2012	2013	2014	2015	2016

\$ 64,144	\$ 81,024	\$ 95,544	\$ 83,177	\$ 91,451	\$ 87,958
397,275	1,179,964	2,041,359	-	2,037,806	3,277,768
-	-	254,236	4,081,779	4,757,796	4,866,554
-	-	1,703,571	1,633,298	1,872,873	1,998,762
<u>\$ 461,419</u>	<u>\$ 1,260,988</u>	<u>\$ 4,094,710</u>	<u>\$ 5,798,254</u>	<u>\$ 8,759,926</u>	<u>\$ 10,231,042</u>

\$ 27,034	\$ 1,378,920	\$ 23,665	\$ 16,000	\$ 23,770	\$ 23,852
68,494,306	28,697,753	27,542,010	57,556,197	57,639,586	90,030,630
14,919,647	16,732,210	26,156,633	1,391,787	-	1,331,352
-	-	-	-	-	-
-	-	(81,888)	-	(1,843,525)	-
<u>\$ 83,440,987</u>	<u>\$ 46,808,883</u>	<u>\$ 53,640,420</u>	<u>\$ 58,963,984</u>	<u>\$ 55,819,831</u>	<u>\$ 91,385,834</u>

Schedule 4
City of Petaluma, CA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes (see schedule 5)	\$ 40,489,024	\$ 41,281,833	\$ 39,739,098	\$ 38,705,700
Licenses, permits and fees	3,802,778	6,311,769	1,912,580	1,274,934
Fines, forfeitures and penalties	757,904	868,609	799,544	789,895
Use of money and property	3,061,200	3,394,711	2,215,231	1,019,686
Intergovernmental	11,776,669	14,610,795	12,447,440	11,435,893
Charges for current services	7,947,098	5,701,169	4,784,440	4,373,632
Other	12,386,785	8,843,045	876,041	2,466,222
Total revenues	80,221,458	81,011,931	62,774,374	60,065,962
Expenditures				
Current:				
General government	4,635,200	5,058,079	3,875,414	3,667,640
Community development	12,118,473	16,587,683	14,877,627	17,542,710
Police	15,488,637	16,866,135	15,104,761	14,965,311
Fire	7,972,434	8,165,412	7,790,262	9,288,308
Parks and recreation	4,925,759	5,647,957	4,574,962	2,280,237
Public works	9,016,455	7,321,255	5,521,183	7,198,568
Capital outlay	24,671,199	19,328,719	4,375,770	7,071,745
Debt service				
Principal	1,140,000	1,184,000	1,312,000	1,355,000
Interest	2,088,863	3,484,023	3,359,588	3,289,018
Cost of issuance	844,300	-	-	-
Total expenditures	82,901,320	83,643,263	60,791,567	66,658,537
Excess of revenues over (under) expenditures	(2,679,862)	(2,631,332)	1,982,807	(6,592,575)
Other Financing Sources (Uses):				
Debt issuance	31,825,000	-	-	-
Premium paid	(568,396)	-	-	-
Payment to escrow agent	(482,364)	-	-	-
Proceeds from the sale of assets	56,414	10,992	1,669	-
Contributions from enterprise funds	269,283	-	-	-
Transfers in	46,357,315	29,447,200	16,622,618	15,946,693
Transfers out	(45,818,178)	(29,927,878)	(17,368,889)	(15,812,749)
Total other financing sources (uses)	31,639,074	(469,686)	(744,602)	133,944
	\$ 28,959,212	\$ (3,101,018)	\$ 1,238,205	\$ (6,458,631)

Debt service as a percentage of noncapital expenditures (1)	5.55%	7.26%	8.28%	7.79%
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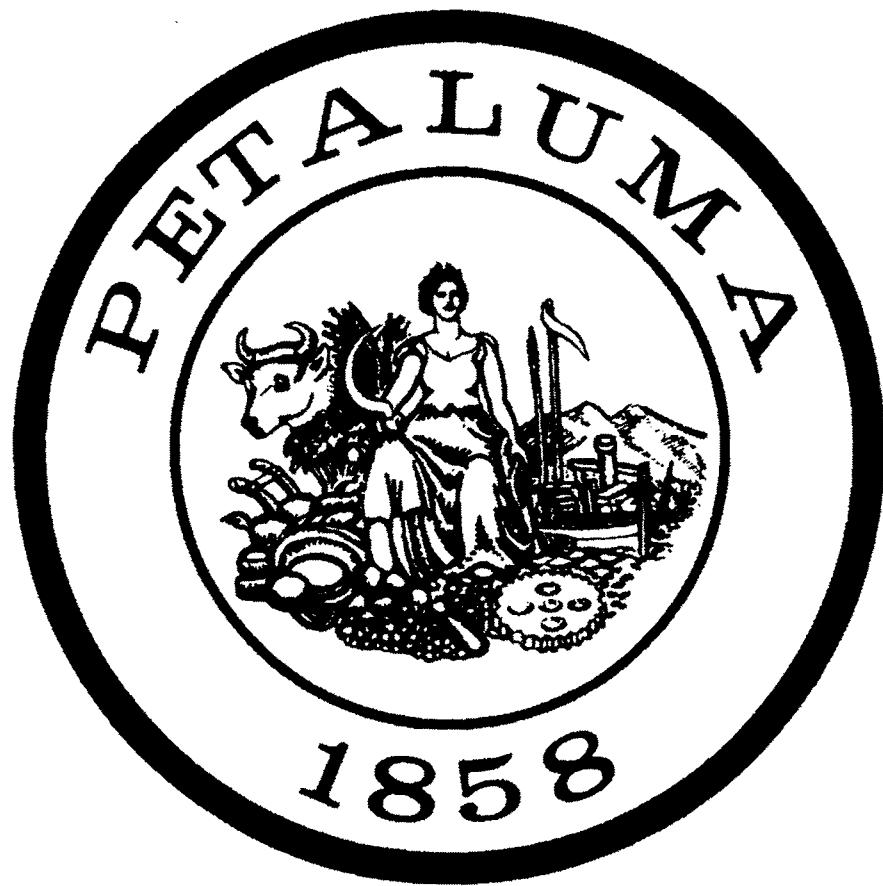
(1) Paragraph 12b requires that the interest and principal components of debt service expenditures be presented separately and that total debt service be shown as a percentage of total noncapital expenditures. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditure categories.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 38,012,050	\$ 29,666,577	\$ 25,930,467	\$ 27,550,308	\$ 29,524,036	\$ 31,530,249
2,207,999	4,921,033	13,467,082	5,768,076	5,405,398	6,678,465
909,973	927,900	904,110	892,444	592,257	556,508
671,185	736,888	684,382	665,222	708,536	986,419
9,013,452	12,566,803	15,223,097	11,680,110	19,225,393	11,289,946
4,808,475	5,048,086	5,292,940	5,524,587	6,236,573	7,475,695
1,764,517	1,100,595	817,149	2,319,182	4,650,482	2,165,019
<u>57,387,651</u>	<u>54,967,882</u>	<u>62,319,227</u>	<u>54,399,929</u>	<u>66,342,675</u>	<u>60,682,301</u>
3,538,262	3,079,373	2,982,115	3,504,750	4,565,381	5,319,069
13,913,519	6,655,687	7,253,174	3,018,073	2,345,822	2,506,730
15,029,140	14,906,572	15,268,849	15,718,865	15,672,647	16,858,379
9,979,449	10,442,244	10,734,962	11,524,404	12,262,326	12,748,714
1,845,714	1,739,081	2,141,679	2,504,147	8,169,900	2,949,395
6,574,553	6,550,016	12,482,214	7,552,488	18,737,202	7,838,030
6,010,308	4,809,382	1,595,828	2,733,981	3,987,980	334,381
1,629,814	113,958	134,264	-	-	-
3,315,833	1,877,695	2,352	-	-	-
-	-	-	-	-	-
<u>61,836,592</u>	<u>50,174,008</u>	<u>52,595,437</u>	<u>46,556,708</u>	<u>65,741,258</u>	<u>48,554,698</u>
<u>(4,448,941)</u>	<u>4,793,874</u>	<u>9,723,790</u>	<u>7,843,221</u>	<u>601,417</u>	<u>12,127,603</u>
11,561,444	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,504	-	31,469	40,307	4,684	7,607
207,830	-	-	-	-	-
21,418,966	13,041,470	8,822,043	5,759,605	8,752,964	8,378,259
<u>(21,418,966)</u>	<u>(12,951,470)</u>	<u>(8,912,043)</u>	<u>(6,616,025)</u>	<u>(9,541,544)</u>	<u>(9,732,732)</u>
<u>11,773,778</u>	<u>90,000</u>	<u>(58,531)</u>	<u>(816,113)</u>	<u>(783,896)</u>	<u>(1,346,866)</u>
<u>\$ 7,324,837</u>	<u>\$ 4,883,874</u>	<u>\$ 9,665,259</u>	<u>\$ 7,027,108</u>	<u>\$ (182,479)</u>	<u>\$ 10,780,737</u>
8.86%	4.39%	0.27%	0.00%	0.00%	0.00%

Schedule 5
City of Petaluma, CA
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Tax Revenue	Fiscal Year				
	2007	2008	2009	2010	2011
Property	\$ 22,832,617	\$ 24,169,458	\$ 24,413,663	\$ 24,148,118	\$ 22,929,525
Sales and Use	11,483,300	11,649,972	9,445,467	8,631,248	8,843,821
Occupancy	1,446,005	1,487,648	1,300,892	1,165,607	1,341,692
Franchise	2,607,627	2,549,185	3,089,600	3,132,790	3,202,734
Property Transfer	1,220,039	861,987	737,354	845,268	834,527
Other	899,436	563,583	752,122	782,669	886,751
Total taxes	\$ 40,489,024	\$ 41,281,833	\$ 39,739,098	\$ 38,705,700	\$ 38,039,050

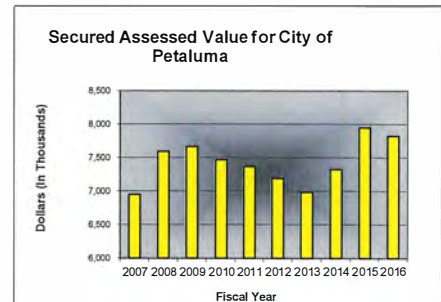
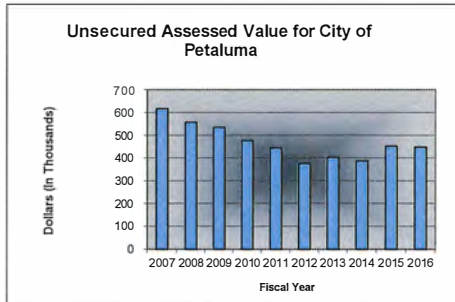
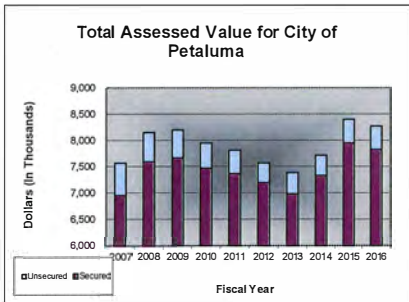
Fiscal Year						% Change
2012	2013	2014	2015	2016	2007-2016	
\$ 13,968,355	\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,333,619	-59.12%	
9,383,601	9,904,433	11,459,527	12,393,784	12,836,372	11.78%	
1,484,818	1,680,783	1,919,729	2,068,949	2,490,524	72.23%	
3,063,428	3,651,287	4,088,228	4,200,929	4,386,505	68.22%	
826,506	984,045	965,868	1,173,223	1,245,039	2.05%	
939,869	1,045,508	1,159,937	1,170,864	1,238,190	37.66%	
\$ 29,666,577	\$ 25,930,467	\$ 27,550,308	\$ 29,524,038	\$ 31,530,250		



Schedule 6
 City of Petaluma, CA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

City							Total
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)		Direct Tax Rate (1)
2007	\$ 5,530,953,593	\$ 159,460,308	\$ (163,484,711)	\$ 5,526,929,190	\$ 7,671,377,716		1.388
2008	5,968,553,636	145,463,556	(164,209,253)	5,949,807,939	7,237,667,667		1.216
2009	5,946,303,133	170,659,394	(170,960,134)	5,946,002,393	7,135,268,278		1.200
2010	5,736,779,190	167,095,060	(136,640,449)	5,767,233,801	5,883,904,941		1.020
2011	5,687,213,653	153,720,805	(135,873,341)	5,705,061,117	5,734,915,702		1.005
2012	5,645,944,977	155,920,753	(142,654,763)	5,659,210,967	5,861,951,068		1.036
2013	5,477,796,006	168,897,988	(141,964,018)	5,504,729,976	6,351,448,770		1.154
2014	5,768,548,728	157,239,152	(144,239,238)	5,781,548,642	6,660,700,675		1.152
2015	6,260,163,954	185,028,198	(145,962,654)	6,299,229,498	9,321,725,796		1.480
2016	6,029,133,776	177,624,704	(144,824,654)	6,656,015,859	8,176,559,700		1.228

Redevelopment Agency							Total
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)		Direct Tax Rate (1)
2007	\$ 1,423,411,000	\$ 458,035,521	\$ (79,174,627)	\$ 1,802,272,092	\$ 2,501,553,664		1.388
2008	1,627,639,769	411,773,777	(83,983,508)	1,955,430,038	2,378,690,691		1.216
2009	1,721,701,909	363,711,768	(86,248,289)	1,972,165,388	2,366,620,159		1.200
2010	1,733,181,743	309,090,199	(69,577,527)	1,972,694,415	2,012,602,023		1.020
2011	1,681,775,776	290,020,374	(68,679,653)	1,903,116,497	1,913,075,506		1.005
2012	1,547,960,379	221,055,796	(44,927,069)	1,724,089,106	1,785,854,253		1.036
2013	1,506,956,006	233,634,216	(60,213,054)	1,680,377,168	1,938,847,054		1.154
2014	1,559,482,789	230,941,306	(66,350,450)	1,724,073,645	1,986,239,190		1.152
2015	1,688,744,481	267,818,057	(78,586,405)	1,877,976,133	2,779,066,641		1.480
2016	1,796,512,501	271,000,767	(81,935,657)	1,985,577,611	2,439,175,960		1.228



(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations above.

(2) As of 2007-08, secured and unsecured values are gross taxable values. Exemptions include all types of exempt properties. Previous years reported homeowners' exemptions only.

(3) As of 2007-08, Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales prices. Based on these calculations, a multiplier value was extrapolated and applied to current assessed values.

Source: Sonoma County Assessor data, MuniServices, LLC

Schedule 7

City of Petaluma, CA

Assessed Value of Taxable Property by Use Code, Citywide

Last Ten Fiscal Years (in thousands)

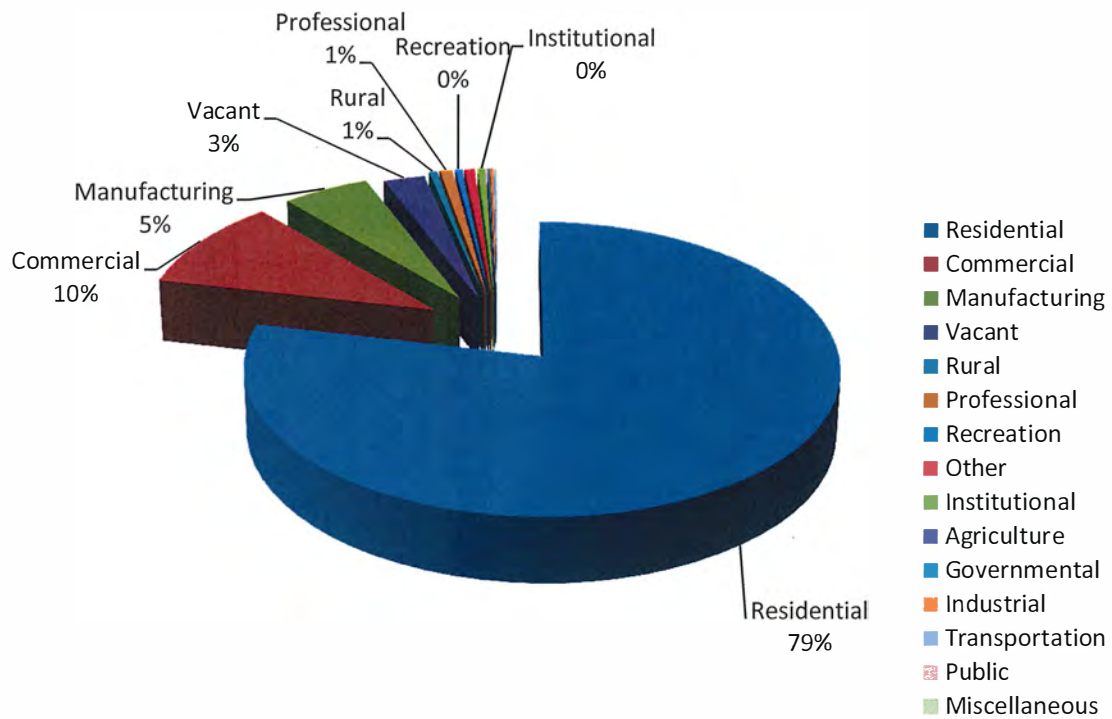
Category	Fiscal Year			
	2007	2008	2009	2010
Residential	\$ 5,360,159	\$ 5,816,643	\$ 5,796,159	\$ 5,555,350
Commercial	670,985	737,020	816,894	841,014
Manufacturing	459,467	494,966	509,564	524,252
Vacant	225,686	276,480	259,769	278,095
Rural	36,079	56,741	34,949	36,061
Professional	62,532	67,838	69,365	70,073
Recreation	31,900	32,333	34,405	39,235
Other	22,559	27,686	29,622	30,618
Institutional	39,435	40,580	39,249	37,717
Agriculture	21,229	22,344	21,628	27,496
Governmental	-	-	3,725	3,799
Industrial	14,903	12,889	14,148	14,319
Transportation	6,995	9,495	8,993	9,349
Public	1,338	-	1,392	1,419
Miscellaneous	1,099	1,178	1,143	1,164
TOTAL	\$ 6,954,366	\$ 7,596,193	\$ 7,641,005	\$ 7,469,961

Source: Sonoma County Assessor data , MuniServices, LLC

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 5,575,896	\$ 5,551,197	\$ 5,398,541	\$ 5,693,569	\$ 6,219,648	\$ 6,615,390
838,152	751,102	743,611	762,317	821,853	858,577
502,140	478,954	444,375	431,460	439,847	450,611
181,087	149,555	151,203	181,976	191,734	212,309
39,886	38,536	38,296	39,054	39,631	42,465
64,446	60,875	62,193	65,564	66,504	67,539
46,025	45,608	44,902	44,188	40,044	36,017
30,443	29,293	29,485	27,854	51,706	53,043
33,414	35,365	35,782	45,531	38,362	41,285
27,431	27,640	6,994	7,039	6,358	5,940
3,791	3,819	3,895	3,992	3,991	5,500
14,234	14,341	14,626	14,566	14,631	15,901
9,468	5,024	8,201	8,222	8,244	8,384
1,416	1,427	1,455	1,484	1,491	1,521
1,160	1,169	1,192	1,216	4,864	5,246
<u>\$ 7,368,989</u>	<u>\$ 7,193,905</u>	<u>\$ 6,984,751</u>	<u>\$ 7,328,032</u>	<u>\$ 7,948,908</u>	<u>\$ 8,419,728</u>

Schedule 8
 City of Petaluma, CA
 Assessed Value of Taxable Property by Use Code, Citywide
 2015-2016 Land Use Chart

Assessed Value by Use Code for RDA and City



Source: MuniServices, LLC

Schedule 9
City of Petaluma, CA
Direct and Overlapping Property Tax Rates,
(rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic City and County Levy (1):										
Bay Area Quality Mgmt	0.0000	0.0000	0.0000	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019
City Direct Rate	0.1600	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643
County Library	0.0000	0.0000	0.0000	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0186
County of Sonoma	0.8400	0.8357	0.8357	0.2785	0.2785	0.2785	0.2785	0.2785	0.2785	0.2784
Gen #1 SOCO Water Agency	0.0000	0.0000	0.0000	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
MRN/SNMA MOSO & Vector	0.0000	0.0000	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Petaluma AWUF	0.0000	0.0000	0.0000	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110
Petaluma Schools	0.0000	0.0000	0.0000	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973
South SO RES CN Land	0.0000	0.0000	0.0000	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Spring Lake Park SCWA	0.0000	0.0000	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
ZN ZA Petaluma Basin	0.0000	0.0000	0.0000	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158	0.0158
Total Basic City and County Levy:	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments:										
WS Dam-Russian River Project	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070	0.0070
Petaluma High school bonds	0.0200	0.0200	0.0305	0.0305	0.0305	0.0342	0.0342	0.0360	0.0650	0.0530
Sonoma County Junior College bonds	0.0250	0.0250	0.0250	0.0250	0.0210	0.0210	0.0210	0.0188	0.0180	0.0590
Petaluma Elementary school bonds	0.0480	0.0480	0.0455	0.0435	0.0435	0.0465	0.0465	0.0505	0.0620	0.0160
Old Adobe Elementary school bonds	-	-	-	-	-	-	-	-	-	-
Total Override Assessments:	0.1000	0.1000	0.1080	0.1060	0.1020	0.1087	0.1087	0.1123	0.1520	0.1350
Total Direct and Overlapping Rates:	1.1000	1.1000	1.1080	1.1060	1.1020	1.1087	1.1087	1.1123	1.1520	1.1350

Source: Sonoma County ACTTC Office data, MuniServices LLC

(1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1% is shared by all taxing agencies within which jurisdiction's the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

**Schedule 10
City of Petaluma, CA
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year				
	2016		2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Kw G I Vi Petaluma Lp	\$ 73,232,017	1	0.85%	\$ -	0.00%
Sscop Properties Llc	44,111,153	2	0.51%	-	0.00%
Regency Petaluma Llc	41,537,243	3	0.48%	25,738,798	0.35%
Sequoia Equities Park Central	40,961,560	4	0.47%	49,808,320	0.68%
Mgp Viii Properties Llc	39,156,329	5	0.45%	-	0.00%
Lagunitas Brewing Company	37,656,852	6	0.44%	-	0.00%
Tsa Skh Investors Llc	33,291,818	7	0.39%	-	0.00%
Azure At Lakeville Square Llc	32,585,721	8	0.38%	-	0.00%
Target Corp	31,519,639	9	0.36%	-	0.00%
Quarry Heights Llc	28,652,369	10	0.33%	-	0.00%
Redwood Gateway Llc	27,951,983	11	0.32%	-	0.00%
Novak Property Llc	27,664,094	12	0.32%	-	0.00%
Addison Ranch Apts Llc	27,602,064	13	0.32%	-	0.00%
Labcon North America	27,306,816	14	0.32%	-	0.00%
Chelsea Gca Realty Partnership	26,059,850	15	0.30%	28,602,230	0.39%
Petaluma Marina Investors Llc	25,956,989	16	0.30%	-	0.00%
Clover Stormetta Farms Inc.	25,165,716	17	0.29%	-	0.00%
Syers Properties I Lp	25,162,558	18	0.29%	21,784,274	0.30%
Washington Square Assoc	24,875,151	19	0.29%	21,910,512	0.30%
1465 N Mcdowell Holdings 1 Llc	18,238,069	20	0.21%	-	0.00%
Baywood Equities Lp	17,633,895	21	0.20%	-	0.00%
Jerico Products Inc.	17,233,248	22	0.20%	-	0.00%
Enphase Energy Inc.	16,759,160	23	0.19%	-	0.00%
Lowenberg Assoc Lp	16,697,072	24	0.19%	-	0.00%
Parkway Petaluma Llc	16,495,864	25	0.19%	-	0.00%
Cerent Corp				103,216,280	1.41%
Ca-Redwood Business Park Devel				81,719,450	1.11%
Fibex Systems Inc.				73,089,900	1.00%
Rnm Lakeville				60,595,784	0.83%
Cisco Technology Inc				45,176,113	0.62%
Tellabs Petaluma Inc.				33,264,630	0.45%
Crp Holdings A-1 Llc				32,250,000	0.44%
Eqr Lakeville Resort General P				31,685,964	0.43%
Lok Petaluma Marina Hotel Co L				26,317,948	0.36%
Petaluma Theatre District Llc				25,386,513	0.35%
Minnesota Mining & Manufacturi				24,215,303	0.33%
Savoy Corporation				22,499,999	0.31%
Bnp Paribas Leasing Corp				21,431,862	0.29%
Focal Properties Llc				21,388,537	0.29%
Petaluma Greenbriar Apartments				20,654,235	0.28%
North Bay Construction Inc				19,407,778	0.26%
Marina Office Park Associates				18,969,343	0.26%
Alcatel Usa Sourcing Lp				18,604,910	0.25%
Landwin Ocotillo Marketplace L				18,365,010	0.25%
Wvb Holdings Llc				16,000,000	0.22%
Top 25 Taxpayers	743,507,230		8.60%	862,083,693	11.76%
All Other Taxpayers	7,898,086,240		91.40%	6,467,117,589	88.24%
Total Taxable Assessed Values	\$ 8,641,593,470		100.00%	\$ 7,329,201,282	100%

Source: Sonoma County Assessor data , MuniServices, LLC

**Schedule 11
City of Petaluma, CA
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount (1)	Percentage of Levy
2007	\$ 6,617,725	\$ 6,617,725	100.00%	\$ -	\$ 6,617,725	100.00%
2008	7,127,556	7,127,556	100.00%	-	7,127,556	100.00%
2009	7,085,792	7,085,792	100.00%	-	7,085,792	100.00%
2010	6,893,778	6,893,778	100.00%	-	6,893,778	100.00%
2011	6,763,330	6,763,330	100.00%	-	6,763,330	100.00%
2012	7,073,366	7,073,366	100.00%	-	7,073,366	100.00%
2013	8,084,455	8,084,455	100.00%	-	8,084,455	100.00%
2014	7,803,746	7,803,746	100.00%	-	7,803,746	100.00%
2015	8,420,878	8,420,878	100.00%	-	8,420,878	100.00%
2016	9,159,779	9,159,779	100.00%	-	9,159,779	100.00%

Source: Sonoma County ACTTC Office, Property Tax Division

(1) The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County.

Schedule 12
City of Petaluma, CA
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Governmental Activities				
Fiscal Year	General Obligation Bonds	Redevelopment Tax Allocation Bonds	Redevelopment Other	Total Governmental Activities
2007	\$ -	\$ 75,895,000	\$ 490,000	\$ 76,385,000
2008	-	74,795,000	406,000	75,201,000
2009	-	73,575,000	314,000	73,889,000
2010	-	72,320,000	214,000	72,534,000
2011	-	82,384,000		82,384,000
2012	-	80,379,000		80,379,000
2013	-	78,292,000		78,292,000
2014	-	-		-
2015	-	-		-
2016	-	-		-

Business-type Activities					
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Total Business-Type Activities
2007	\$ 15,455,000	\$ 6,779,855	\$ 5,960,000	\$ 69,211,800	\$ 97,406,655
2008	14,835,000	7,100,142	5,790,000	121,725,582	149,450,724
2009	14,134,580	7,071,235	5,678,860	140,471,206	167,355,881
2010	13,469,902	6,953,568	5,495,585	138,064,027	163,983,082
2011	29,974,549	6,874,095	5,307,311	108,608,118	150,764,073
2012	29,678,565	6,803,961	5,114,035	115,644,315	157,240,876
2013	29,786,315	6,851,192	4,910,761	110,055,132	151,603,400
2014	29,416,445	6,880,023	4,697,486	104,331,809	145,325,762
2015	29,036,575	6,889,843	4,479,211	98,471,125	138,876,754
2016	28,641,705	6,268,083	4,531,000	92,469,786	131,910,574

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2016	\$ 131,910,574	6%	2,185

Note: capital lease is immaterial

Schedule 13
City of Petaluma, CA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

2015-16 Assessed Valuation:	\$ 8,725,875,516	(includes aircraft valuations)
Redevelopment Incremental Valuation:	<u>(1,616,494,654)</u>	
Adjusted Assessed Valuation:	\$ 7,109,380,862	

	Total Debt 6/30/2016	% Applicable	City's Share of Debt 6/30/2016
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College	\$ 163,945,000	11.21%	\$ 18,371,677
Petaluma Joint Union High School District	44,283,622	76.87%	34,043,034
Old Adobe Union School District	26,515,591	89.01%	23,600,732
Cinnabar School District	2,500,000	42.63%	1,065,775
Petaluma City School District	18,275,000	75.43%	13,785,739
Wilmar Union School District	3,947,436	13.19%	520,548
Waugh School District Community Facilities District #1	5,220,000	100.00%	5,220,000
City of Petaluma 1915 Act Bonds	2,361,400	100.00%	2,361,400
California Statewide Community Development Authority 1915 Act Bonds	5,273,025	100.00%	5,273,025
Total Overlapping Tax and Assessment Debt			\$ 104,241,930
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County General Fund Obligations	\$ 21,978,225	11.30%	\$ 2,484,638
Sonoma County Pension Obligations	425,250,000	11.31%	48,074,513
Sonoma County Office of Education COP	1,220,000	11.31%	137,921
Sonoma County Joint Community College GF Obligation	1,430,000	11.21%	160,246
Petaluma Joint Union High School District COP	5,995,000	76.87%	4,608,656
Cinnabar School District COP	1,302,000	42.63%	555,056
Total Direct and Overlapping General Fund Debt:			\$ 56,021,030
OVERLAPPING TAX INCREMENT DEBT	\$ 72,450,000	96.01%	\$ 69,561,419
Total Direct Debt			-
Total Overlapping Debt			229,824,379
Combined Total Debt			<u>\$ 229,824,379</u>

Source:

MuniServices, LLC
non-bonded capital lease obligations.

Ratios to adjust Assessment Valuation:

Total Overlapping Tax and Assessment Debt 1.19%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$4,531,000) 0.05%

Combined Total Debt 2.69%

State School Building Aid Repayment as of 6/30/2016: \$0
AB:(\$475)

Schedule 14

City of Petaluma, CA

Legal Debt Margin Information

Last Ten Fiscal Years

Fiscal Year	Tax Increment Revenue*	Annual Debt Service**	Required Coverage (125%)	Legal Debt Margin	Debt as Percentage of Legal Debt Margin
2007	\$ 15,697,091	\$ 4,549,617	\$ 5,687,021	\$ 10,010,070	45%
2008	16,777,120	4,551,807	5,689,759	11,087,361	41%
2009	17,241,026	4,551,807	5,689,759	11,551,267	39%
2010	17,224,163	4,543,120	5,678,900	11,545,263	39%
2011	16,166,274	4,616,105	5,770,131	10,396,143	44%
2012	7,153,936	3,740,726 a	4,675,908	2,478,028	151%
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

*gross tax increment

** all bonded debt

Note (a) - The Annual Debt Service in 2012 does not include payments made by Success Agency.

Schedule 15
City of Petaluma, CA
Pledged-Revenue Coverage
Last Ten Fiscal Years

2012 Refunding Water Revenue Bonds						
Fiscal Year	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service		Coverage*
				Principal	Interest	
2013	\$ 14,847,146	\$ 11,578,438	\$ 3,268,708	\$ -	\$ 153,508	21.29
2014	15,265,295	11,240,386	4,024,908	379,000	267,042	6.23
2015	14,074,089	11,142,788	2,931,301	389,000	252,888	4.57
2016	13,496,180	11,012,149	2,484,031	404,000	238,244	3.87

2011 Waste Water Revenue Bonds						
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage***
				Principal	Interest	
2011	\$ 18,774,783	\$ 8,601,644	\$ 10,173,139	\$ 4,780,327	\$ 2,913,455	1.32
2012	22,498,421	8,702,880	13,795,541	5,690,178	3,979,519	1.43
2013	22,728,199	8,709,391	14,018,807	5,589,183	4,049,960	1.45
2014	23,810,113	8,458,271	15,351,842	5,723,324	3,915,085	1.59
2015	26,040,214	8,944,494	17,095,720	5,860,683	3,776,975	1.77
2016	27,422,859	9,126,409	18,296,450	6,001,340	3,635,549	1.90

* 125% required
*** 120% required

Statement 16
City of Petaluma, CA
Demographic and Economic Statistics,
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Household Income in thousands of dollars (2)	Per Capita Personal Income (3)	Median Age	School Enrollment*	Estimated Unemployment Rate %
2007	56,996	\$ 1,868,215	\$ 32,778	n/a	12,290	3.60%
2008	57,418	1,935,618	33,711	37.1	8,004	4.00%
2009	57,187	1,892,832	33,099	38.0	7,957	5.20%
2010	57,817	1,995,438	34,513	39.0	7,612	8.90%
2011	58,319	2,027,518	34,766	39.6	7,791	8.50%
2012	58,165	2,136,443	36,731	41.0	7,769	7.60%
2013	58,804	2,197,579	37,371	40.3	7,793	7.80%
2014	59,000	2,251,234	38,157	41.0	7,871	6.10%
2015	59,540	2,132,616	35,818	40.9	7,776	3.20%
2016	60,373	2,166,217	35,879	41.1	7,789	3.50%

Source: MuniServices, LLC

(1) Population projections are provided by the California Department of Finance Projections

(2) Income Data is provided by the United States Census Data and is adjusted for inflation

(3) Unemployment and Total Employment Data are provided by the EDD's Bureau of Labor Statistics Department.

(4) Unemployment data is provided by EDD, Labor Market Information Division

*As of 2007-08, Public School Enrollment reflects the total number of students enrolled in the Petaluma City Elementary Petaluma Joint Union High Unified School Districts.

Schedule 17

City of Petaluma, CA

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year					
	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	1,300	1	3.95%	989	1	3.23%
Petaluma Poultry Processors	597	2	1.81%	300	8	0.98%
Petaluma Valley Hospital	501	3	1.52%	627	2	2.05%
City Of Petaluma	362	4	1.10%	320	5	1.05%
Enphase Energy Inc	342	5	1.04%	N/A		
Lagunita's Brewing Company	320	6	0.97%	N/A		
Santa Rosa Junior College	300	7	0.91%	495	4	1.62%
Hansel Auto (includes Honda, Toyota, Henry Curtis Ford, and Mgt)	273	8	0.83%	300	7	0.98%
Calix Networks Inc.	254	9	0.77%	N/A		
Clover Stornetta Farms	235	10	0.71%	N/A		
United States Postal Services				575	3	1.88%
North Bay Drywall				300	6	0.98%
Advanced Fibre Communications				250	9	0.82%
Old Adobe Union School District				200	10	0.65%
Total Principal Employers	4,484		13.63%	4,356		14.24%
Total City Employment (1)	32,900			30,600		

Source: MuniServices, LLC

Notes:

(1) Total city employment provided by EDD Labor Force Data

Schedule 18

City of Petaluma, CA

Full-time-Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	Full-time and Part-time Equivalent as of June 30				
	2007	2008	2009	2010	2011
Governmental					
General government (total of next 8)	44.2	42.8	44.7	44.7	38.8
Administrative Services (Finance)	13.7	12.1	11.5	11.6	8.9
Internal Services	13.4	13.6	15.2	15.2	13.2
Animal Services	9.4	9.7	9.2	9.0	8.0
City Attorney	0.5	0.5	0.5	0.5	0.5
City Clerk	2.8	2.5	2.0	2.0	2.0
City Manager	1.9	1.8	3.8	3.8	3.6
Human Resources	2.6	2.6	2.6	2.6	2.6
General Plan	0.0	0.0	0.0	0.0	0.0
Community development	28.0	26.0	2.0	3.6	3.0
Fire	48.0	48.0	47.0	58.3	58.0
Police	105.0	110.0	111.0	111.8	99.5
Parks and recreation	48.0	48.0	45.3	19.8	7.3
Public works	40.0	36.0	31.0	49.0	51.4
Business Activities					
Airport	3.0	3.0	2.7	3.1	1.6
Ambulance	11.0	11.0	11.0	0.0	0.0
Development Services	3.0	5.0	2.0	2.0	3.0
Marina	0.6	0.6	0.6	0.6	0.0
Transit	1.0	2.0	2.0	1.8	2.0
Water	24.0	25.0	24.0	25.7	28.4
Waste water	19.0	18.0	31.3	30.5	31.5
Internal Service					
Employee benefits	0	1	1	1	1
General services	3	3	3	3	2
Information technology	6	6	7	7	7
Risk management	3	3	4	4	3
Workers' compensation	1	1	1	1	1
Total	375	375	355	351	324

Source: City budget, finance department

Fiscal Year				
2012	2013	2014	2015	2016
30.1	28.7	26.7	35.0	35.6
6.05	6.05	6.1	13.0	13.0
10.7	10.7	10.7	9.0	9.0
6.0	5.0	0.0	0.0	0.0
0.5	0.0	3.0	4.0	4.0
2.0	2.0	2.0	2.0	2.0
3.3	3.3	3.3	4.0	4.0
1.6	1.6	1.6	3.0	3.6
0.0	0.0	0.0	0.0	0.0
5.5	1.7	3.7	2.0	2.0
57.0	57.0	57.0	58.0	58.0
83.1	81.5	82.5	84.5	84.5
5.0	5.0	6.0	6.0	6.0
35.7	38.5	36.5	35.2	36.2
1.6	1.0	1.0	1.0	1.0
0.0	0.0	0.0	0.0	0.0
4.0	4.0	5.0	6.0	6.0
0.0	0.0	0.0	0.0	0.0
1.0	1.0	1.0	1.0	1.0
29.6	29.6	30.1	29.9	30.4
29.6	29.6	30.1	29.9	30.4
0.4	0.7	0.7	0.0	0.0
2	2	2	2	2
7	7	7	7	7
0	0	0	0	0
1	1	1	0	0
282	278	280	289	291

Schedule 19
City of Petaluma, CA
Operating Indicators by Function/Program,
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Community development				
Commercial building permits issued	334	331	201	192
Residential building permits issued	833	670	666	725
Inspections performed	6,740	4,314	2,846	3,288
Police				
Number of police calls	68,748	54,671	57,396	53,209
Parking citations	7,834	7,734	6,769	5,825
Traffic citations	9,079	6,941	6,769	7,181
Administrative citations				
Fire				
Ambulance runs	3,723	3,566	3,624	3,569
Fire calls	1,445	1,487	1,551	1,478
Inspections	1,974	1,716	2,164	1,737
Public works				
Street resurfacing miles	2.50	0.00	0.85	2.44
Parks and recreation				
Historical library & museum visitors	7,890	8,234	7,184	12,521
Recreation class attendance	7,132	8,701	4,602	3,248
Special event attendance	24,716	30,000	13,000	12,000
Airport				
Airport movements	26,000	26,000	26,000	26,000
Annual fuel consumption (gallons)	188,000	174,174	170,500	172,110
Water				
Annual water purchased in billions of gallons	3.0	3.2	2.8	2.2
Utility accounts	19,549	19,549	19,434	20,214
Wastewater				
Average dry weather flows of sewage	4.6 mgd	3.99 mgd	4 mgd	4.3 mgd
Transit				
Number of bus routes	3	3	3	3
Annual ridership	189,500	189,500	167,927	181,556

Sources:

Various city department reports, annual budget narrative.

Fiscal Year					
2011	2012	2013	2014	2015	2016
100	241	249	318	507	255
1,000	821	1,142	1,172	1,023	1,609
4,315	4,614	6,344	4,379	3,470	4,850
54,429	50,667	49,496	52,738	55,121	56,887
5,564	7,118	9,081	8,073	3,522	6,723
5,544	7,667	4,742	4,947	2,119	3,966
					35
3,508	3,612	3,614	3,817	3,963	4,204
1,456	1,557	1,606	1,816	1,863	2,086
1,898	2,014	2,408	2,458	2,723	2,425
4.33	0.75	1.50	1.44	1.70	1.08
11,473	8,801	7,760	6,269	7,251	10,192
3,547	3,214	3,271	3,522	2,499	2,339
12,700	12,900	10,000	2,000	3,400	4,700
26,000	26,000	26,000	26,000	26,000	26,000
172,749	177,286	167,700	138,000	170,885	192,256
2.4	2.7	3.1	3.0	2.5	3.0
19,839	19,995	20,152	20,230	20,280	20,322
4.6 mgd	4.7 mgd	4.7 mgd	4.3 mgd	4.3 mgd	4.3 mgd
6	6	6	6	6	7
229,447	306,017	339,460	384,967	400,407	370,674

Schedule 20
City of Petaluma, CA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Police				
Stations	1	1	1	1
Zone offices	1	1	1	2
Patrol vehicles, marked and unmarked	53	53	53	56
Fire				
Fire stations	3	3	3	3
Ambulances	4	4	4	4
Public works				
Streets (miles)	185	185	185	185
Highways (miles)	0.80	0.80	0.80	0.80
Streetlights	4,600	4,700	6,000	6,000
Traffic Signals	48	50	55	55
Park and recreation				
Acreage	265	299	299	299
Parks	44	44	44	44
Community centers	2	4	4	4
Recreation facilities	4	4	4	4
Ball/soccer fields	48	48	48	48
Tennis court	9	11	11	11
Turning basin public dock footage	995	995	995	995
Community swimming pools	2	2	2	2
Library	1	1	1	1
Water				
Water mains (miles)	273	278	278	278
Fire hydrants	2,474	2,482	2,493	2,490
Aqueduct stations	8	8	8	8
Wells	18	18	18	16
Valves	7,118	7,190	7,227	7,251
Reservoirs, finished water (total capacity - 13.1 mg)	11	11	11	13.1
Wastewater				
Booster stations (35 pumps)	11	11	11	11
Sanitary sewers (miles)	195	195	195	195
Storm sewers (miles)	144	166	166	166
Treatment capacity (millions of gallons)	1,898	1,806	1,777	1,960
Transit - buses	10	10	10	10

Sources:

Various city department reports, annual budget narrative

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
2	2	2	2	2	2
53	55	55	55	55	55
3	3	3	3	3	3
4	4	4	4	4	4
185	185	185	185	185	185
0.80	0.80	0.80	0.80	0.80	0.80
4,700	5,129	5,129	4,942	5,392	5,392
50	55	55	51	51	51
299	299	299	324	324	324
44	44	44	45	45	45
4	4	4	4	4	4
4	4	4	4	4	4
48	48	48	51	51	51
11	11	11	11	11	11
995	995	995	995	995	995
2	2	2	2	2	2
1	1	1	1	1	1
278	255	255	258	268	268
2,492	2,494	2,494	2,565	2,597	2,597
8	8	8	8	8	8
15	15	13	13	13	13
7,310	7,324	7,324	7,542	7,636	7,636
13.1	13.1	11.1	11.1	11.1	11.1
12	12	12	12	12	12
195	195	195	195.5	196.1	196.5
166	122	122	125	127	127
2,445	2,445	2,445	2,445	2,445	2,445
10	10	10	10	11	11

