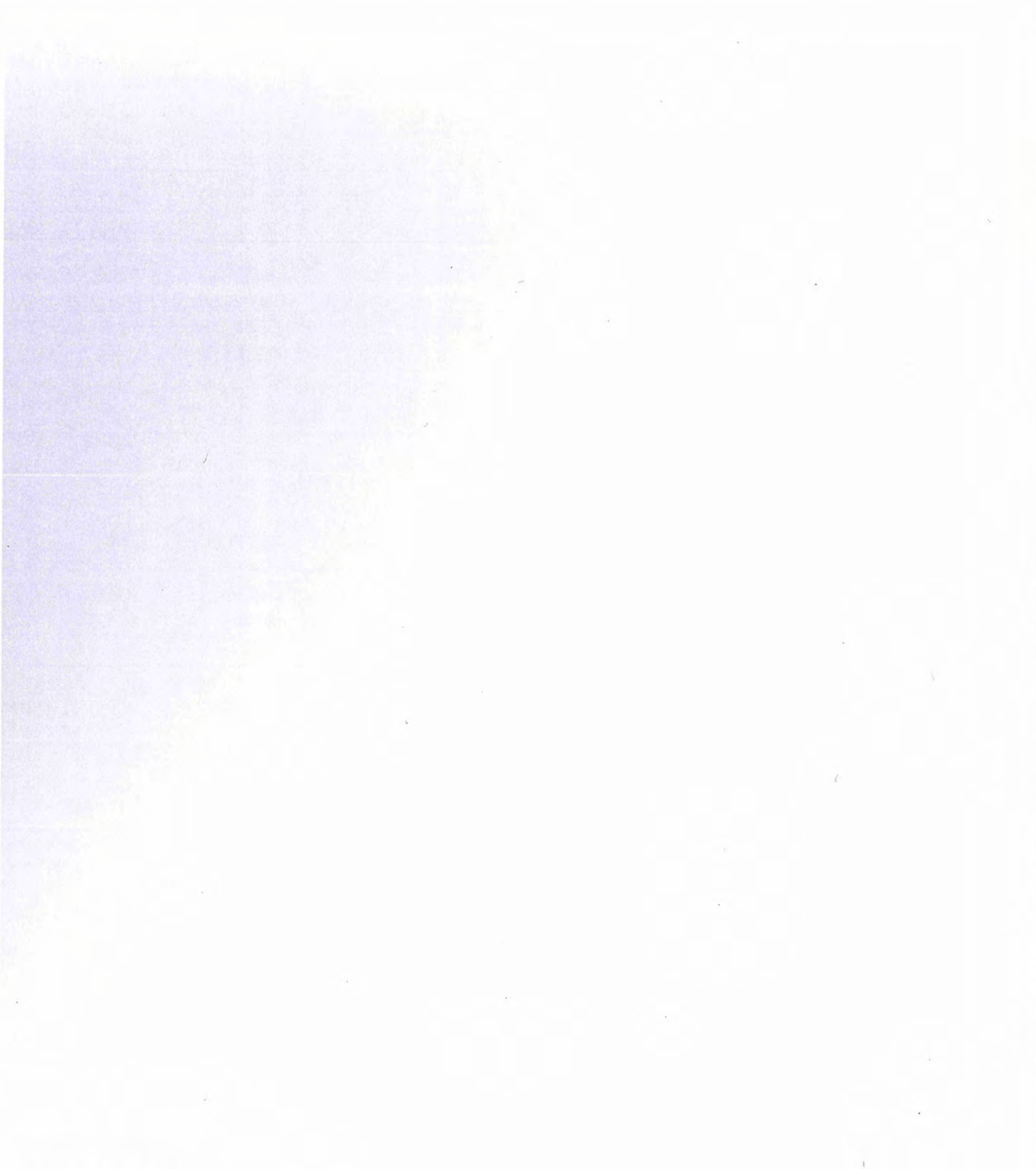


CITY OF PETALUMA
CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED JUNE 30, 2017

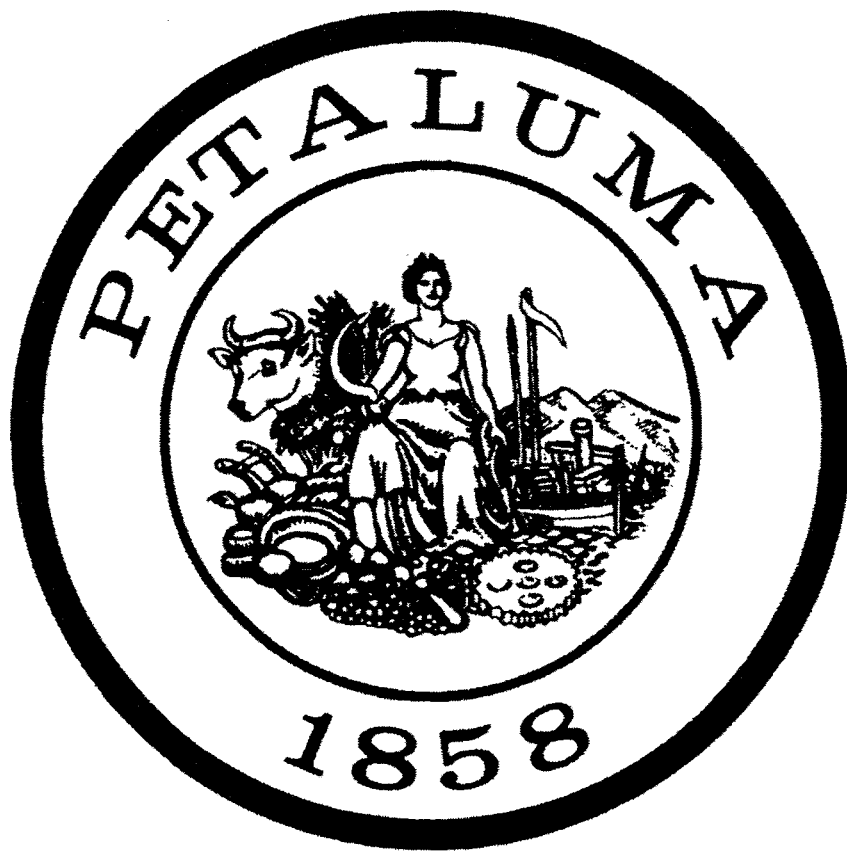


City of Petaluma Petaluma, California

Comprehensive Annual Financial Report

For the year ended June 30, 2017

Prepared by the Finance Department



CITY OF PETALUMA, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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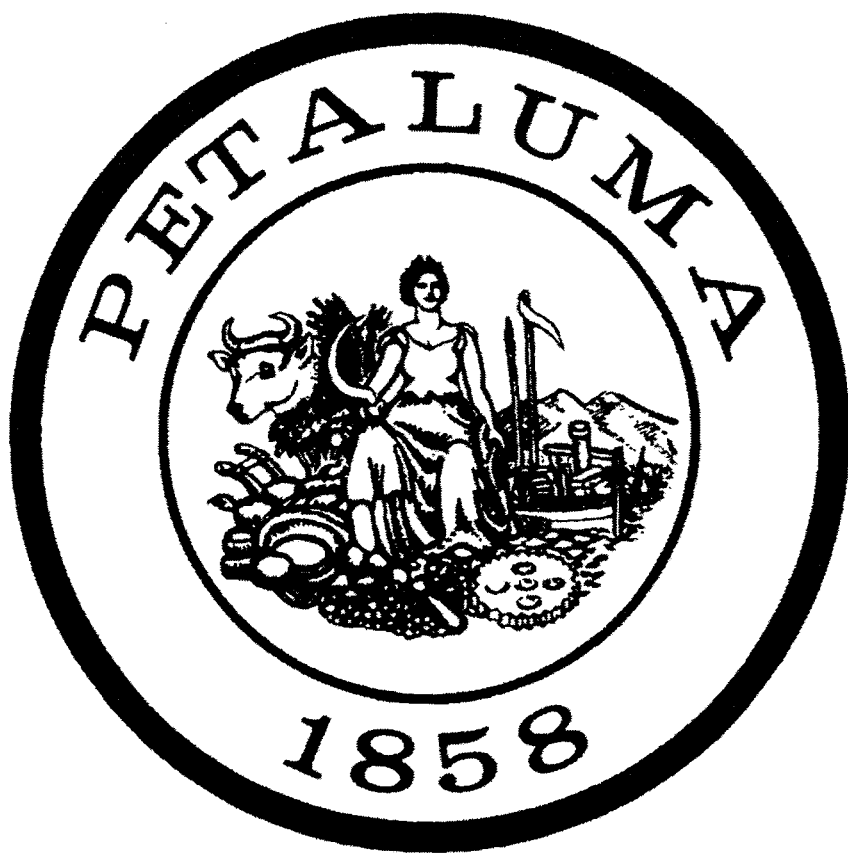
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CITY OF PETALUMA

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, 2017

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, 2017.

For the fiscal year ended June 30, 2017, 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

11 English Street
Petaluma, CA 94952
Phone (707) 778-4352
Fax (707) 931-0667
E-Mail:
finance@ci.petaluma.ca.us

General Services

Phone (707) 778-4384

Purchasing

Phone (707) 778-4352
Fax (707) 931-0667
E-Mail:
finance@ci.petaluma.ca.us

Utility Billing

Phone (707) 778-4350
Fax (707) 931-0667
E-Mail:
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, 2017, 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 unmodified opinion that the City of Petaluma's financial statements for the fiscal year ended June 30, 2017, 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

On February 4, 2017, the City Council conducted a full day session to establish goals and priorities for 2017 and 2018. The first goal on Council's list was to Maintain Financial Sustainability. This goal has several priorities including:

- Enhance existing revenue sources
- Limit/reduce expenditures
- Establish new revenue sources
- Establish a fiscally sustainable funding source for storm water management

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 has been successfully 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 FY17, revenues exceeded expenditures by \$1.2 million. This was due mainly to several one-time revenues received, along with lower expenditures due to unfilled positions. For FY18, 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 several 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 past economic downturn, but have rebounded over the last several 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 2017 was \$2.65 million, a 6% 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 5.75% in 2018. General fund property taxes in fiscal year 2017 were \$9.9 million, up \$.3 million or 3% from the prior year due to assessed valuation growth.

Retail sales in Petaluma also continued to stabilize during fiscal year 2017. Total general fund sales tax received in fiscal year 2017 was \$12.3 million, a slight decrease of \$.5 million or 3.9% as compared to the prior year. This was mainly due to a one-time payment for the triple flip true-up that was received in FY 16. The City expects retail sales to remain steady in 2018. Total sales tax revenue in 2018 is estimated to be approximately \$12.5 million, a slight increase 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, initiated a layoff process and has recently negotiated a higher employee paid PERS contribution. As a result of the layoffs in past years, several position vacancies remained unfilled in FY 2017, generating budget savings. Many of those positions will continue to remain unfilled in FY 2018.

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 2018. 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 \$134.6 million. Total annual accrued investment earnings were \$.6 million.

Debt Administration. As of June 30, 2017, 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, two issues were refunded in 2015, and another issue was refunded in fiscal year 2017. Wastewater revenue refunding bonds were also issued

during fiscal year 2011 and refunded during fiscal year 2017. 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.

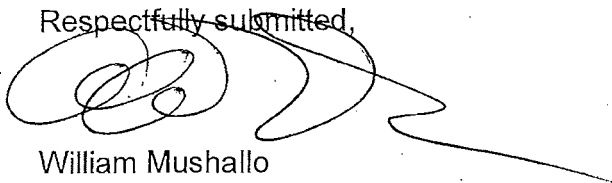
AWARDS AND ACKNOWLEDGEMENTS

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, 2016.

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.

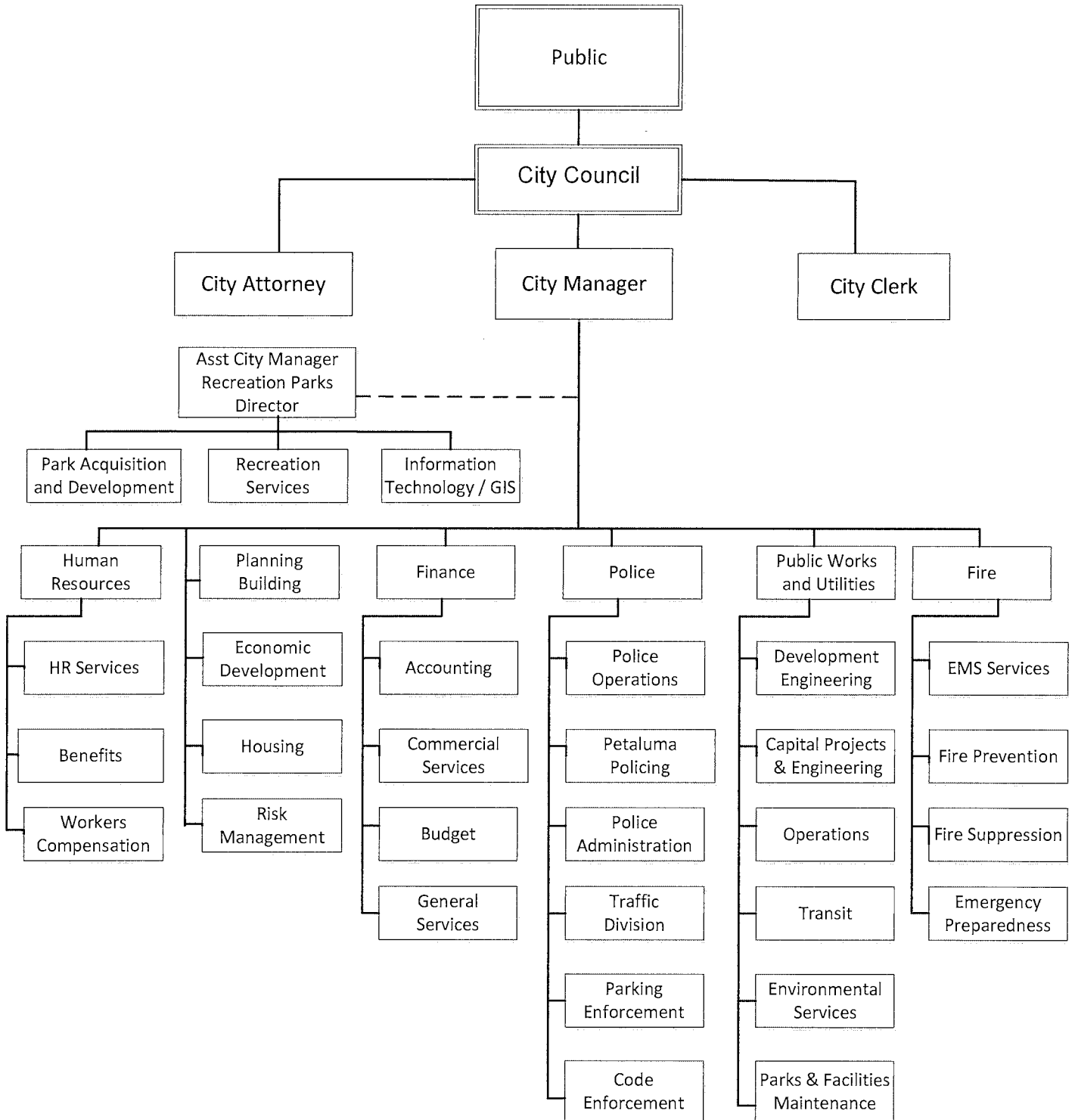
Respectfully submitted,



William Mushallo
Finance Director

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

Fiscal Year 16/17



CITY OF PETALUMA PRINCIPAL OFFICIALS
Elected Officials



DAVID GLASS
Mayor



TERESA BARRETT
Vice Mayor



CHRIS ALBERTSON
Council Member



DAVE KING
Council Member



MIKE HEALY
Council Member



GABE KEARNEY
Council Member



KATHY MILLER
Council Member



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, 2016

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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 balance of the Impact Fees Special Revenue Fund and the beginning net position of the Governmental Activities.

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

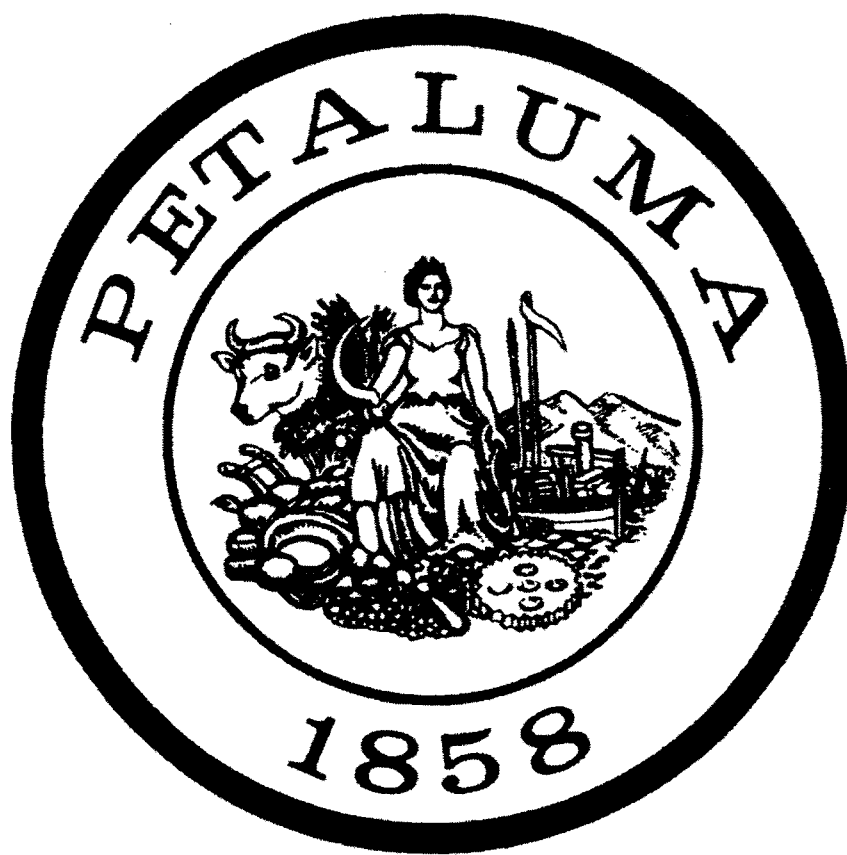
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, 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 21, 2017



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, 2017.

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, 2017 by \$411.2 million (Net Position). Of this amount, \$320.5 million was invested in capital assets; \$108.1 million was restricted for capital projects, debt service, non-expendable trusts and special projects; and (\$17.5) million was unrestricted. This included all City funds.
- The City's total Net Position increased over the prior year by \$26 million comprised of a \$19.6 million increase in Governmental Activities and a \$6.4 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 \$72.9 million net pension liability, \$62.9 million is related to Governmental Activities representing a decrease of \$.5 million from the prior year and \$10 million is related to Business Activities representing a decrease of \$.3 million from the prior year. Governmental Activity Net Position change is also comprised of an increase in assets due to the recognition of a Note Receivable and associated Interest Receivable and increased revenues exceeding expenditures in the Impact Fee Funds of approximately \$20.1m. Business Activity change in net position is also comprised of 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 \$6.7 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 \$121.2 million; an increase of \$19.6 million from the prior year mainly due to the restatement of balances related to Notes Receivable and associated Interest of \$8.1 million (See Note 1N). The remaining increase of \$11.5 million is mainly due to increased fund balances in the Impact Fee, Home/Begin Special Revenue and General funds. Fiscal Year 2017 fund balance was comprised of \$.1 million non-spendable reserves; \$108.8 million restricted reserves, \$5.2 million committed reserves, \$5.1 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 \$11.5 million, approximately a \$1.2 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.

Overview of the Financial Statements, continued

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.

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

Overview of the Financial Statements, continued

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.

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 2017 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 \$410 million at the close of the fiscal year.

The largest portion of the City’s net position (78%) 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 (26%) represents resources that are subject to external restrictions. The remaining balance (-4%), 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 \$26 million during the fiscal year. Net position investment in capital assets increased by \$14.2 million; restricted net position increased by \$16.6 million and unrestricted net position decreased by \$4.9 million. Contributing factors for the overall change in total net position is the restatement of balances related to Notes and associated Interest Receivable of \$8.1 million (See Note 1N) and increased fund balances in the Impact Fee funds. Proprietary fund balances increased due to current year revenues exceeding expenditures also contributing to the overall increase in Net Position. The recognition of total net pension liability of \$72.9 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, 2017 and 2016			
(in thousands)			
	Total Activities 2017	Total Activities 2016	Total Activities Change
Assets:			
Current and other assets	\$ 196,249	\$ 181,540	\$ 14,709
Capital Assets, net of depreciation	445,146	435,934	9,212
Total Assets	<u>641,395</u>	<u>617,474</u>	<u>23,921</u>
Deferred Outflows of Resources:			
Related to Pension	18,795	15,677	3,118
Total Deferred Outflows of Resources	<u>18,795</u>	<u>15,677</u>	<u>3,118</u>
Total Assets and Deferred Outflows of Resources	<u>660,190</u>	<u>633,151</u>	<u>27,039</u>
Liabilities:			
Current Liabilities	21,290	18,740	2,550
Non-Current Liabilities	223,758	215,189	8,569
Total Liabilities	<u>245,048</u>	<u>233,929</u>	<u>11,119</u>
Deferred Inflows of Resources:			
Related to Pension	3,952	13,959	(10,007)
Total Deferred Inflows of Resources	<u>3,952</u>	<u>13,959</u>	<u>(10,007)</u>
Total Liabilities and Deferred Inflows of Resources	<u>249,000</u>	<u>247,888</u>	<u>1,112</u>
Net Position:			
Net Investment in Capital Assets	320,504	306,332	14,172
Restricted	108,138	91,528	16,610
Unrestricted	(17,452)	(12,597)	(4,855)
Total Net Position	<u>\$ 411,190</u>	<u>\$ 385,263</u>	<u>\$ 25,927</u>

Government-Wide Financial Statement Analysis, continued

Governmental Activities – Governmental activities contributed \$242.7 million to the City’s net position, an increase of \$19.6 million from the prior year. As mentioned previously, main contributing factors for the increase in net position is due to the restatement of balances related to Note Receivable and associated Interest Receivable of \$8.1 million as reported on the Government-Wide Financial Statements as well as other fund balance increases of \$11.5 million.

Summary of Net Position			
Governmental Activities			
As of June 30, 2017 and 2016			
(in thousands)			
	Governmental Activities 2017	Governmental Activities 2016	Governmental Activities Change
Assets:			
Current and other assets	\$ 139,524	\$ 118,384	\$ 21,140
Capital Assets, net of depreciation	<u>190,230</u>	<u>189,666</u>	<u>564</u>
Total Assets	<u>329,754</u>	<u>308,050</u>	<u>21,704</u>
Deferred Outflows of Resources:			
Related to Pension	<u>14,531</u>	<u>13,139</u>	<u>1,392</u>
Total Deferred Outflows of Resources	<u>14,531</u>	<u>13,139</u>	<u>1,392</u>
Total Assets and Deferred Outflows of Resources	<u>344,285</u>	<u>321,189</u>	<u>23,096</u>
Liabilities:			
Current Liabilities	8,140	6,800	1,340
Non-Current Liabilities	<u>91,575</u>	<u>80,009</u>	<u>11,566</u>
Total Liabilities	<u>99,715</u>	<u>86,809</u>	<u>12,906</u>
Deferred Inflows of Resources:			
Related to Pension	<u>1,904</u>	<u>11,306</u>	<u>(9,402)</u>
Total Deferred Inflows of Resources	<u>1,904</u>	<u>11,306</u>	<u>(9,402)</u>
Total Liabilities and Deferred Inflows of Resources	<u>101,619</u>	<u>98,115</u>	<u>3,504</u>
Net Position:			
Net Investment in Capital Assets	190,230	189,667	563
Restricted	108,098	89,282	18,816
Unrestricted	<u>(55,662)</u>	<u>(55,874)</u>	<u>212</u>
Total Net Position	<u>\$ 242,666</u>	<u>\$ 223,075</u>	<u>\$ 19,591</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 \$16.5 million in fiscal year 2017, a decrease of \$1.56 million compared to the prior year
 - Charges for Service revenues were down by 8% or \$1.1 million from the prior year due to less governmental development impact fees received during FY 17 compared to prior year
 - Capital Grants and Contributions were down by 23% or \$.7 million due mainly to less grant payments received for projects completed in FY 16
- Property taxes increased by 3.9% or .4 million due to increased assessed valuations
- Sales tax revenues were down by 3.8% or \$.5 million mainly due to the final triple flip payment received in the prior fiscal year
- Other taxes increased by 13.2% or \$.7 million due mainly to increased Property Transfer Tax received from increased home sales during FY 17 compared to prior year
- Intergovernmental revenues were up by 3.4% or \$.3 million due to increased motor vehicle license fee partially offset by decreased gas tax revenue received
- Investment Earnings were up slightly and offset by the re class of Note Receivable Interest revenue now reported in the Miscellaneous Revenues category
- Miscellaneous Revenues increased due to increased developer contributions and also the re class of Note Receivable Interest revenue now reported in this category
- General Government expenses were up 3.5% or \$.2m due mostly to increased governmental CIP as well as increased salary and benefit costs and the filling of vacant positions
- Community Development expenses were up due to the method of allocating the Statement of Activities entries
- Police and Fire expenses were up due to a combination of increased salary and benefit costs as well as increased allocations related to the pension liability
- Public Works expenses were down due to categorization of transfer related items

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, 2017 and 2016			
(In thousands)			
	Governmental Activities 2017	Governmental Activities 2016	Percentage Change
Revenues:			
Program Revenues			
Charges for service	\$ 13,290	\$ 14,443	-8.0%
Operating grants and contributions	941	648	45.2%
Capital grants and contributions	<u>2,285</u>	<u>2,983</u>	-23.4%
Total program revenue	<u>16,516</u>	<u>18,074</u>	-8.6%
General Revenues:			
Taxes:			
Property Tax	9,961	9,583	3.9%
Sales Tax	12,346	12,836	-3.8%
Franchise Tax	4,678	4,386	6.7%
Intergovernmental/Unrestricted	8,094	7,827	3.4%
Other Taxes	<u>5,630</u>	<u>4,974</u>	13.2%
Total Taxes	40,709	39,606	2.8%
Unrestricted Investment Earnings	309	643	-51.9%
Miscellaneous Revenue	<u>3,421</u>	<u>2,784</u>	22.9%
Total Revenue	<u>60,955</u>	<u>61,107</u>	-0.2%
Expenses:			
General government	5,381	5,198	3.5%
Community development	5,559	5,185	7.2%
Police	17,858	15,529	15.0%
Fire	14,303	11,440	25.0%
Recreation	2,702	2,544	6.2%
Public works	<u>8,750</u>	<u>10,625</u>	-17.6%
Total Expenses	<u>54,553</u>	<u>50,521</u>	8.0%
Revenues Over (Under) Expenses	6,402	10,586	-39.5%
Transfers	(479)	(754)	-36.5%
Successor Agency Bond Proceeds	<u>5,547</u>	-	100.0%
Change in Net Position	11,470	9,832	16.7%
Net position-beginning of year	223,075	213,243	4.6%
Adjustment Net position-beginning(See Note 1N)	<u>8,121</u>	-	
Net position-end of year	<u>\$ 242,666</u>	<u>\$ 223,075</u>	8.8%

Government-Wide Financial Statement Analysis, continued

Business-Type Activities – Business-type activities net position contributed \$168.5 million to the City’s net position an increase of \$6.3 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, 2017 and 2016			
(in thousands)			
	Business-type Activities 2017	Business-type Activities 2016	Business-type Activities Change
Assets:			
Current and other assets	\$ 56,724	\$ 63,155	\$ (6,431)
Capital Assets, net of depreciation	<u>254,916</u>	<u>246,268</u>	<u>8,648</u>
Total assets	<u>311,640</u>	<u>309,423</u>	<u>2,217</u>
Deferred Outflows of Resources:			
Related to Pension	<u>4,264</u>	<u>2,538</u>	<u>1,726</u>
Total Deferred Outflows of Resources	<u>4,264</u>	<u>2,538</u>	<u>1,726</u>
Total Assets and Deferred Outflows of Resources	<u>315,904</u>	<u>311,961</u>	<u>3,943</u>
Liabilities:			
Current Liabilities	13,149	11,940	1,209
Non-Current Liabilities	<u>132,183</u>	<u>135,180</u>	<u>(2,997)</u>
Total liabilities	<u>145,332</u>	<u>147,120</u>	<u>(1,788)</u>
Deferred Inflows of Resources:			
Related to Pension	<u>2,049</u>	<u>2,653</u>	<u>(604)</u>
Total Deferred Inflows of Resources	<u>2,049</u>	<u>2,653</u>	<u>(604)</u>
Total Liabilities and Deferred Inflows of Resources	<u>147,381</u>	<u>149,773</u>	<u>(2,392)</u>
Net Position:			
Net Investment in Capital Assets	130,274	116,665	13,609
Restricted	40	2,246	(2,206)
Unrestricted	<u>38,210</u>	<u>43,277</u>	<u>(5,067)</u>
Total Net Position	<u>\$ 168,524</u>	<u>\$ 162,188</u>	<u>\$ 6,336</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 \$50.4 million in fiscal year 2017, an increase of \$1.3 million compared to the prior year.
 - Charges for Service revenues were down 2.3% or \$1 million due to less Connection Fee revenue received in the Waste Water Enterprise Fund
 - Operating Grants and Contributions were up 54.3% or \$2.3 million due to grant funds received for Transit bus purchase
- Airport expenses decreased slightly while revenues increased slightly
- Development Services revenues decreased slightly due to slightly less activity while expenses also decreased
- Marina overall net position decreased due to operating at a loss of approx. \$.2 million annually
- Transit expenses decreased slightly and revenues were up due to grant revenue received for bus purchase
- Wastewater Utility revenue decreased by \$2 million due mainly to lower connection fees received, while expenses increased by \$5.3 million due to increased interest expense due to payoff of 2011 WW Bonds as well as increased CIP activity
- Water Utility revenue increased by \$1 million due to increased usage compared to prior year while expenses also increased slightly by \$.3 million
- Storm Water Utility expenses decreased compared to prior year due to decreased 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, 2017 and 2016 (in thousands)			
	Business-type Activities 2017	Business-type Activities 2016	Percentage Change
Revenues:			
Program Revenues			
Charges for Service	\$ 43,878	\$ 44,904	-2.3%
Operating Grants and Contributions	6,495	4,209	54.3%
Capital Grants and Contributions	-	-	
Total Program Revenue	50,373	49,113	2.6%
General Revenues			
Unrestricted Investment Earnings	286	340	-15.9%
Miscellaneous Revenue	-	-	0%
Total Revenue	50,659	49,453	2.4%
Expenses:			
Business Type Activities			
Airport	1,692	1,748	-3.2%
Development Services	1,603	1,808	-11.3%
Marina	500	466	7.3%
Transit	4,539	4,609	-1.5%
Wastewater	23,513	18,167	29.4%
Water Utility	12,289	12,077	1.8%
Storm Water	666	780	-14.6%
Total Expenses	44,802	39,655	13.0%
Revenues Over (Under) Expenses	5,857	9,798	-40.2%
Transfers	479	754	-36.5%
Changes in Net Position	6,336	10,552	-40.0%
Net Position - Beginning of year	162,188	151,636	7.0%
Adjustment Net position-beginning(See Note 1N)	-	-	
Net Position - End of Year	\$ 168,524	\$ 162,188	3.9%

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

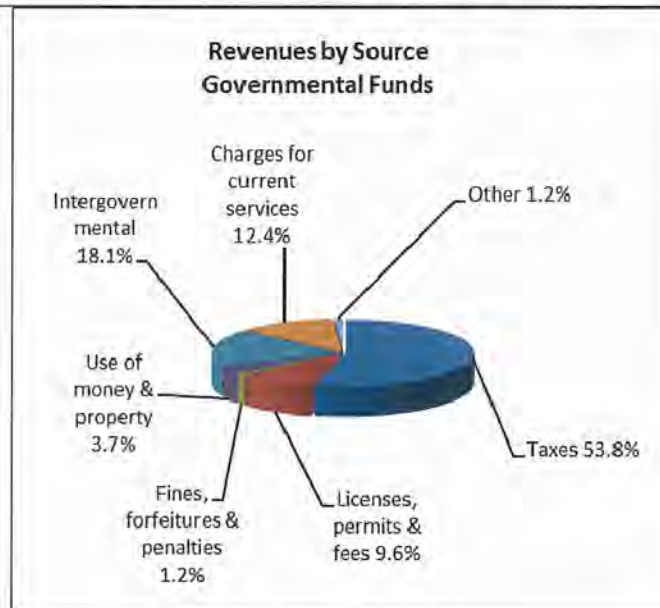
Fund Financial Statements Analysis, continued

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.

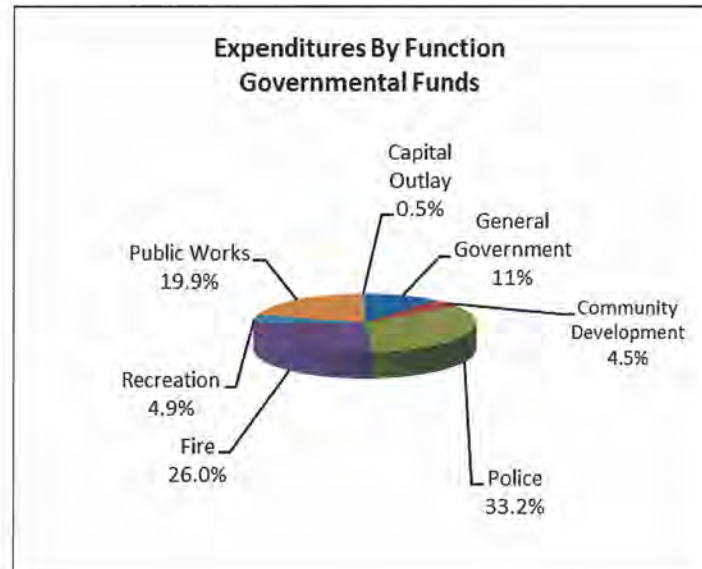
Revenues Classified by Source						
Governmental Funds						
For the Years ending June 30, 2017 and 2016						
(in millions of dollars)						
Revenue by Source	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 32.62	53.8%	\$ 31.53	52.0%	\$ 1.09	3.4%
Licenses, permits & fees	5.80	9.6%	6.68	11.0%	(0.88)	-13.1%
Fines, forfeitures & penalties	0.74	1.2%	0.56	0.9%	0.18	32.1%
Use of money & property	2.25	3.7%	0.99	1.6%	1.26	127.0%
Intergovernmental	10.96	18.1%	11.29	18.6%	(0.33)	-2.9%
Charges for current services	7.52	12.4%	7.47	12.3%	0.05	0.7%
Other	0.72	1.2%	2.16	3.6%	(1.44)	-66.7%
Total Revenues	<u>\$ 60.61</u>	<u>100.0%</u>	<u>\$ 60.68</u>	<u>100.0%</u>	<u>\$ (0.08)</u>	<u>-0.1%</u>



Fund Financial Statements Analysis, continued

**Expenditures Classified by Function
Governmental Funds
For the Years ending June 30, 2017 and 2016
(in millions of dollars)**

Expenditures by Function	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Current:						
General Government	\$ 5.90	11.0%	\$ 5.32	11.0%	\$ 0.58	10.9%
Community Development	2.44	4.5%	2.50	5.1%	(0.06)	-2.5%
Police	17.74	33.2%	16.86	34.7%	0.88	5.2%
Fire	13.92	26.0%	12.75	26.3%	1.17	9.1%
Recreation	2.60	4.9%	2.95	6.1%	(0.35)	-11.9%
Public Works	10.73	19.9%	7.84	16.1%	2.89	36.8%
Capital Outlay	0.28	0.5%	0.33	0.68%	(0.05)	-15.2%
Total Expenditures	\$ 53.60	100.0%	\$ 48.55	100.0%	\$ 5.05	10.4%



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 \$1.5 million over the prior year due to increased charges for sales and services and increased intergovernmental revenue in the Transit fund.

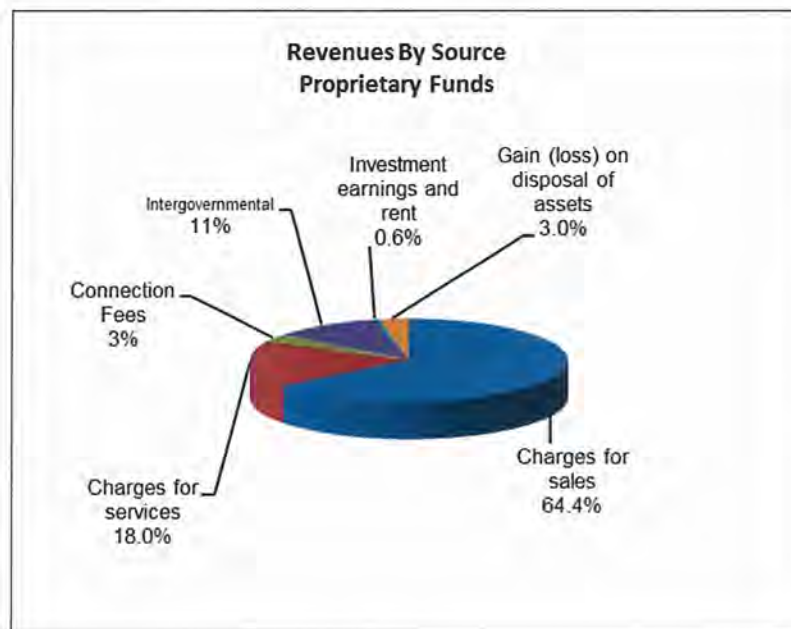
Proprietary Fund expenses increased overall by \$5.2 million over the prior year. This increase is due to increased claims compared to the prior year in the Risk and Worker's Compensation Internal Service Funds as well as increased interest expense due to the payoff and refinance of the 2011 WW Bonds.

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, 2017 and 2016
(in millions of dollars)

Revenues by Source	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 37.91	64.4%	\$ 37.51	65.4%	\$ 0.40	1.1%
Charges for services	10.60	18.0%	9.97	17.4%	0.63	6.3%
Connection Fees	1.70	3%	3.59	6.3%	(1.89)	-52.6%
Intergovern. operating/non-operating	6.50	11.0%	4.21	7.3%	2.29	54.4%
Investment earnings and rent	0.36	0.6%	0.40	0.7%	(0.05)	-11.6%
Transfers in	1.79	3.0%	1.66	2.9%	0.13	7.8%
Contribution to/from City/Capital	0.00	0.0%	0.00	0.0%	-	0.0%
Total Revenues	\$ 58.85	100.0%	\$ 57.34	100.0%	\$ 1.51	2.6%



Fund Financial Statements Analysis, continued

**Expenditures Classified by Function
Proprietary Funds
For the Years ending June 30, 2017 and 2016
(in millions of dollars)**

Expenditures by Function	FY 2017		FY 2016		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 24.90	48.8%	\$ 25.85	56.6%	\$ (0.95)	-3.7%
Claims	1.66	3.3%	1.43	3.1%	0.23	16.2%
General and administrative	8.20	16.1%	6.22	13.6%	1.98	31.9%
Depreciation and amortization	8.01	15.7%	7.72	16.9%	0.29	3.7%
Interest expense	7.54	14.8%	4.13	9.0%	3.41	82.5%
Transfers Out	0.70	1.4%	0.30	0.7%	0.40	100.0%
Total Expenditures	\$ 51.00	100.0%	\$ 45.65	100.0%	\$ 5.36	11.7%

**Expenditures Classified by Function
Proprietary Funds**



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, 2017, the City of Petaluma Governmental Funds reported combined ending fund balances of \$121.3 million, an increase of \$19.7 million over fiscal year 2016. Total non-spendable reserves are \$.1 million, restricted and committed reserves are \$108.8 million and \$5.2 million respectively. Assigned and unassigned are \$5.1 million and \$2.0 million respectively. As mentioned prior, the main contributing factors to the increase in Governmental Fund Balances is due to the restatement of balances related to Notes Receivable and associated Interest Receivable totaling \$8.1 million as well as increased fund balances due to revenues exceeding expenditures in the Impact Fee, Home/Begin Special Revenue and General Funds.

The General Fund is the chief operating fund of the City. At June 30, 2017 total fund balance for the General Fund was \$11.5 million. This is made up of \$.1 million in non-spendable fund balance, \$4.2 million in committed, \$5.1 million in assigned and \$2.0 million in unassigned fund balance.

The General Fund’s fund balance increased by \$1.2 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 as well as increased Property Transfer Tax revenue received. Lower expenditures due to unfilled positions were also a contributing factor to the increase.

The fund balance in the City Capital Projects Fund decreased by \$.4 million due to increased CIP activity and slightly less revenue received during FY 17.

The Impact Fee Special Revenue fund balance increased by \$8.9 million as a result of the drawdown of bond proceeds for future CIP projects as well as 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, \$.3m and \$.8m respectively.

Summary of Fund Balances Governmental Funds As of June 30, 2017 and 2016 (in thousands)			
	Governmental Funds 2017	Governmental Funds 2016	Governmental Funds Change
Assets:			
Total assets	\$ 126,495	\$ 107,795	\$ 18,700
Liabilities:			
Total liabilities	4,852	5,676	(824)
Deferred Inflows of Resources:			
Unavailable revenue	409	502	(93)
Total Deferred Inflows	409	502	(93)
Fund Balance:			
Nonspendable	127	112	15
Restricted	108,777	90,031	18,746
Committed	5,200	4,609	591
Assigned	5,089	4,866	223
Unassigned	2,041	1,999	42
Total fund balance	121,234	101,617	19,617
Total liabilities and fund balances	\$ 126,495	\$ 107,795	\$ 18,700

Financial Analysis of the Proprietary Funds

Proprietary Funds – Total net position for the Proprietary Funds increased by \$7.9 million from the prior year. Enterprise Funds activity showed total net position for Airport, Development Services, Transit, Wastewater and Water funds up \$.2m, \$.4m, \$2.1m, \$1.9m and \$2.5m respectively. Marina fund shows a decrease of \$.2m. 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 \$1.2 million, mainly due to increased fund balances in the Employee Benefit, Vehicle Replacement and Workers Compensation funds.

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, 2017 and 2016			
(in thousands)			
	Proprietary Funds 2017	Proprietary Funds 2016	Proprietary Funds Change
Assets:			
Current assets	\$ 71,247	\$ 76,556	\$ (5,309)
Non-current assets	<u>259,850</u>	<u>247,592</u>	<u>12,258</u>
Total assets	<u><u>331,097</u></u>	<u><u>324,148</u></u>	<u><u>6,949</u></u>
Deferred Outflows of Resources:			
Related to Pension	<u>4,718</u>	<u>2,862</u>	<u>1,856</u>
Total Deferred Outflows of Resources	<u>4,718</u>	<u>2,862</u>	<u>1,856</u>
Total Assets and Deferred Outflows of Resources	<u><u>335,815</u></u>	<u><u>327,010</u></u>	<u><u>8,805</u></u>
Liabilities:			
Current liabilities	16,715	14,887	1,828
Non-current liabilities	<u>142,129</u>	<u>142,323</u>	<u>(194)</u>
Total liabilities	<u><u>158,844</u></u>	<u><u>157,210</u></u>	<u><u>1,634</u></u>
Deferred Inflows of Resources:			
Related to Pension	<u>2,266</u>	<u>2,992</u>	<u>(726)</u>
Total Deferred Inflows of Resources	<u>2,266</u>	<u>2,992</u>	<u>(726)</u>
Total Liabilities and Deferred Inflows of Resource	<u><u>161,110</u></u>	<u><u>160,202</u></u>	<u><u>908</u></u>
Net Position:			
Net Investment in Capital Assets	132,572	117,989	14,583
Restricted for debt service	40	2,246	(2,206)
Unrestricted	<u>42,091</u>	<u>46,573</u>	<u>(4,482)</u>
Total Net Position	<u><u>\$ 174,703</u></u>	<u><u>\$ 166,808</u></u>	<u><u>\$ 7,895</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 \$2.7 million, due mainly to one-time tax revenues, higher 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 \$.3 million 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, 2017, equals \$445.1 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 increase in the City’s investment in capital assets, net of depreciation, for the current fiscal year was \$8.8 million or a 2.0% increase (this represents an increase of \$.2 million in Governmental Activities and a \$8.6 million increase for Business Activities).

Capital asset balances as of June 30, 2017 and 2016 were:

Capital Assets						
(net of depreciation, in millions)						
as of June 30, 2017 and 2016						
	Governmental		Increase (Decrease) % Change	Business-type		Increase (Decrease) % Change
	Activities			Activities		
	2017	2016		2017	2016	
Land	\$ 38.0	\$ 38.0	0%	\$ 10.7	\$ 10.7	0%
Construction in Process	43.2	40.0	8%	32.1	19.1	68%
Bldg and Improv	9.0	9.4	-4%	16.2	17.0	-4%
Vehicle and Equip	3.5	2.6	33%	4.7	2.9	61%
Infrastructure	96.5	100.0	-3%	191.2	196.6	-3%
Totals	\$ 190.2	\$ 190.0	0%	\$ 254.9	\$ 246.3	3%

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 \$86.3 million outstanding in a State Water Resource Control Board loan for the Ellis Creek Recycling Plant and \$23.3 million in outstanding refunded revenue bonds. During Fiscal Year 2017 the 2011 Wastewater Revenue Bonds were refunded. The Water Utility had \$5.9 million in outstanding revenue bonds. Airport had outstanding debt of \$4.1m 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, 2017, 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, 2017 and 2016			
(in millions)			
	Balance June 30, 2017	Balance June 30, 2016	Increase (Decrease)
Compensated Absences	\$ 3,542	\$ 3,489	\$ 53
Total Debt	<u>\$ 3,542</u>	<u>\$ 3,489</u>	<u>\$ 53</u>

Business-Type Activities Long-Term Debt			
As of June 30, 2017 and 2016			
(in millions)			
	Balance June 30, 2017	Balance June 30, 2016	Increase (Decrease)
2016 Airport Refunding Lease	4,143	4,531	(388)
2011 Wastewater Revenue Bonds	-	22,465	(22,465)
2011 Wastewater unamortized bond discount	-	(180)	180
2017 Wastewater Revenue Refunding Bonds	23,365	-	23,365
2017 Wastewater Revenue unamortized premium	916	-	916
WW-CA SWRCB loan	86,324	92,470	(6,146)
2012 Water Revenue Refunding Bonds	5,934	6,357	(423)
Marina loan-CA Dept of Boating & Waterways	6,337	6,268	69
Compensated Absences	397	374	23
Total Debt	<u>\$ 127,416</u>	<u>\$ 132,285</u>	<u>\$ (4,869)</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 retirement benefits.

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 has been 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 2017-18.

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.

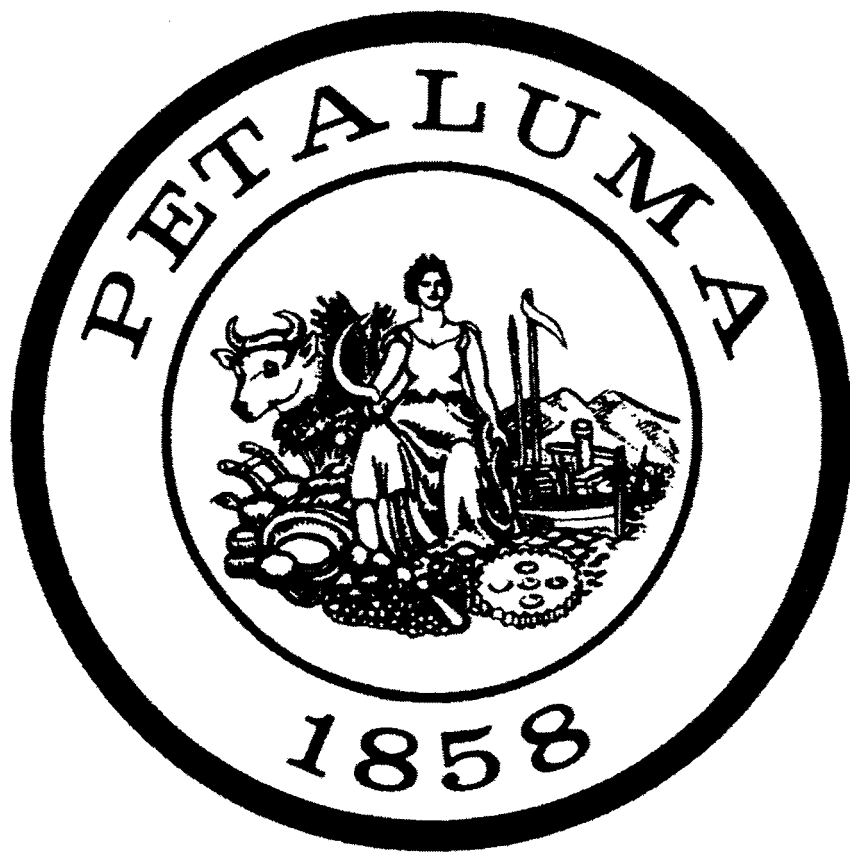
The Statement of Net Position reports the difference between the City's total assets, and deferred outflows of resources and the City's total liabilities and deferred inflow, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$74,191,150	\$49,939,540	\$124,130,690
Restricted cash and investments (Note 2)		40,170	40,170
Receivables:			
Accounts, net	1,751,883	3,526,142	5,278,025
Interest	192,014		192,014
Intergovernmental	3,818,250	1,177,099	4,995,349
Internal balances (Note 3D)	(1,412,686)	1,412,686	
Inventories (Note 1F)	34,523	609,936	644,459
Deposits and prepaid items	623,108	18,410	641,518
Non-current deposits	270,640		270,640
Loans receivable (Note 4)	47,973,447		47,973,447
Interest receivable related to loans receivable (Note 4)	12,082,010		12,082,010
Capital assets (Note 5):			
Non-depreciable	81,201,290	42,802,170	124,003,460
Depreciable, net	109,028,859	212,114,264	321,143,123
Total Assets	<u>329,754,488</u>	<u>311,640,417</u>	<u>641,394,905</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 9)	14,530,900	4,264,501	18,795,401
Total assets and deferred outflows of resources	<u>344,285,388</u>	<u>315,904,918</u>	<u>660,190,306</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,010,640	4,197,951	8,208,591
Wages payable	713,152		713,152
Interest payable		626,790	626,790
Unearned revenue	19,011	12,797	31,808
Refundable deposits	360,123	674,615	1,034,738
Claims payable (Note 12):			
Due within one year	2,354,788		2,354,788
Due in more than one year	5,261,338		5,261,338
Compensated absences (Note 1G):			
Due within one year	682,764	218,632	901,396
Due in more than one year	3,542,580	397,312	3,939,892
Net pension liability, due in more than one year (Note 9)	75,568,981	12,183,998	87,752,979
Net OPEB obligation, due in more than one year (Note 10)	7,202,046		7,202,046
Long-term debt (Note 6):			
Due within one year		7,418,288	7,418,288
Due in more than one year		119,601,746	119,601,746
Total Liabilities	<u>99,715,423</u>	<u>145,332,129</u>	<u>245,047,552</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 9)	1,903,679	2,048,879	3,952,558
Total Liabilities and Deferred Inflows of Resources	<u>101,619,102</u>	<u>147,381,008</u>	<u>249,000,110</u>
NET POSITION (Note 8)			
Net investment in capital assets	190,230,149	130,273,647	320,503,796
Restricted for:			
Special projects:			
CDBG	1,050,591		1,050,591
HOME/ BEGIN	20,911,451		20,911,451
Redevelopment low/ moderate income housing	28,938,783		28,938,783
Impact fees	49,564,142		49,564,142
Grants	2,129,300		2,129,300
Gas tax	770,479		770,479
Public safety	642,379		642,379
Landscape Assessment Districts	414,635		414,635
Street maintenance	1,943,964		1,943,964
Transient Occupancy Tax	1,708,155		1,708,155
Debt service		40,170	40,170
Permanent Nonexpendable	24,036		24,036
Total Restricted	<u>108,097,915</u>	<u>40,170</u>	<u>108,138,085</u>
Unrestricted	(55,661,778)	38,210,093	(17,451,685)
Total Net Position	<u>\$242,666,286</u>	<u>\$168,523,910</u>	<u>\$411,190,196</u>

See accompanying notes to financial statements

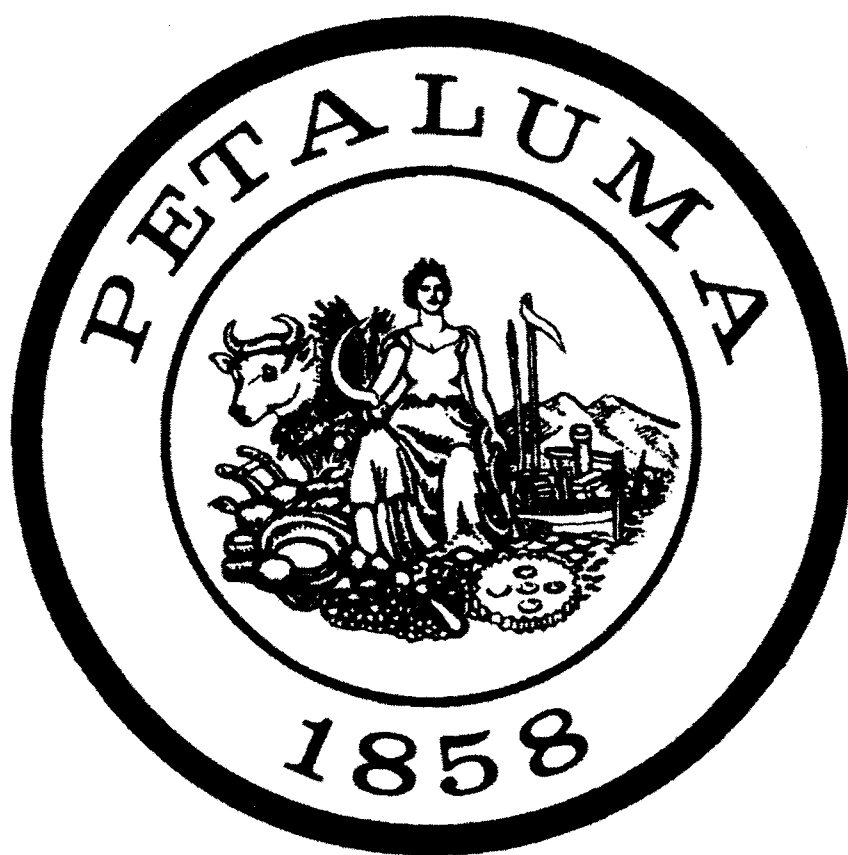
CITY OF PETALUMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Total
			Charges for Services	Operating Grants and Contributions	
Governmental Activities:					
General government	\$7,925,576	(\$2,544,981)	\$3,049,671	\$1,286	\$3,050,957
Community development	4,867,318	691,549	2,712,386	341,682	3,054,068
Police	17,857,299	1,439	215,514	597,969	813,483
Fire	14,303,243		3,015,250		3,015,250
Parks and recreation	2,685,777	16,060	1,555,221		1,766,321
Public works	8,631,396	118,707	2,741,833		4,816,024
Total Governmental Activities	56,270,609	(1,717,226)	13,289,875	940,937	16,516,103
Business-type Activities:					
Airport	1,603,499	89,397	1,676,482	176,121	1,852,603
Development services	1,478,233	124,766	1,998,849		1,998,849
Marina	429,959	70,197	258,739		258,739
Transit	4,464,719	73,803	293,533	6,294,451	6,587,984
Wastewater utility	22,835,958	677,211	25,099,098		25,099,098
Water utility	11,651,874	636,921	14,550,820	24,366	14,575,186
Storm water	621,354	44,931	796		796
Total Business-type Activities	43,085,596	1,717,226	43,878,317	6,494,938	50,373,255
Total	\$99,356,205		\$57,168,192	\$7,435,875	\$2,285,291
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 before special item					
SPECIAL ITEM					
Successor Agency Bond Proceeds (Note 1P)					
Change in Net Position					
Net Position-Beginning , as adjusted (Note 1N)					
Net Position-Ending					

See accompanying notes to financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$2,329,638)		(\$2,329,638)
(2,504,799)		(2,504,799)
(17,045,255)		(17,045,255)
(11,287,993)		(11,287,993)
(935,516)		(935,516)
(3,934,079)		(3,934,079)
<u>(38,037,280)</u>		<u>(38,037,280)</u>
	\$159,707	159,707
	395,850	395,850
	(241,417)	(241,417)
	2,049,462	2,049,462
	1,585,929	1,585,929
	2,286,391	2,286,391
	(665,489)	(665,489)
	<u>5,570,433</u>	<u>5,570,433</u>
<u>(38,037,280)</u>	<u>5,570,433</u>	<u>(32,466,847)</u>
9,961,220		9,961,220
12,346,472		12,346,472
4,678,179		4,678,179
5,630,225		5,630,225
8,093,750		8,093,750
296,135	285,078	581,213
13,050	500	13,550
3,420,154		3,420,154
(479,403)	479,403	
<u>43,959,782</u>	<u>764,981</u>	<u>44,724,763</u>
5,922,502	6,335,414	12,257,916
<u>5,547,823</u>		<u>5,547,823</u>
11,470,325	6,335,414	17,805,739
<u>231,195,961</u>	<u>162,188,496</u>	<u>393,384,457</u>
<u>\$242,666,286</u>	<u>\$168,523,910</u>	<u>\$411,190,196</u>



FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2017. 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

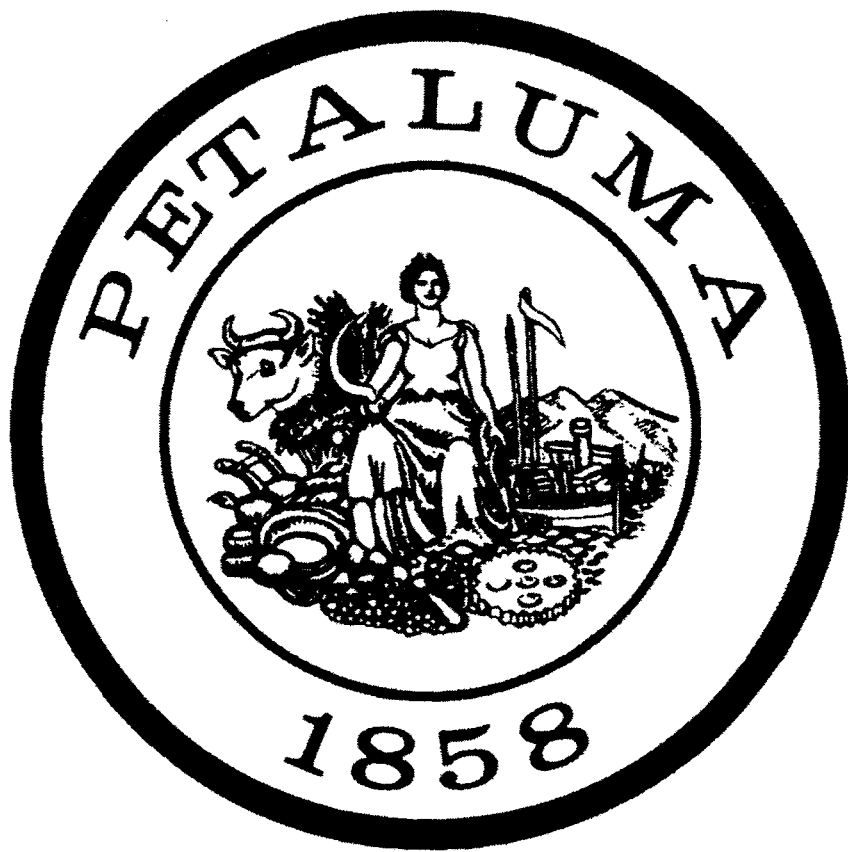
This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

CITY OF PETALUMA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	HOME/ Begin Special Revenue	Impact Fees Special Revenue
ASSETS			
Cash and investments (Note 2)	\$9,873,099	\$665,912	\$38,777,371
Receivables:			
Accounts, net	1,198,784		
Interest	192,014		
Intergovernmental	2,853,761		622
Due from other funds (Note 3A)	888,923		
Inventories	12,450		
Deposits and prepaid items	242,596		
Noncurrent deposits			270,640
Loans receivable (Note 4)	49,375	15,326,729	9,599,458
Interest receivable related to loans receivable (Note 4)	24,309	4,918,810	468,700
Advances to other funds (Note 3B)			605,092
Total Assets	\$15,335,311	\$20,911,451	\$49,721,883
LIABILITIES			
Accounts payable and accrued liabilities	\$2,571,170		\$41,954
Wages payable	713,152		
Unearned revenue	19,011		
Refundable deposits	262,998		34,500
Advances from other funds (Note 3B)			
Total Liabilities	3,566,331		76,454
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	306,279		81,287
Total Deferred Inflows of Resources	306,279		81,287
FUND BALANCES (Note 8):			
Fund balance			
Nonspendable	102,778		
Restricted		\$20,911,451	49,564,142
Committed	4,230,191		
Assigned	5,088,820		
Unassigned	2,040,912		
Total Fund Balances	11,462,701	20,911,451	49,564,142
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,335,311	\$20,911,451	\$49,721,883

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>
\$292,624	\$1,387,452	\$7,661,477	\$58,657,935
390	17,450	533,655	1,750,279
	411,798	552,069	192,014
			3,818,250
			888,923
	1,444		12,450
			244,040
			270,640
22,213,885		784,000	47,973,447
6,498,368		171,823	12,082,010
			605,092
<u>\$29,005,267</u>	<u>\$1,818,144</u>	<u>\$9,703,024</u>	<u>\$126,495,080</u>
\$6,094	\$789,327	\$311,610	\$3,720,155
			713,152
			19,011
60,000	2,625		360,123
	40,015		40,015
<u>66,094</u>	<u>831,967</u>	<u>311,610</u>	<u>4,852,456</u>
<u>390</u>	<u>16,400</u>	<u>4,756</u>	<u>409,112</u>
<u>390</u>	<u>16,400</u>	<u>4,756</u>	<u>409,112</u>
		24,036	126,814
28,938,783		9,362,622	108,776,998
	969,777		5,199,968
			5,088,820
			2,040,912
<u>28,938,783</u>	<u>969,777</u>	<u>9,386,658</u>	<u>121,233,512</u>
<u>\$29,005,267</u>	<u>\$1,818,144</u>	<u>\$9,703,024</u>	<u>\$126,495,080</u>



CITY OF PETALUMA
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances reported on the governmental funds balance sheet \$121,233,512

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. 187,932,363

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 Statement of Net Position. 6,179,326

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. 409,112

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	(4,004,687)
Net OPEB obligation	(7,202,046)
Net Pension liability	(74,272,811)
Deferred outflows related to pension	14,077,230
Deferred inflows related to pension	(1,685,713)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$242,666,286

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, 2017

	<u>General</u>	<u>HOME/ Begin Special Revenue</u>	<u>Impact Fees Special Revenue</u>
REVENUES			
Taxes	\$28,386,561		
Licenses, permits and fees	1,655,956		\$4,146,358
Fines, forfeitures, and penalties	674,103		
Use of money and property	449,483	\$548,297	610,433
Intergovernmental	5,716,830		
Charges for current services	6,984,902		82,927
Other	77,357		21,973
Total Revenues	<u>43,945,192</u>	<u>548,297</u>	<u>4,861,691</u>
EXPENDITURES			
Current:			
General government	5,413,188		
Community development	821,403		430,249
Police	17,200,347		355
Fire	13,915,223		433
Parks and recreation	1,681,568		8,717
Public works	4,008,975		47,709
Capital outlay	29,708		
Total Expenditures	<u>43,070,412</u>		<u>487,463</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>874,780</u>	<u>548,297</u>	<u>4,374,228</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	13,050		
Transfers in (Note 3C)	1,841,483		391,331
Transfers (out) (Note 3C)	(1,497,654)		(1,070,669)
Total Other Financing Sources (Uses)	<u>356,879</u>		<u>(679,338)</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	1,231,659	548,297	3,694,890
SPECIAL ITEM			
Successor Agency Bond Proceeds (Note 1P)			5,223,945
NET CHANGE IN FUND BALANCES	1,231,659	548,297	8,918,835
BEGINNING FUND BALANCES, as adjusted (Note 1N)	<u>10,231,042</u>	<u>20,363,154</u>	<u>40,645,307</u>
ENDING FUND BALANCES	<u>\$11,462,701</u>	<u>\$20,911,451</u>	<u>\$49,564,142</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>
		\$4,229,535	\$32,616,096
			5,802,314
		65,169	739,272
\$572,094	\$16,396	51,176	2,247,879
	1,326,491	3,921,088	10,964,409
32,913	7,450	412,283	7,520,475
		624,015	723,345
<u>605,007</u>	<u>1,350,337</u>	<u>9,303,266</u>	<u>60,613,790</u>
	486,083	1,189	5,900,460
362,849		823,343	2,437,844
		541,672	17,742,374
		70	13,915,726
	457,448	446,601	2,594,334
	3,958,783	2,713,808	10,729,275
	189,236	61,088	280,032
<u>362,849</u>	<u>5,091,550</u>	<u>4,587,771</u>	<u>53,600,045</u>
<u>242,158</u>	<u>(3,741,213)</u>	<u>4,715,495</u>	<u>7,013,745</u>
			13,050
107,781	3,760,028	1,353,651	7,454,274
	(602,767)	(5,362,587)	(8,533,677)
<u>107,781</u>	<u>3,157,261</u>	<u>(4,008,936)</u>	<u>(1,066,353)</u>
349,939	(583,952)	706,559	5,947,392
	203,808	120,070	5,547,823
349,939	(380,144)	826,629	11,495,215
<u>28,588,844</u>	<u>1,349,921</u>	<u>8,560,029</u>	<u>109,738,297</u>
<u>\$28,938,783</u>	<u>\$969,777</u>	<u>\$9,386,658</u>	<u>\$121,233,512</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, 2017

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	\$11,495,215
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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	7,200,867
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$304,160 which has already been allocated to serviced funds)	(7,586,420)
Loss on disposal of capital assets is deducted from fund balance	(24,559)

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	(92,874)
Compensated absences	(326,821)
Net OPEB obligation	(938,788)
Net pension liability, and deferred outflows and inflows of resources	184,638

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	1,559,067
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$11,470,325
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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, 2017

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$1,413,461	\$1,590,870	\$13,263	
Cash and investments with fiscal agents (Note 2)				
Receivables:				
Accounts, net	94,172		18,842	\$5,648
Intergovernmental	25,038			1,144,358
Interest				
Inventories (Note 1F)	52,411		2,173	73,361
Deposits and prepaid items			14,184	1,000
Total Current Assets	1,585,082	1,590,870	48,462	1,224,367
Non-Current Assets:				
Advance to other funds (Note 3B)				
Capital assets (Note 5):				
Nondepreciable	4,407,506			1,830,224
Depreciable	18,915,592	356,272	5,034,455	9,170,681
Less: accumulated depreciation	(11,227,772)	(356,272)	(3,423,063)	(4,099,612)
Total Non-current Assets	12,095,326	1,590,870	1,611,392	6,901,293
Total Assets	13,680,408	1,590,870	1,659,854	8,125,660
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 9)		362,937		181,468
Total Assets and Deferred Outflows of Resources	13,680,408	1,953,807	1,659,854	8,307,128
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	65,994	88,511	1,668	549,775
Interest payable	18,713		49,169	
Unearned revenue				7,709
Due to other funds (Note 3A)			408,397	480,526
Refundable deposits	132,942	353,906	17,537	
Claims payable, due within one year (Note 12)				
Compensated absences, due within one year (Note 1G)	4,658	16,964	582	2,244
Long-term debt, due within one year (Note 6)	413,000		375,427	
Total Current Liabilities	635,307	459,381	852,780	1,040,254
Non-Current liabilities:				
Claims payable, due in more than one year (Note 12)				
Compensated absences, due in more than one year (Note 1G)	24,720	33,759	2,136	12,572
Advance from other funds (Note 3B)				
Net pension liability (Note 9)		1,036,936		518,468
Long-term debt, due in more than one year (Note 6)	3,730,000		5,961,820	
Total Non-current Liabilities	3,754,720	1,070,695	5,963,956	531,040
Total Liabilities	4,390,027	1,530,076	6,816,736	1,571,294
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 9)		174,373		87,186
Total Liabilities and Deferred Inflows of Resources	4,390,027	1,704,449	6,816,736	1,658,480
NET POSITION (NOTE 8):				
Net investment in capital assets	7,952,326		(2,348,608)	6,901,293
Restricted for debt service				
Unrestricted	1,338,055	249,358	(2,808,274)	(252,645)
Total Net Position	\$9,290,381	\$249,358	(\$5,156,882)	\$6,648,648

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	
\$32,284,648 40,170	\$3,593,204	\$11,029,810	\$14,284	\$49,939,540 40,170	\$15,533,215
2,786,963		620,017 7,703	\$500	3,526,142 1,177,099	1,604
13,851 1,613		461,790 1,613	6,350	609,936 18,410	22,073 379,068
<u>35,127,245</u>	<u>3,593,204</u>	<u>12,120,933</u>	<u>21,134</u>	<u>55,311,297</u>	<u>15,935,960</u>
2,636,030				2,636,030	
24,751,958 241,013,986 (70,439,654)		11,812,482 65,107,895 (37,938,244)		42,802,170 339,598,881 (127,484,617)	9,258,054 (6,960,268)
<u>197,962,320</u>		<u>38,982,133</u>		<u>257,552,464</u>	<u>2,297,786</u>
233,089,565	3,593,204	51,103,066	21,134	312,863,761	18,233,746
<u>2,086,883</u>		<u>1,451,745</u>	<u>181,468</u>	<u>4,264,501</u>	<u>453,670</u>
<u>235,176,448</u>	<u>3,593,204</u>	<u>52,554,811</u>	<u>202,602</u>	<u>317,128,262</u>	<u>18,687,416</u>
2,103,687 522,612		1,385,801 36,296 5,088	2,515	4,197,951 626,790 12,797 888,923 674,615	290,485
93,549 6,292,861		91,019 337,000	9,616	218,632 7,418,288	2,354,788 33,092
<u>9,012,709</u>		<u>2,025,434</u>	<u>12,131</u>	<u>14,037,996</u>	<u>2,678,365</u>
173,111		141,342	9,672	397,312	5,261,338 187,565
5,962,382 104,312,926		4,147,744 5,597,000	565,077 518,468	565,077 12,183,998 119,601,746	2,636,030 1,296,170
<u>110,448,419</u>		<u>9,886,086</u>	<u>1,093,217</u>	<u>132,748,133</u>	<u>9,381,103</u>
<u>119,461,128</u>		<u>11,911,520</u>	<u>1,105,348</u>	<u>146,786,129</u>	<u>12,059,468</u>
<u>1,002,643</u>		<u>697,491</u>	<u>87,186</u>	<u>2,048,879</u>	<u>217,966</u>
<u>120,463,771</u>		<u>12,609,011</u>	<u>1,192,534</u>	<u>148,835,008</u>	<u>12,277,434</u>
84,720,503 40,170 29,952,004	3,593,204	33,048,133 6,897,667	(989,932)	130,273,647 40,170 37,979,437	2,297,786 4,112,196
<u>\$114,712,677</u>	<u>\$3,593,204</u>	<u>\$39,945,800</u>	<u>(\$989,932)</u>	<u>168,293,254</u>	<u>\$6,409,982</u>
				230,656	
				<u>\$168,523,910</u>	

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
OPERATING REVENUES				
Charges for sales	\$676,423	\$1,329	\$16,613	
Charges for services	1,000,059	1,997,520	242,126	\$293,533
Connection fee				
Total Operating Revenues	<u>1,676,482</u>	<u>1,998,849</u>	<u>258,739</u>	<u>293,533</u>
OPERATING EXPENSES				
Cost of services	910,450	1,359,275	149,876	3,478,409
Claims				
General and administrative	247,003	243,724	188,281	447,917
Depreciation	410,794		107,835	612,196
Total Operating Expenses	<u>1,568,247</u>	<u>1,602,999</u>	<u>445,992</u>	<u>4,538,522</u>
Operating Income (Loss)	<u>108,235</u>	<u>395,850</u>	<u>(187,253)</u>	<u>(4,244,989)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	14,847	7,928	(1,839)	(6,261)
Interest expense	(124,649)		(54,164)	
Intergovernmental	176,121			6,294,451
Gain or (loss) on disposal of assets				
Total Nonoperating Revenues (Expenses)	<u>66,319</u>	<u>7,928</u>	<u>(56,003)</u>	<u>6,288,190</u>
Income (Loss) Before Contributions and Transfers	174,554	403,778	(243,256)	2,043,201
Transfers in (Note 3C)				32,000
Transfers (out) (Note 3C)				
Net Contributions and Transfers				<u>32,000</u>
Change in net position	174,554	403,778	(243,256)	2,075,201
BEGINNING NET POSITION (DEFICITS)	<u>9,115,827</u>	<u>(154,420)</u>	<u>(4,913,626)</u>	<u>4,573,447</u>
ENDING NET POSITION (DEFICITS)	<u>\$9,290,381</u>	<u>\$249,358</u>	<u>(\$5,156,882)</u>	<u>\$6,648,648</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

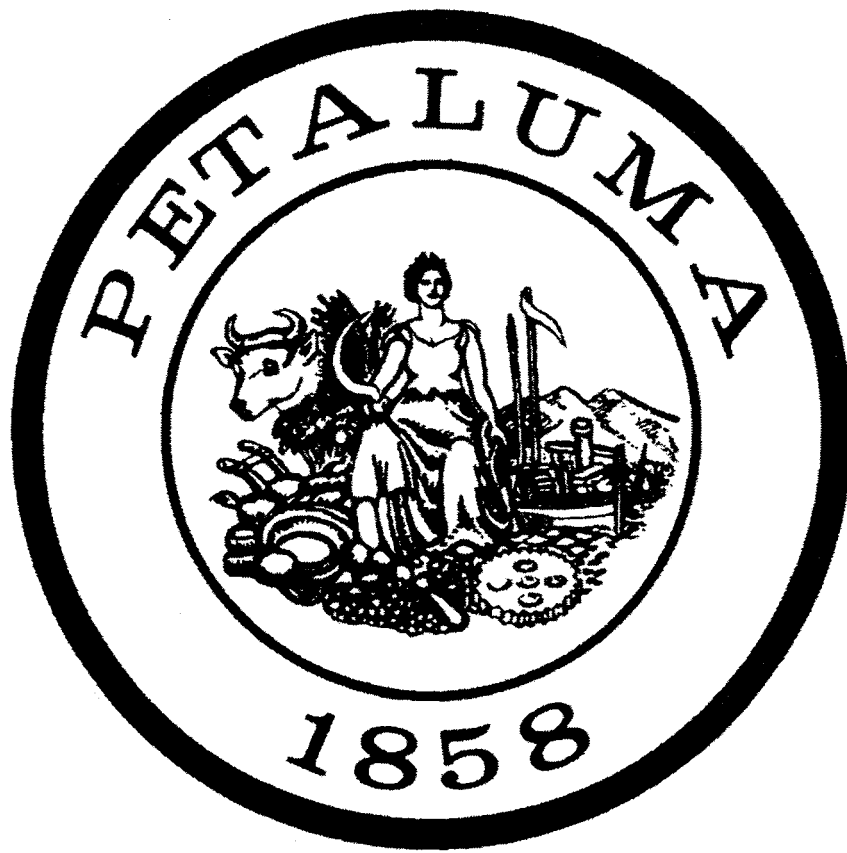
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$23,446,370		\$13,797,046		\$37,937,781	\$4,083
497,985		173,862	\$796	4,205,881	6,358,925
1,154,743		579,912		1,734,655	
<u>25,099,098</u>		<u>14,550,820</u>	<u>796</u>	<u>43,878,317</u>	<u>6,363,008</u>
7,387,902		8,965,944	565,515	22,817,371	2,079,492
3,470,131		1,665,912	100,770	6,363,738	1,662,519
5,333,418		1,240,915		7,705,158	1,788,963
<u>16,191,451</u>		<u>11,872,771</u>	<u>666,285</u>	<u>36,886,267</u>	<u>5,835,134</u>
8,907,647		2,678,049	(665,489)	6,992,050	527,874
224,358	(\$14,404)	61,057	(608)	285,078	51,978
(7,129,428)		(222,952)		(7,531,193)	(6,306)
500		24,366		6,494,938	
<u>(6,904,570)</u>	<u>(14,404)</u>	<u>(137,529)</u>	<u>(608)</u>	<u>(750,677)</u>	<u>159</u>
2,003,077	(14,404)	2,540,520	(666,097)	6,241,373	573,705
223,580		201,000	521,823	978,403	800,050
(285,000)		(214,000)		(499,000)	(200,050)
<u>(61,420)</u>		<u>(13,000)</u>	<u>521,823</u>	<u>479,403</u>	<u>600,000</u>
1,941,657	(14,404)	2,527,520	(144,274)	6,720,776	1,173,705
112,771,020	3,607,608	37,418,280	(845,658)		5,236,277
<u>\$114,712,677</u>	<u>\$3,593,204</u>	<u>\$39,945,800</u>	<u>(\$989,932)</u>		<u>\$6,409,982</u>
				(385,362)	
				<u>\$6,335,414</u>	

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$1,630,350	\$1,872,440	\$237,942	\$84,299
Cash payments to suppliers for goods and services	(934,062)	(848,441)	(301,240)	(4,333,554)
Cash payments to employees for services	(180,605)	(728,855)	(38,265)	(306,831)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>515,683</u>	<u>295,144</u>	<u>(101,563)</u>	<u>(4,556,086)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds				32,000
Transfers to other funds				
Interfund loan payments			99,297	480,526
Interfund loan receipts				6,746,651
Intergovernmental receipts	176,121			
Cash Flows from (used for) Noncapital Financing Activities	<u>176,121</u>		<u>99,297</u>	<u>7,259,177</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(14,845)			(2,870,527)
Proceeds from disposal of assets				
Proceeds from capital debt				
Payments on long-term debt	(388,000)			
Interest paid	(130,835)			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(533,680)</u>			<u>(2,870,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (expense)	14,847	7,928	(1,839)	(6,261)
Cash Flows from (used for) Investing Activities	<u>14,847</u>	<u>7,928</u>	<u>(1,839)</u>	<u>(6,261)</u>
Net Cash Flows	172,971	303,072	(4,105)	(173,697)
Cash and investments at beginning of period	1,240,490	1,287,798	17,368	173,697
Cash and investments at end of period	<u>\$1,413,461</u>	<u>\$1,590,870</u>	<u>\$13,263</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$108,235	\$395,850	(\$187,253)	(\$4,244,989)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization	410,794		107,835	612,196
Change in:				
Accounts receivable	(13,316)		(3,768)	387
Intergovernmental	(22,716)			
Inventories	(17,142)		1,870	
Deposits and prepaids			(14,184)	(1,000)
Advance to other funds				
Accounts payable and accrued liabilities	57,213	41,177	(3,533)	(707,027)
Refundable deposits	(10,100)	(126,409)	(2,845)	
Unearned revenue				(208,621)
Claims payable				
Advances from funds				
Compensated absences	2,715	15,002	315	8,206
Net pension liability, deferred inflows and deferred outflows		(30,476)		(15,238)
Cash Flows from (used for) Operating Activities	<u>\$515,683</u>	<u>\$295,144</u>	<u>(\$101,563)</u>	<u>(\$4,556,086)</u>
NONCASH TRANSACTIONS				
Interest accrued on notes payable			\$69,164	

See accompanying notes to financial statements

Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$24,897,443		\$14,485,069	\$796	\$43,208,339	\$6,361,404
(8,065,411)		(8,128,248)	(197,840)	(22,808,796)	(271,414)
(3,654,585)		(2,640,563)	(261,987)	(7,811,691)	(284,839)
					(1,352,185)
13,177,447		3,716,258	(459,031)	12,587,852	4,452,966
223,580		201,000	521,823	978,403	800,050
(285,000)		(214,000)	(47,900)	(499,000)	(200,050)
				579,823	(29,114)
		24,366		6,947,138	
(61,420)		11,366	473,923	7,958,464	570,886
(8,699,522)		(4,768,635)		(16,353,529)	(1,277,331)
24,332,284				24,332,284	
(28,480,986)		(423,000)		(29,291,986)	
(7,329,825)		(225,540)		(7,686,200)	
(20,178,049)		(5,417,175)		(28,999,431)	(1,277,331)
224,358	(\$14,404)	61,057	(608)	285,078	46,283
224,358	(14,404)	61,057	(608)	285,078	46,283
(6,837,664)	(14,404)	(1,628,494)	14,284	(8,168,037)	3,792,804
39,162,482	3,607,608	12,658,304		58,147,747	11,740,411
<u>\$32,324,818</u>	<u>\$3,593,204</u>	<u>\$11,029,810</u>	<u>\$14,284</u>	<u>\$49,979,710</u>	<u>\$15,533,215</u>
\$8,907,647		\$2,678,049	(\$665,489)	\$6,992,050	\$527,874
5,333,418		1,240,915		7,705,158	304,160
(200,042)		(58,276)		(275,015)	(1,604)
		(7,703)		(30,419)	
(12,424)		(118,076)		(145,772)	(7,177)
(1,613)		(1,613)		(18,410)	959,581
(2,636,030)				(2,636,030)	
1,697,244		518,418	1,185	1,604,677	(26,623)
		1,681		(137,673)	
		160		(208,461)	
					310,334
					2,636,030
44,766		24,025	798	95,827	8,196
44,481		(561,322)	204,475	(358,080)	(257,805)
<u>\$13,177,447</u>		<u>\$3,716,258</u>	<u>(\$459,031)</u>	<u>\$12,587,852</u>	<u>\$4,452,966</u>
				<u>\$69,164</u>	



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, 2017

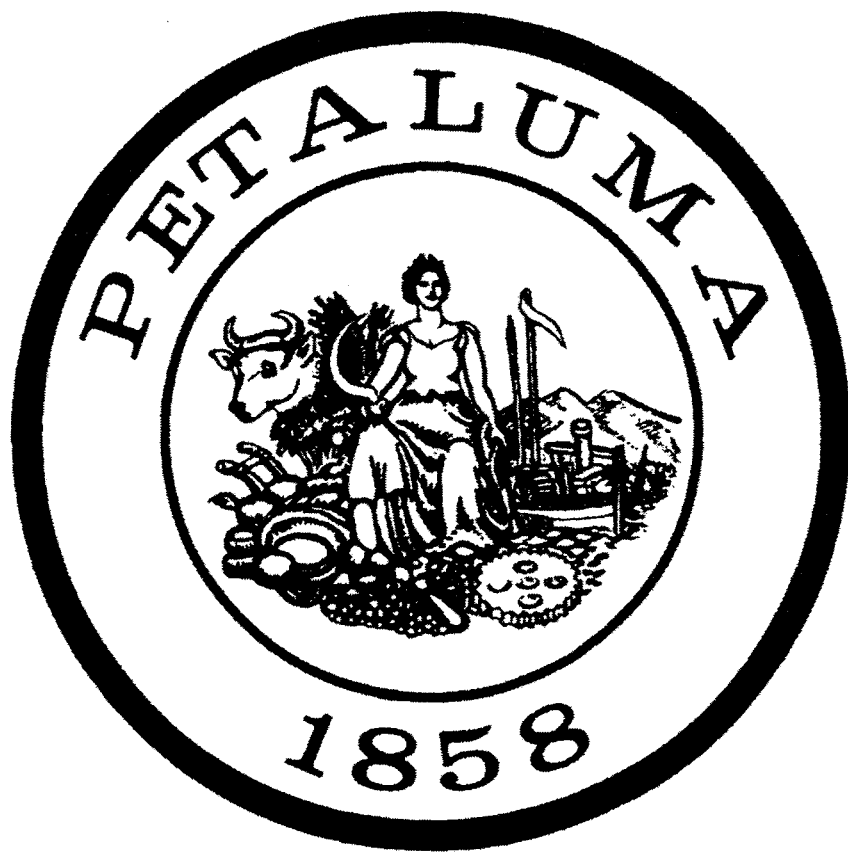
	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 2)	\$2,051,268	\$3,698,755
Restricted cash and investments (Note 2)	4,753,823	
Accounts receivable	27,853	326
Intergovernmental receivable		21,771
Notes receivable (Note 15B)	<u>234,744</u>	
Total Assets	<u>7,067,688</u>	<u>\$3,720,852</u>
 LIABILITIES		
Accounts payable and accrued liabilities	3,269	\$3,720,504
Deposits payable		348
Claims payable	128,750	
Interest payable	348,303	
Refundable deposits	1,000	
Long-term debt (Note 15C):		
Long-term debt, due within one year	1,885,000	
Long-term debt, due in more than one year	<u>67,873,956</u>	
Total Liabilities	<u>70,240,278</u>	<u>\$3,720,852</u>
 NET POSITION		
Held in trust for private purposes	<u>(\$63,172,590)</u>	

See accompanying notes to financial statements

CITY OF PETALUMA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trusts</u>
ADDITIONS	
Property tax	\$5,698,495
Use of money and property	<u>23,903</u>
Total Additions	<u>5,722,398</u>
DEDUCTIONS	
Community development	1,498,697
Interest expense	<u>3,146,364</u>
Total Deductions	<u>4,645,061</u>
Change in Net Position Before Special Item	1,077,337
SPECIAL ITEM	
Successor Agency Bond Proceeds (Note 1P)	<u>5,547,823</u>
Change in Net Position	<u>(4,470,486)</u>
NET POSITION HELD IN TRUST OR FOR PRIVATE PURPOSES	
Beginning of year	<u>(58,702,104)</u>
End of year	<u><u>(\$63,172,590)</u></u>

See accompanying notes to financial statements



CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 unit-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, 2017

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, 2017

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, 2017

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, 2017

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 2016-17, no major funds had expenditures in excess of its budget.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, in fiscal 2016-17, 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, 2017. 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, 2017, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,890,327	\$520,117	\$4,410,444
Additions	3,022,808	832,163	3,854,971
Payments	(2,687,791)	(736,336)	(3,424,127)
Ending Balance	<u>\$4,225,344</u>	<u>\$615,944</u>	<u>\$4,841,288</u>
Current Portion	<u>\$682,764</u>	<u>\$218,632</u>	<u>\$901,396</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017

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.

N. Restatement of Fund Balance

On September 1, 2015, the City was assigned a loan by Park Lane Apartments Corporation, a California nonprofit public benefit corporation, in the amount of \$8,121,421, for the purpose providing housing for low income persons in Sonoma County, California. However, the City did not record the loan proceeds during fiscal year 2016. As a result, the City recorded full loan amount in fiscal year 2017 and increased beginning fund balance in the Impact Fees Special Revenue Fund and beginning net position of the Governmental Activities by \$8,121,421.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement had no impact on the City's financial statements.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement had no impact on the City's financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. This statement had no impact on the City's financial statements.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement had no impact on the City's financial statements.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. This statement had no impact on the City's financial statements.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 82 – Pension Issues—*an amendment of GASB Statements No. 67, No. 68, and No. 73* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement had no significant impact on the City’s financial statements.

P. Special Item

The amount presented as a Special Item of the Successor Agency fund of \$5,547,823 represents the drawdown of Successor Agency 2011 Tax Allocation Bond proceeds intended for future use of funding City of Petaluma capital improvement projects.

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, 2017

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, 2017, are as follows:

City cash and investments in primary government:	
Cash and investments	\$124,130,690
Restricted cash and investments	<u>40,170</u>
Total cash and investments in primary government	<u>124,170,860</u>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	5,750,023
Restricted cash and investments	<u>4,753,823</u>
Total cash and investments in Fiduciary Funds	<u>10,503,846</u>
Total cash and investments	<u><u>\$134,674,706</u></u>

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

Cash on hand	\$4,161
Cash and investments with financial institutions	129,503,018
Cash and investments with fiscal agents	<u>5,167,527</u>
Total Cash and Investments	<u><u>\$134,674,706</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, 2017

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 \$5,167,527 at June 30, 2017, 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, 2017

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	\$3,154,146	\$2,261,106	\$647,080		\$6,062,332
FNMA		102,173	615,808	\$481,633	1,199,614
FHLMC		347,866	1,386,318		1,734,184
FHLMC Mortgage-backed Federal Agency Securities				379,902	379,902
FNMA - Collateralized Mortgage Obligation		3,185,396	2,342,795		5,528,191
U.S. Treasury Bonds/ Notes	1,293,094	2,476,580	6,409,459		10,179,133
Certificate of Deposit	250,000				250,000
California Local Agency Investment Fund	60,060,752				60,060,752
California Asset Management Program Held by Fiscal Agents	35,887,293				35,887,293
Money Market Funds	<u>4,753,823</u>				<u>4,753,823</u>
Total Investments	<u>\$105,399,108</u>	<u>\$8,373,121</u>	<u>\$11,401,460</u>	<u>\$861,535</u>	126,035,224
<i>Cash on hand and in banks</i>					<u>8,639,488</u>
Total Cash and Investments					<u>\$134,674,706</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, 2017, these investments have an average maturity of 194 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, 2017, the fair value was approximate to the City's cost. At June 30, 2017, these investments have an average maturity of 49 days.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, have an average maturity of 34-49 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, 2017, are as follows:

Investment Type	AAAm	AA+/AA/AA-	Total
Securities of U.S. Government Agencies			
FHLB		\$6,062,332	\$6,062,332
FNMA		1,199,614	1,199,614
FHLMC		1,734,184	1,734,184
FHLMC Mortgage-backed Federal Agency Securities		379,902	379,902
FNMA - Collateralized Mortgage Obligation		5,528,191	5,528,191
California Asset Management Program	\$35,887,293		35,887,293
Money Market Funds	4,753,823		4,753,823
Totals	<u>\$40,641,116</u>	<u>\$14,904,223</u>	<u>55,545,339</u>
<i>Not rated:</i>			
Certificate of Deposit			250,000
California Local Agency Investment Fund			60,060,752
Cash on Hand and in Banks			8,639,482
<i>Exempt from credit rate disclosure:</i>			
U.S. Treasury Bonds/ Notes			<u>10,179,133</u>
Total Cash and Investments			<u><u>\$134,674,706</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
Securities of U.S. Government Agencies			
FHLB		\$6,062,332	\$6,062,332
FNMA		1,199,614	1,199,614
FHLMC		1,734,184	1,734,184
FHLMC Mortgage-backed Federal Agency Securities		379,902	379,902
FNMA - Collateralized Mortgage Obligation		5,528,191	5,528,191
U.S. Treasury Bonds/ Notes	\$10,179,133		10,179,133
Total Investments	<u>\$10,179,133</u>	<u>\$14,904,223</u>	25,083,356
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			35,887,293
Investments Measured at Amortized Cost:			
Certificate of Deposit			250,000
California Local Agency Investment Fund			60,060,752
Money Market Funds			4,753,823
Total Investments			<u>\$126,035,224</u>

US Treasury Bond/ Notes totaling \$ 10,179,133 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 \$14,904,223 million, classified as Level 2 in the fair value hierarchy are valued using institutional bond quotes. The California Local Agency Investment Fund (LAIF) 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

Concentration of Credit Risk is having investments in any one issuer, other than U.S. treasury securities, money market mutual funds, and California Local Agency Investment Funds that represent a 5% or more of City-wide investments. The City did not have investments in any one issuer as of June 30, 2017.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 2016-2017 the General Fund made a short-term loan to the Marina Enterprise Fund in the amount of \$408,397 and the Transit Enterprise Fund in the amount of \$480,526.

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, 2017, the outstanding amount of the advance was \$565,077.

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, 2017, the outstanding amount of the advance was \$40,015.

During fiscal 2016-2017, the Wasterwater Utility Fund advanced \$3,025,000 to the Vehicle and Equipment Replacement Internal Service Fund for the purchase of critical public safety vehicles and equipment. The advance bears an annual interest rate of 1.25 percent. The principal and interest are due in eight (8) equal payments. As of June 30, 2017, the outstanding amount of the advance was \$2,636,030.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	City Capital Projects	100,971 (B)
	Non-Major Governmental Funds	\$1,540,512 (A)
	Internal Service Funds	200,000 (C)
Impact Fees Special Revenue	City Capital Projects	391,331 (B)
Successor Housing	Impact Fees Special Revenue Fund	75,000 (A)
	Non-Major Governmental Funds	32,781 (A)
City Capital Projects	General Fund	405,601 (B)
	Impact Fees Special Revenue Fund	940,319 (B)
	Non-Major Governmental Funds	2,246,108 (B)
	Wastewater Utility Enterprise Funds	84,000 (B)
	Water Utility Enterprise Fund	84,000 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	1,243,186 (A)
	City Capital Projects	110,465 (B)
Transit Enterprise Fund	Impact Fees Special Revenue Fund	32,000 (A)
Wastewater Utility Enterprise Fund	General Fund	93,580 (C)
	Water Utility Enterprise Fund	130,000 (D)
Water Utility Enterprise Fund	Wastewater Utility Enterprise Funds	201,000 (D)
Storm Water Enterprise Fund	General Fund	498,473 (D)
	Impact Fees Special Revenue Fund	23,350 (A)
Internal Service Funds	General Fund	500,000 (A)
	Non-Major Governmental Funds	300,000 (A)
	Internal Service Funds	50 (A)
		\$9,232,727

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, 2017

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	2,426,239
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	1,116,089
Washington Creek	568,969
Caufield Senior Housing	182,999
Parklane Apartments	<u>7,277,103</u>
Total Housing Loans to Not-For Profit Agencies	44,364,247
First-Time Home Buyers Loans	<u>3,609,200</u>
Total	<u><u>\$47,973,447</u></u>

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, 2017, the total principal and interest receivable related to these loans was \$44,364,247 and \$12,082,010, respectively.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, 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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. All other capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. 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, 2017

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, 2017, is as follows:

	Balance at June 30, 2016	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2017
<i>Governmental Activities</i>					
Capital Assets not being Depreciated:					
Land	\$38,009,488				\$38,009,488
Construction in Progress	39,672,012	\$4,802,297		(\$1,282,507)	43,191,802
Total Capital Assets not being Depreciated	77,681,500	4,802,297		(1,282,507)	81,201,290
Capital Assets being Depreciated:					
Buildings and Improvements	21,701,511			102,571	21,804,082
Vehicles and Equipment	14,708,519	1,561,865	(\$561,082)		15,709,302
Infrastructure	195,474,848	2,114,195	(45,499)	1,179,936	198,723,480
Total Capital Assets being Depreciated	231,884,878	3,676,060	(606,581)	1,282,507	236,236,864
Less Accumulated Depreciation:					
Buildings and Improvements	(12,279,472)	(502,073)			(12,781,545)
Vehicles and Equipment	(12,110,955)	(682,104)	551,096		(12,241,963)
Infrastructure	(95,509,401)	(6,706,022)	30,926		(102,184,497)
Total Accumulated Depreciation	(119,899,828)	(7,890,199)	582,022		(127,208,005)
Net Capital Assets being Depreciated	111,985,050	(4,214,139)	(24,559)	1,282,507	109,028,859
Governmental Activities Capital Assets, Net	\$189,666,550	\$588,158	(\$24,559)		\$190,230,149

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
<i>Business-type Activities</i>					
Capital Assets not being Depreciated:					
Land	\$10,731,229				\$10,731,229
Construction in Progress	19,141,188	13,721,332		(\$791,579)	32,070,941
Total Capital Assets not being Depreciated	29,872,417	13,721,332		(791,579)	42,802,170
Capital Assets being Depreciated:					
Buildings and Improvements	30,000,255				30,000,255
Vehicles and Equipment	11,296,536	2,632,698	(\$17,930)		13,911,304
Infrastructure	296,046,360			791,579	296,837,939
Total Capital Assets being Depreciated	337,343,151	2,632,698	(17,930)	791,579	340,749,498
Less Accumulated Depreciation for:					
Buildings and Improvements	(13,010,393)	(744,908)			(13,755,301)
Vehicles and Equipment	(8,404,790)	(853,502)	17,930		(9,240,362)
Infrastructure	(99,532,442)	(6,107,129)			(105,639,571)
Total Accumulated Depreciation	(120,947,625)	(7,705,539)	17,930		(128,635,234)
Net Capital Assets being Depreciated	216,395,526	(5,072,841)		791,579	212,114,264
Business-type Activities Capital Assets, Net	\$246,267,943	\$8,648,491			\$254,916,434

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, 2017

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	\$107,282
Community Development	2,700,870
Police	270,491
Fire	67,533
Parks and Recreation	640,891
Public Works	3,799,353
Internal Service Funds:	
Information Services	50,913
Vehicle Replacement - GG	252,866
Total Depreciation Expense	<u><u>\$7,890,199</u></u>

Business Functions

Airport	\$410,794
Marina	107,835
Transit	612,196
Wastewater Utility	5,333,418
Water Utility	1,240,915
Internal Service Fund:	
Vehicle Replacement - BA	381
Total Depreciation Expense	<u><u>\$7,705,539</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, were as follows:

Business-Type Activity Debt:	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	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)	(180,296)		(180,296)		
2012 Water Revenue Refunding Bonds 3.670%, due 5/1/2031	7,529,000	6,357,000		423,000	\$5,934,000	\$337,000
2017 Wastewater Revenue Refunding Bonds 3.125-4.00%, Due 11/01/2036	23,365,000		\$23,365,000		23,365,000	
Plus: Original issue Premium	967,283		967,284	50,910	916,374	
Total Revenue Bonds		<u>28,641,704</u>	<u>24,332,284</u>	<u>22,758,614</u>	<u>30,215,374</u>	<u>337,000</u>
State Loan Fund:						
State Revolving Loan Fund 1.400%, due 4/9/2029	125,964,254	92,469,785		6,145,372	86,324,413	6,292,861
Notes Payable:						
California Department of Boating and Waterways	3,960,000	6,268,083	69,164		6,337,247	375,427
Total Notes Payable		<u>6,268,083</u>	<u>69,164</u>		<u>6,337,247</u>	<u>375,427</u>
Lease Obligation:						
2016 Airport Refunding Lease Obligation 2.710%, due 11/1/2025	4,531,000	4,531,000		388,000	4,143,000	413,000
Total Lease Obligation		<u>4,531,000</u>		<u>388,000</u>	<u>4,143,000</u>	<u>413,000</u>
Total Business Type Activity Debt		<u>\$131,910,572</u>	<u>\$24,401,448</u>	<u>\$29,291,986</u>	<u>\$127,020,034</u>	<u>\$7,418,288</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017.

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
2018	\$337,000	\$1,016,913	\$6,292,861	\$2,071,786	\$375,427	\$34,548	\$413,000	\$106,679
2019	347,000	1,004,362	6,443,889	1,920,758	392,310	17,654	424,000	95,338
2020	361,000	991,370	6,598,543	1,766,104	428,424		436,000	83,685
2021	375,000	977,863	6,756,908	1,607,739	5,141,086		447,000	71,720
2022	388,000	963,863	6,919,074	1,445,573			459,000	59,444
2023 - 2027	2,177,000	4,590,179	37,167,390	4,655,841			1,964,000	108,210
2028 - 2032	12,164,000	3,360,995	16,145,748	583,544				
2033 - 2036	13,150,000	514,407						
Outstanding Accumulated Payments and Penalties	29,299,000	<u>\$13,419,952</u>	86,324,413	<u>\$14,051,345</u>	6,337,247	<u>\$52,202</u>	4,143,000	<u>525,076</u>
Less: Original Issuance Premium (Discount)	916,374							
Total Payments due	<u>\$30,215,374</u>		<u>\$86,324,413</u>		<u>\$6,337,247</u>		<u>\$4,143,000</u>	

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.

In fiscal year 2017, the City refunded the outstanding 2011 Wastewater Revenue Refunding with the issuance of the 2017 Wastewater Revenue Refunding Bonds.

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 \$3,967,021 and \$648,540 in fiscal 2016-17. Total principal and interest remaining to be paid on the Bonds was \$7.6 million as of June 30, 2017.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 - LONG-TERM DEBT (Continued)

2017 Wastewater Revenue Refunding Bonds - On June 1, 2017 the City issued Wastewater Revenue Refunding Bonds in the amount of \$23,365,000. The proceeds of the bonds were used to refund and retire the City's 2011 Waste Water Revenue Refunding Bond 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 \$1,775,000 to \$3,905,000 and bear interest at rates ranging from 3.125% to 4.00%. 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. Total principal and interest remaining to be paid on the Bonds was \$35.9 million as of June 30, 2017.

The refunding resulted in an overall debt service savings of \$5,625,296. The net present value of the debt service savings is called an economic gain and amounted to \$4,845,737.

The bonds were issued at a premium of \$967,284 which is being amortized over the 19-year life of the bonds resulting in an annual amortization of \$50,910.

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, 2017 was \$86,324,413.

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 2017. The debt is the responsibility of the Marina Fund. The outstanding balance at June 30, 2017 was \$6,337,247. 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.

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 outstanding balance at June 30, 2017 was \$4,143,000.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 - DEBT WITHOUT CITY COMMITMENT (Continued)

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

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, 2017, 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:							
Loans and inventories	\$102,778						\$102,778
Subtotal	102,778						102,778
Amounts required to maintained intact:							
Permanent funds						\$24,036	24,036
Total Nonspendable Fund Balances	102,778					24,036	126,814
Restricted for:							
Special projects			\$49,564,142				49,564,142
Community redevelopment						9,362,622	9,362,622
Low-income housing		\$20,911,451		\$28,938,783			49,850,234
Total Restricted Fund Balances		20,911,451	49,564,142	28,938,783		9,362,622	108,776,998
Committed to:							
Special projects	4,230,191				\$969,777		5,199,968
Total Committed Fund Balances	4,230,191				969,777		5,199,968
Assigned:							
Special projects	5,088,820						5,088,820
Total Assigned Fund Balances	5,088,820						5,088,820
Unassigned:							
General Fund	2,040,912						2,040,912
Total Unassigned Fund Balances	2,040,912						2,040,912
Total Fund Balances	\$11,462,701	\$20,911,451	\$49,564,142	\$28,938,783	\$969,777	\$9,386,658	\$121,233,512

C. Fund Deficits

As of June 30, 2017, the Marina Enterprise Fund, the Storm Water Enterprise Fund, and the Information Services Internal Service Fund, had negative net positions of \$5,156,882, \$989,932, and \$1,124,661 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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	\$6,377,140	\$25,923,401	\$1,663,058
Safety	12,418,261	61,829,578	2,289,500
Total	\$18,795,401	\$87,752,979	\$3,952,558

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, 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 - 63	50 - 63	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	18.729%	18.729%	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	47.061%	47.061%	50% of the Total Normal Cost

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2015	June 30, 2016
Inactive employees or beneficiaries currently receiving benefits	250	262
Inactive employees entitled to but not yet receiving benefits	227	227
Active employees	188	190
Total	665	679

	Safety	
	June 30, 2015	June 30, 2016
Inactive employees or beneficiaries currently receiving benefits	188	199
Inactive employees entitled to but not yet receiving benefits	78	77
Active employees	111	117
Total	377	393

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, 2017

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
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, 2015 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, 2015 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, 2015 measurement date were the same as those used for the June 30, 2016 measurement date.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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	20.0%	9.90%	2.43%
Inflation Sensitive	6.0%	4.50%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	<u>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, 2017

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, 2015	\$100,838,925	\$79,112,706	\$21,726,219
Changes in the year:			
Service cost	2,017,338		2,017,338
Interest on the total pension liability	7,469,079		7,469,079
Differences between actual and expected experience	(1,631,258)		(1,631,258)
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		2,382,217	(2,382,217)
Contribution - employee (paid by employer)			
Contribution - employee		936,978	(936,978)
Net investment income		386,997	(386,997)
Administrative expenses		(48,215)	48,215
Benefit payments, including refunds of employee contributions	(5,162,636)	(5,162,636)	
Net changes	<u>2,692,523</u>	<u>(1,504,659)</u>	<u>4,197,182</u>
Balance at June 30, 2016	<u>\$103,531,448</u>	<u>\$77,608,047</u>	<u>\$25,923,401</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$169,394,315	\$115,691,348	\$53,702,967
Changes in the year:			
Service cost	3,034,176		3,034,176
Interest on the total pension liability	12,650,095		12,650,095
Differences between actual and expected experience	(1,118,953)		(1,118,953)
Changes in assumptions			
Changes in benefit terms			
Plan to resource movement			
Contribution - employer		4,894,550	(4,894,550)
Contribution - employee (paid by employer)			
Contribution - employee		1,025,996	(1,025,996)
Net investment income		588,669	(588,669)
Administrative expenses		(70,508)	70,508
Benefit payments, including refunds of employee contributions	(8,863,457)	(8,863,457)	
Net changes	<u>5,701,861</u>	<u>(2,424,750)</u>	<u>8,126,611</u>
Balance at June 30, 2016	<u>\$175,096,176</u>	<u>\$113,266,598</u>	<u>\$61,829,578</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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	\$38,859,054	\$85,331,220
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$25,923,401	\$61,829,578
1% Increase	8.65%	8.65%
Net Pension Liability	\$15,142,812	\$42,512,781

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, 2017, the City contributions to the plan were \$8,192,826. At June 30, 2017, 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	\$2,111,855	
Differences between actual and expected experience		(\$1,223,732)
Changes in assumptions		(439,326)
Net differences between projected and actual earnings on plan investments	4,265,285	
Total	\$6,377,140	(\$1,663,058)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$6,080,971	
Differences between actual and expected experience		(\$989,786)
Changes in assumptions		(1,299,714)
Net differences between projected and actual earnings on plan investments	6,337,290	
Total	\$12,418,261	(\$2,289,500)

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9 – PENSION PLANS (Continued)

\$8,192,826 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 June 30	Annual Amortization	Year Ended June 30	Annual Amortization
2018	(\$684,803)	2018	(\$376,619)
2019	225,368	2019	117,173
2020	1,949,944	2020	2,683,496
2021	1,111,718	2021	1,623,740
2022	0	2022	0
Thereafter	0	Thereafter	0
Total	<u>\$2,602,227</u>	Total	<u>\$4,047,790</u>

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, 2017, the City contributed \$2,122 and the covered employees contributed \$29,702 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, 2017

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 287 active participants and 256 retired participants as of June 30, 2015.

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 \$264,212 during the 2016-17 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, 2015, 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, 2016	\$6,263,258
Annual required contribution (ARC)	1,286,000
Interest on net OPEB obligation	235,000
Amortization of NOO	(318,000)
Annual OPEB cost	1,203,000
Contributions:	
Benefit payments	264,212
Increase in net OPEB obligation	938,788
Net OPEB Obligation at June 30, 2017	\$7,202,046
Percentage of ARC Contributed	20.55%

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 2016-17 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
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
6/30/2017	1,203,000	264,212	22.0%	7,202,046

E. Funded Status and Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial Accrued Liability (AAL) for benefits was \$10,953,000 and the Actuarial Value of the Plan Asset was \$0 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$10,953,000. The covered payroll (annual payroll of active employees covered by the plan) was \$23,669,000 and the ratio of UAAL to the covered payroll was 74.63 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, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.75% discount rate, a 2.75% general inflation assumption, an annual aggregate payroll increase rate of 3.00%, plus merit increases per CALPERS 1997-2011 experience study. PEMHCA minimum trend rate is 4.25% 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 (22 years remaining as of 2016-17).

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, for general liability was \$2,367,549 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, 2017 for workers' compensation was \$5,248,577 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, 2017, 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, 2017. 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, 2017.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12 - RISK MANAGEMENT

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2017, 2016, and 2015:

For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Payable Due within One Year
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
2017	7,305,792	1,447,661	(1,137,327)	7,616,126	2,354,788

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, 2017 totaling \$1,944,229 for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$13,820,714. In addition, the City's governmental funds had outstanding professional service contracts at year-end in the amount of \$731,501 and proprietary funds in the amount of \$3,005,194.

C. *Marina Enterprise Fund Finances*

At June 30, 2017, the Marina Enterprise Fund had \$13,263 in cash while accumulated deficit was \$5.2 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, 2017

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, 2017, 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 and Edd Clark & Associates (ECA) submitted a corrective plan and have an approved plan to operate a High Vacuum Dual Phase Extraction (HVDPE) system to clean up the site. Construction of the HVDPE system was completed in the summer of 2017, and the testing period for the system commenced in September 2017. The City is currently awaiting final approval of its permit to operate the system from the Bay Area Air Quality Management District (BAAQMD). The City expects to receive the permit by the end of October and commence full operation in November 2017. ECA will operate and manage the system, and submit quarterly reports until all site closure requirements have been met. The operation of this remediation system is expected to last up to 3 years with an estimated total project cost of \$500,000.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2017.

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, 2017, the outstanding balance of the loans was \$234,744.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2016	Additions	Retirements	Balance June 30, 2017	Amount due within one year
Tax Allocation Bonds:						
2007 Tax Allocation Bonds						
4.00-4.50%, due 5/1/2039	\$31,825,000	\$29,840,000		\$29,840,000		
Unamortized Discount	(568,396)	(404,097)		(404,097)		
2011 Subordinate Tax Allocations Bonds						
4.79%, due 5/1/2024	11,369,000	7,790,000		7,790,000		
2015 Tax Allocation Bonds, Series A						
3.73%, due 5/1/2033	19,545,000	19,220,000		620,000	\$18,600,000	\$640,000
2015 Tax Allocation Bonds, Series B						
3.25%, due 5/1/2030	16,060,000	15,600,000		855,000	14,745,000	890,000
2017 Tax Allocation Refunding Bonds						
3.00-4.00%, Due 11/01/2039	35,945,000		\$35,945,000		35,945,000	355,000
Plus: Original issue Premium	491,287		491,287	22,331	468,956	
Total Tax Allocation Bonds		<u>\$72,045,903</u>	<u>\$36,436,287</u>	<u>\$38,723,234</u>	<u>\$69,758,956</u>	<u>\$1,885,000</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.

In fiscal year 2017, the City refunded the outstanding 2007 Tax Allocation Bonds with the issuance of the Tax Allocation Refunding Bonds, Series 2017.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

2011 Subordinate Tax Allocation Bonds - On March 17, 2011, the 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.

In fiscal year 2017, the City refunded the outstanding 2011 Subordinate Tax Allocation Bonds with the issuance of the Tax Allocation Refunding Bonds, Series 2017.

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.

2017 Tax Allocation Refunding Bonds - On May 31, 2017 the Petaluma Community Development Successor Agency issued Tax Allocation Refunding Bonds in the amount of \$35,945,000. The proceeds of the bonds will be used to refund the Tax Allocation Bonds, Series 2007 and Subordinate Tax Allocation Bonds, Series 2011. The Bonds mature annually each November from 2017 to 2039 in amounts ranging from \$355,000 to \$4,060,000 and bear interest rates of 2.00% and 4.00%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from secured tax revenues.

The refunding resulted in an overall debt service savings of \$5,682,411. The net present value of the debt service savings is called an economic gain and amounted to \$4,351,721.

The bonds were issued at a premium of \$491,287 which is being amortized over the 22-year life of the bonds resulting in an annual amortization of \$22,331.

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 \$98,395,915 at June 30, 2017. 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 2016-2017 was \$5,689,495 which represented coverage of 104% of the \$5,469,039 of debt service.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

2003A and 2005A Tax Allocation Bonds - As of June 30, 2017 the outstanding defeased balance related to the 2003A and 2005A Tax Allocation Bonds was \$18,265,000 and \$14,230,000, respectively.

2007 and 2011 Tax Allocation Bonds - As of June 30, 2017 the outstanding defeased balance related to the 2007 and 2011 Tax Allocation Bonds was \$29,570,000 and \$6,968,000, respectively.

Debt Service Requirements

Annual debt service requirements are shown below:

Successor Agency Debt:	Tax Allocation Bonds	
For The Year	Principal	Interest
Ending June 30	<hr/>	
2018	\$1,885,000	\$2,221,633
2019	2,865,000	2,300,359
2020	2,945,000	2,213,074
2021	3,035,000	2,109,689
2022	3,145,000	1,996,199
2023 - 2027	13,945,000	8,339,021
2028 - 2032	13,970,000	5,983,475
2033 - 2037	15,705,000	3,339,288
2038 - 2039	7,735,000	534,665
2040	4,060,000	68,512
Total payments due	\$69,290,000	\$29,105,915
Less: Original Issuance		
Premium (Discount)	468,956	
	<hr/> <u>\$69,758,956</u>	

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, 2017
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date:	MISCELLANEOUS		
	6/30/2014	6/30/2015	6/30/2016
Total Pension Liability			
Service Cost	\$1,931,227	\$2,007,788	\$2,017,338
Interest	6,997,431	7,267,715	7,469,079
Differences between expected and actual experience	0	(848,115)	(1,631,258)
Changes in assumptions	0	(1,694,544)	0
Changes in benefits	0	0	0
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)	(5,162,636)
Net change in total pension liability	4,358,592	1,861,836	2,692,523
Total pension liability - beginning	94,618,497	98,977,089	100,838,925
Total pension liability - ending (a)	<u>\$98,977,089</u>	<u>\$100,838,925</u>	<u>\$103,531,448</u>
Plan fiduciary net position			
Contributions - employer	\$2,390,127	\$1,990,786	\$2,382,217
Contributions - employee	1,243,703	889,286	936,978
Net investment income	11,808,495	1,767,481	386,997
Administrative Expense	0	(89,077)	(48,215)
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)	(5,162,636)
Net change in plan fiduciary net position	10,872,259	(312,532)	(1,504,659)
Plan fiduciary net position - beginning	68,552,979	79,425,238	79,112,706
Plan fiduciary net position - ending (b)	<u>\$79,425,238</u>	<u>\$79,112,706</u>	<u>\$77,608,047</u>
Net pension liability - ending (a)-(b)	<u>\$19,551,851</u>	<u>\$21,726,219</u>	<u>\$25,923,401</u>
Plan fiduciary net position as a percentage of the total pension liability	80.25%	78.45%	74.96%
Covered Payroll	\$12,004,148	\$13,001,281	\$13,272,833
Net pension liability as percentage of covered payroll	162.88%	167.11%	195.31%

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.

Source: CalPERS Accounting Valuation

City of Petaluma, Agent Multiple-Employer Defined Pension Plans
For the fiscal year ended June 30, 2017
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	MISCELLANEOUS		
	2015	2016	2017
Actuarially determined contribution	\$1,938,902	\$2,099,340	\$2,111,855
Contributions in relation to the actuarially determined contributions	<u>(1,938,902)</u>	<u>(2,099,340)</u>	<u>(2,111,855)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Payroll	\$13,001,281	\$13,272,833	\$13,592,768
Contributions as a percentage of covered payroll	14.91%	15.82%	15.54%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015
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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, 2017
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date:	SAFETY		
	6/30/2014	6/30/2015	6/30/2016
Total Pension Liability			
Service Cost	\$3,422,621	\$3,115,595	\$3,034,176
Interest	11,716,276	12,221,159	12,650,095
Differences between expected and actual experience	0	(423,859)	(1,118,953)
Changes in assumptions	0	(3,032,668)	0
Changes in benefits	0	0	0
Benefit payments, including refunds of employee contributions	(7,707,622)	(8,276,688)	(8,863,457)
Net change in total pension liability	7,431,275	3,603,539	5,701,861
Total pension liability - beginning	158,359,501	165,790,776	169,394,315
Total pension liability - ending (a)	<u>\$165,790,776</u>	<u>\$169,394,315</u>	<u>\$175,096,176</u>
Plan fiduciary net position			
Contributions - employer	\$5,842,432	\$4,384,155	\$4,894,550
Contributions - employee	1,731,948	1,037,804	1,025,996
Net investment income	17,135,155	2,505,960	588,669
Plan to Plan Resource Movement	0	61,599	0
Administrative Expense	0	(130,196)	(70,508)
Benefit payments, including refunds of employee contributions	(7,707,622)	(8,276,688)	(8,863,457)
Net change in plan fiduciary net position	17,001,913	(417,366)	(2,424,750)
Plan fiduciary net position - beginning	99,106,801	116,108,714	115,691,348
Plan fiduciary net position - ending (b)	<u>\$116,108,714</u>	<u>\$115,691,348</u>	<u>\$113,266,598</u>
Net pension liability - ending (a)-(b)	<u><u>\$49,682,062</u></u>	<u><u>\$53,702,967</u></u>	<u><u>\$61,829,578</u></u>
Plan fiduciary net position as a percentage of the total pension liability	70.03%	68.30%	64.69%
Covered Payroll	\$11,800,515	\$11,238,710	\$11,313,110
Net pension liability as percentage of covered payroll	421.02%	477.84%	546.53%

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.

Source: CalPERS Accounting Valuation

City of Petaluma, Agent Multiple-Employer Defined Pension Plans
For the fiscal year ended June 30, 2017
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	SAFETY		
	2015	2016	2017
Actuarially determined contribution	\$4,401,132	\$5,240,190	\$6,080,971
Contributions in relation to the actuarially determined contributions	(4,401,132)	(5,240,190)	(6,080,971)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Payroll	\$11,238,710	\$11,313,110	\$11,703,371
Contributions as a percentage of covered payroll	39.16%	46.32%	51.96%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015

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, 2017

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
6/30/2011	\$0	\$9,871,000	(\$9,871,000)	0.00%	\$24,343,000	(40.55%)
6/30/2013	0	10,780,000	(10,780,000)	0.00%	24,971,000	(43.17%)
6/30/2015	0	10,953,000	(10,953,000)	0.00%	23,669,000	(46.28%)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$26,937,428	\$27,497,428	\$28,386,561	\$889,133
Licenses, permits, and fees	907,520	1,117,520	1,655,956	538,436
Fines, forfeitures and penalties	531,500	568,500	674,103	105,603
Use of money and property	443,800	443,800	449,483	5,683
Intergovernmental	5,449,912	5,627,912	5,716,830	88,918
Charges for current services	5,966,148	5,966,148	6,984,902	1,018,754
Other	13,000	13,000	77,357	64,357
Total Revenues	<u>40,249,308</u>	<u>41,234,308</u>	<u>43,945,192</u>	<u>2,710,884</u>
EXPENDITURES:				
General government:				
City council	112,151	112,151	106,903	5,248
City clerk	307,249	323,274	298,217	25,057
City attorney	1,002,277	1,017,322	917,772	99,550
City Manager	1,171,896	1,149,807	1,133,009	16,798
Administrative services	4,070,601	3,440,925	2,957,287	483,638
Community development	554,649	554,649	821,403	(266,754)
Police	16,800,307	17,415,339	17,200,347	214,992
Fire	12,899,388	13,630,154	13,915,223	(285,069)
Parks	1,758,211	1,817,321	1,681,568	135,753
Public works	3,819,060	3,938,209	4,008,975	(70,766)
Capital outlay			29,708	(29,708)
Total Expenditures	<u>42,495,789</u>	<u>43,399,151</u>	<u>43,070,412</u>	<u>328,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,246,481)</u>	<u>(2,164,843)</u>	<u>874,780</u>	<u>3,039,623</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	4,000	4,000	13,050	9,050
Transfers in	1,734,252	1,840,468	1,841,483	1,015
Transfers (out)	(1,242,053)	(1,477,670)	(1,497,654)	(19,984)
Total other financing sources (uses)	<u>496,199</u>	<u>366,798</u>	<u>356,879</u>	<u>(9,919)</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,750,282)</u>	<u>(\$1,798,045)</u>	1,231,659	<u>\$3,029,704</u>
BEGINNING FUND BALANCE			<u>10,231,042</u>	
ENDING FUND BALANCE			<u>\$11,462,701</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, 2017

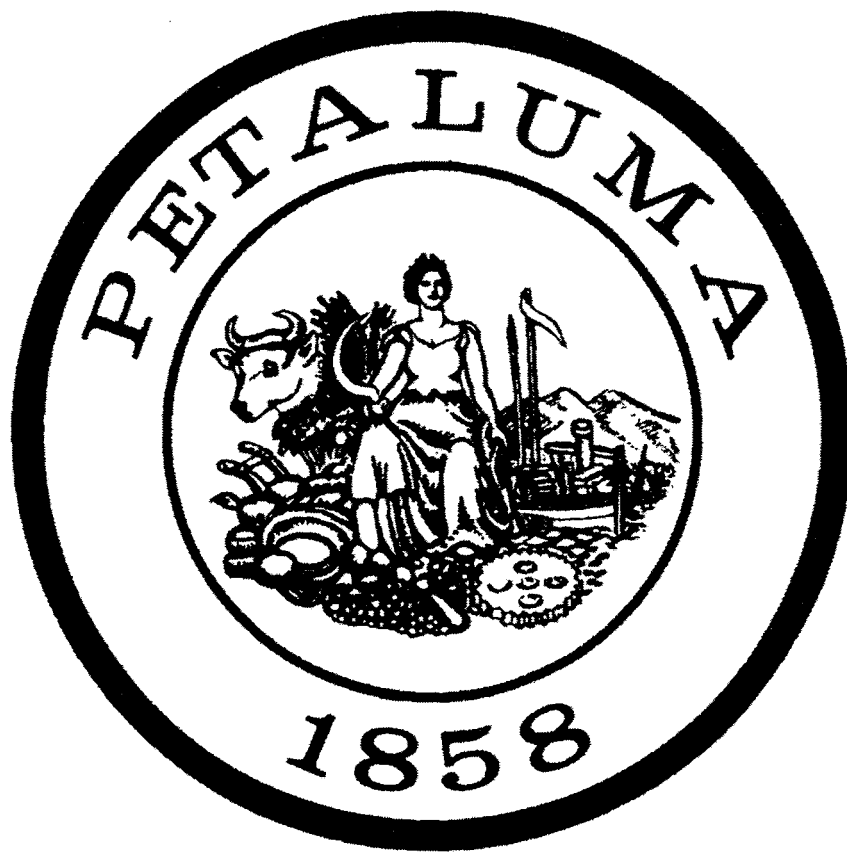
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$660	\$660	\$548,297	\$547,637
Total Revenues	660	660	548,297	547,637
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 660	 660	 548,297	 547,637
 NET CHANGE IN FUND BALANCE	 \$660	 \$660	 548,297	 \$547,637
 BEGINNING FUND BALANCE			 20,363,154	
 ENDING FUND BALANCE			 \$20,911,451	

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, 2017

	<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	\$5,077,903	\$2,836,416	\$4,146,358	\$1,309,942
Use of money and property	49,917	49,917	610,433	560,516
Intergovernmental		4,623,950		(4,623,950)
Charges for services	101,558	101,558	82,927	(18,631)
Other			21,973	21,973
	<u>5,229,378</u>	<u>7,611,841</u>	<u>4,861,691</u>	<u>(2,750,150)</u>
EXPENDITURES:				
Current:				
Community development	429,725	610,575	430,249	180,326
Police			355	(355)
Fire			433	(433)
Parks and Recreation	28,052	28,052	8,717	19,335
Public works	72,995	72,995	47,709	25,286
	<u>530,772</u>	<u>711,622</u>	<u>487,463</u>	<u>224,159</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,698,606</u>	<u>6,900,219</u>	<u>4,374,228</u>	<u>(2,525,991)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	48,473	391,415	391,331	(84)
Transfers (out)	(1,164,000)	(1,198,675)	(1,070,669)	128,006
	<u>(1,115,527)</u>	<u>(807,260)</u>	<u>(679,338)</u>	<u>127,922</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	<u>3,583,079</u>	<u>6,092,959</u>	<u>3,694,890</u>	<u>(2,398,069)</u>
SPECIAL ITEM				
Successor Agency Bond Proceeds (Note 1P)			5,223,945	5,223,945
NET CHANGE IN FUND BALANCE	<u>\$3,583,079</u>	<u>\$6,092,959</u>	<u>8,918,835</u>	<u>\$2,825,876</u>
BEGINNING FUND BALANCES			<u>40,645,307</u>	
ENDING FUND BALANCE			<u>\$49,564,142</u>	

CITY OF PETALUMA
 SUCCESSOR HOUSING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$24,829	\$24,829	\$572,094	\$547,265
Charges for current services	22,425	22,425	32,913	10,488
Charges for current services	71,260	71,260		(71,260)
Total Revenues	<u>118,514</u>	<u>118,514</u>	<u>605,007</u>	<u>486,493</u>
EXPENDITURES:				
Current:				
Community Development	433,966	437,966	362,849	75,117
Total Expenditures	<u>433,966</u>	<u>437,966</u>	<u>362,849</u>	<u>75,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(315,452)	(319,452)	242,158	561,610
OTHER FINANCING SOURCES (USES)				
Transfers in	107,781	107,781	107,781	
NET CHANGE IN FUND BALANCE	<u>(\$207,671)</u>	<u>(\$211,671)</u>	349,939	<u>\$561,610</u>
BEGINNING FUND BALANCE			<u>28,588,844</u>	
ENDING FUND BALANCE			<u>\$28,938,783</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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property		\$16,396	\$16,396
Intergovernmental	(\$233,400)	1,326,491	1,559,891
Charges for current services	30,000	7,450	(22,550)
Total Revenues	(203,400)	1,350,337	1,553,737
EXPENDITURES			
Current:			
General government	881,000	486,083	394,917
Parks and recreation	768,500	457,448	311,052
Public works	4,878,250	3,958,783	919,467
Capital outlay	1,152,000	189,236	962,764
Total Expenditures	7,679,750	5,091,550	2,588,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(7,883,150)	(3,741,213)	4,141,937
OTHER FINANCING SOURCES (USES)			
Transfers in	8,250,842	3,760,028	4,490,814
Transfers (out)	(601,846)	(602,767)	921
Total Other Financing Sources (Uses)	7,648,996	3,157,261	4,491,735
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM			
	(234,154)	(583,952)	(145,990)
SPECIAL ITEM			
Successor Agency Bond Proceeds (Note 1P)		203,808	
NET CHANGE IN FUND BALANCE			
	(\$234,154)	(380,144)	(\$145,990)
BEGINNING FUND BALANCE			
		1,349,921	
ENDING FUND BALANCE			
		\$969,777	

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, 2017

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
ASSETS					
Cash and investments	\$17,816	\$1,977,539	\$638,084	\$672,775	\$407,098
Receivables:					
Accounts				1,808	
Intergovernmental	95,918	158,439	132,395	48,033	13,323
Interest receivable related to notes receivable	171,823				
Notes receivable	784,000				
Total Assets	\$1,069,557	\$2,135,978	\$770,479	\$722,616	\$420,421
LIABILITIES					
Accounts payable and accrued liabilities	\$18,966	\$6,678		\$80,237	\$5,786
Total Liabilities	18,966	6,678		80,237	5,786
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable	_____	_____	_____	_____	_____
Total deferred inflows of resources	_____	_____	_____	_____	_____
FUND BALANCES					
Fund balances:					
Nonspendable					
Restricted	1,050,591	2,129,300	\$770,479	642,379	414,635
Total Fund Balances	1,050,591	2,129,300	770,479	642,379	414,635
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,069,557	\$2,135,978	\$770,479	\$722,616	\$420,421

<u>SPECIAL REVENUE FUNDS</u>			<u>PERMANENT</u>	
<u>Street</u>	<u>Transient Occupancy Tax</u>	<u>Prince Park</u>	<u>Wickersham Park Trust</u>	<u>Total Nonmajor Governmental Funds</u>
\$1,696,218	\$1,524,792	\$703,119	\$24,036	\$7,661,477
190,264	341,583			533,655
103,961				552,069
				171,823
				784,000
<u>\$1,990,443</u>	<u>\$1,866,375</u>	<u>\$703,119</u>	<u>\$24,036</u>	<u>\$9,703,024</u>
<u>\$41,723</u>	<u>\$158,220</u>			<u>\$311,610</u>
<u>41,723</u>	<u>158,220</u>			<u>311,610</u>
<u>4,756</u>				<u>4,756</u>
<u>4,756</u>				<u>4,756</u>
<u>1,943,964</u>	<u>1,708,155</u>	<u>\$703,119</u>	<u>\$24,036</u>	<u>24,036</u> <u>9,362,622</u>
<u>1,943,964</u>	<u>1,708,155</u>	<u>703,119</u>	<u>24,036</u>	<u>9,386,658</u>
<u>\$1,990,443</u>	<u>\$1,866,375</u>	<u>\$703,119</u>	<u>\$24,036</u>	<u>\$9,703,024</u>

CITY OF PETALUMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
REVENUES					
Taxes					
Fines, forfeitures, and penalties				\$65,169	
Use of money and property	\$10,622		\$7,621	5,058	\$2,939
Intergovernmental	341,682	\$1,703,714	1,143,479	291,265	
Charges for current services					400,397
Other		523,585			
Total Revenues	<u>352,304</u>	<u>2,227,299</u>	<u>1,151,100</u>	<u>361,492</u>	<u>403,336</u>
EXPENDITURES					
Current:					
General Government		1,189			
Community development	308,900	43,502			
Police		430,025		111,647	
Fire				70	
Parks and recreation					446,601
Public works			38,302		
Capital outlay		61,088			
Total Expenditures	<u>308,900</u>	<u>535,804</u>	<u>38,302</u>	<u>111,717</u>	<u>446,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>43,404</u>	<u>1,691,495</u>	<u>1,112,798</u>	<u>249,775</u>	<u>(43,265)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		57,354	4,588		
Transfers (out)	(32,781)	(1,319,834)	(1,185,832)	(187,354)	
Total Other Financing Sources (Uses)	<u>(32,781)</u>	<u>(1,262,480)</u>	<u>(1,181,244)</u>	<u>(187,354)</u>	
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	10,623	429,015	(68,446)	62,421	(43,265)
SPECIAL ITEM					
Successor Agency Bond Proceeds (Note 1P)					
NET CHANGE IN FUND BALANCES	10,623	429,015	(68,446)	62,421	(43,265)
BEGINNING FUND BALANCES	1,039,968	1,700,285	838,925	579,958	457,900
ENDING FUND BALANCES	<u>\$1,050,591</u>	<u>\$2,129,300</u>	<u>\$770,479</u>	<u>\$642,379</u>	<u>\$414,635</u>

SPECIAL REVENUE FUNDS			PERMANENT	Total Nonmajor Governmental Funds
Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	
\$1,578,309	\$2,651,226			\$4,229,535
7,006	12,061	\$5,685	\$184	65,169
440,948				51,176
11,886				3,921,088
100,430				412,283
				624,015
<u>2,138,579</u>	<u>2,663,287</u>	<u>5,685</u>	<u>184</u>	<u>9,303,266</u>
				1,189
	470,941			823,343
				541,672
				70
				446,601
2,675,506				2,713,808
				61,088
<u>2,675,506</u>	<u>470,941</u>			<u>4,587,771</u>
<u>(536,927)</u>	<u>2,192,346</u>	<u>5,685</u>	<u>184</u>	<u>4,715,495</u>
1,291,709				1,353,651
(602,295)	(1,977,991)	(56,500)		(5,362,587)
<u>689,414</u>	<u>(1,977,991)</u>	<u>(56,500)</u>		<u>(4,008,936)</u>
152,487	214,355	(50,815)	184	706,559
120,070				120,070
272,557	214,355	(50,815)	184	826,629
<u>1,671,407</u>	<u>1,493,800</u>	<u>753,934</u>	<u>23,852</u>	<u>8,560,029</u>
<u>\$1,943,964</u>	<u>\$1,708,155</u>	<u>\$703,119</u>	<u>\$24,036</u>	<u>\$9,386,658</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, 2017

	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		\$10,622	\$10,622			
Intergovernmental	\$344,208	341,682	(2,526)	\$4,871,431	\$1,703,714	(\$3,167,717)
Charges for current services						
Other				450,000	523,585	73,585
Total Revenues	<u>344,208</u>	<u>352,304</u>	<u>8,096</u>	<u>5,321,431</u>	<u>2,227,299</u>	<u>(3,094,132)</u>
EXPENDITURES						
Current:						
General government					1,189	(1,189)
Community development	311,285	308,900	2,385	22,796	43,502	(20,706)
Police				602,201	430,025	172,176
Fire						
Parks and recreation						
Public works						
Capital outlay					61,088	(61,088)
Total Expenditures	<u>311,285</u>	<u>308,900</u>	<u>2,385</u>	<u>624,997</u>	<u>535,804</u>	<u>89,193</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>32,923</u>	<u>43,404</u>	<u>10,481</u>	<u>4,696,434</u>	<u>1,691,495</u>	<u>(3,004,939)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				43,740	57,354	13,614
Transfers (out)	(32,781)	(32,781)		(5,029,000)	(1,319,834)	3,709,166
Total Other Financing Sources (Uses)	<u>(32,781)</u>	<u>(32,781)</u>		<u>(4,985,260)</u>	<u>(1,262,480)</u>	<u>3,722,780</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	142	10,623	10,481	(288,826)	429,015	717,841
SPECIAL ITEM						
Successor Agency Bond Proceeds (Note 1P)						
NET CHANGE IN FUND BALANCE	<u>\$142</u>	10,623	<u>\$10,481</u>	<u>(\$288,826)</u>	429,015	<u>\$717,841</u>
BEGINNING FUND BALANCES		<u>1,039,968</u>			<u>1,700,285</u>	
ENDING FUND BALANCES		<u>\$1,050,591</u>			<u>\$2,129,300</u>	

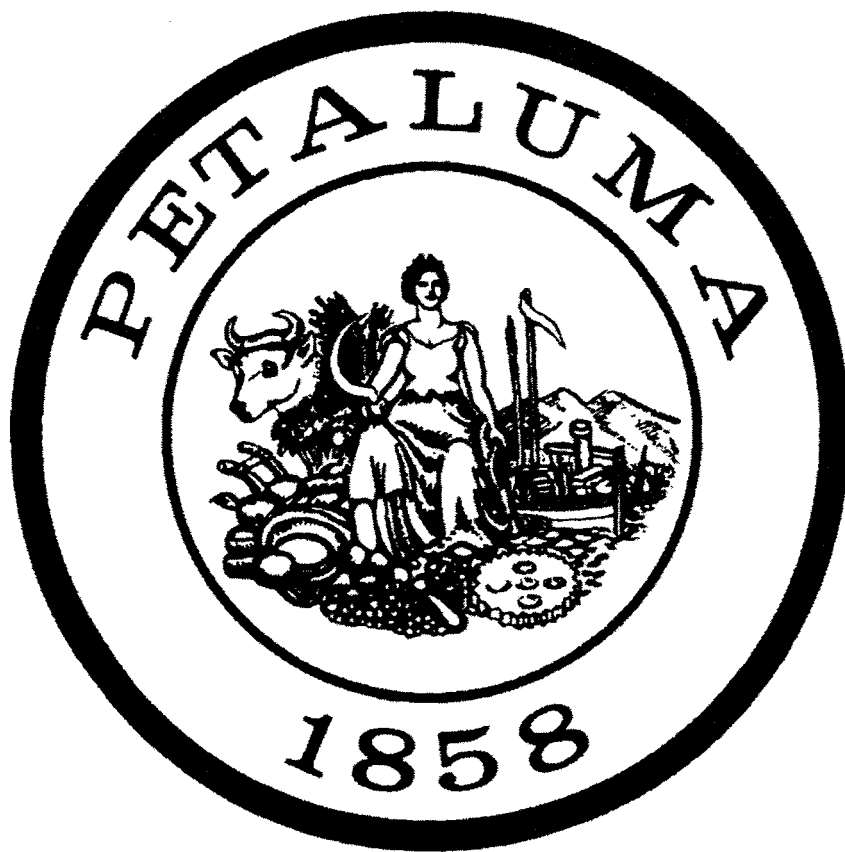
GAS TAX			PUBLIC SAFETY			LANDSCAPE ASSESSMENT DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,550	\$7,621	\$6,071	\$13,600	\$65,169	\$51,569	\$917	\$2,939	\$2,022
1,222,507	1,143,479	(79,028)	1,013	5,058	4,045			
			315,000	291,265	(23,735)	392,084	400,397	8,313
<u>1,224,057</u>	<u>1,151,100</u>	<u>(72,957)</u>	<u>329,613</u>	<u>361,492</u>	<u>31,879</u>	<u>393,001</u>	<u>403,336</u>	<u>10,335</u>
			137,234	111,647	25,587			
			10,070	70	10,000	368,640	446,601	(77,961)
35,187	38,302	(3,115)	60,000		60,000			
<u>35,187</u>	<u>38,302</u>	<u>(3,115)</u>	<u>207,304</u>	<u>111,717</u>	<u>95,587</u>	<u>368,640</u>	<u>446,601</u>	<u>(77,961)</u>
<u>1,188,870</u>	<u>1,112,798</u>	<u>(76,072)</u>	<u>122,309</u>	<u>249,775</u>	<u>127,466</u>	<u>24,361</u>	<u>(43,265)</u>	<u>(67,626)</u>
3,375	4,588	1,213						
(1,185,832)	(1,185,832)		(173,740)	(187,354)	(13,614)			
<u>(1,182,457)</u>	<u>(1,181,244)</u>	<u>1,213</u>	<u>(173,740)</u>	<u>(187,354)</u>	<u>(13,614)</u>			
6,413	(68,446)	(74,859)	(51,431)	62,421	113,852	24,361	(43,265)	(67,626)
<u>\$6,413</u>	<u>(68,446)</u>	<u>(\$74,859)</u>	<u>(\$51,431)</u>	<u>62,421</u>	<u>\$113,852</u>	<u>\$24,361</u>	<u>(43,265)</u>	<u>(\$67,626)</u>
	838,925			579,958			457,900	
	<u>\$770,479</u>			<u>\$642,379</u>			<u>\$414,635</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, 2017

	STREET			TRANSIENT OCCUPANCY TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$1,377,473	\$1,578,309	\$200,836	\$2,666,100	\$2,651,226	(\$14,874)
Fines, forfeitures, and penalties						
Use of money and property	730	7,006	6,276	1,348	12,061	10,713
Intergovernmental	428,227	440,948	12,721			
Charges for current services	30,000	11,886	(18,114)			
Other		100,430	100,430			
Total Revenues	<u>1,836,430</u>	<u>2,138,579</u>	<u>302,149</u>	<u>2,667,448</u>	<u>2,663,287</u>	<u>(4,161)</u>
EXPENDITURES						
Current:						
General government						
Community development				570,117	470,941	99,176
Police						
Fire						
Parks and recreation						
Public works	2,858,259	2,675,506	182,753			
Capital outlay						
Total Expenditures	<u>2,858,259</u>	<u>2,675,506</u>	<u>182,753</u>	<u>570,117</u>	<u>470,941</u>	<u>99,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,021,829)</u>	<u>(536,927)</u>	<u>484,902</u>	<u>2,097,331</u>	<u>2,192,346</u>	<u>95,015</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,292,932	1,291,709	(1,223)			
Transfers (out)	<u>(1,207,250)</u>	<u>(602,295)</u>	<u>604,955</u>	<u>(2,321,012)</u>	<u>(1,977,991)</u>	<u>343,021</u>
Total Other Financing Sources (Uses)	<u>85,682</u>	<u>689,414</u>	<u>603,732</u>	<u>(2,321,012)</u>	<u>(1,977,991)</u>	<u>343,021</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	(936,147)	152,487	1,088,634	(223,681)	214,355	438,036
SPECIAL ITEM						
Successor Agency Bond Proceeds (Note 1P)		120,070	120,070			
	<u>(\$936,147)</u>	<u>272,557</u>	<u>\$1,208,704</u>	<u>(\$223,681)</u>	<u>214,355</u>	<u>\$438,036</u>
BEGINNING FUND BALANCES		<u>1,671,407</u>			<u>1,493,800</u>	
ENDING FUND BALANCES		<u>\$1,943,964</u>			<u>\$1,708,155</u>	

PRINCE PARK			WICKERSHAM PARK TRUST		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,425	\$5,685	\$4,260		\$184	\$184
<u>1,425</u>	<u>5,685</u>	<u>4,260</u>		<u>184</u>	<u>184</u>
<u>1,425</u>	<u>5,685</u>	<u>4,260</u>		<u>184</u>	<u>184</u>
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(55,075)</u>	<u>(50,815)</u>	<u>4,260</u>		<u>184</u>	<u>184</u>
<u><u>(\$55,075)</u></u>	<u>(50,815)</u>	<u>\$4,260</u>		<u>184</u>	<u>\$184</u>
	<u>753,934</u>			<u>23,852</u>	
	<u><u>\$703,119</u></u>			<u><u>\$24,036</u></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, 2017

	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
ASSETS				
Current Assets:				
Cash and investments	\$1,373,527	\$204,651	\$74,158	\$6,239,979
Receivables				
Accounts, net	1,604			
Inventories		22,073		
Deposits and prepaid items	21,517		6,455	351,096
Total Current Assets	<u>1,396,648</u>	<u>226,724</u>	<u>80,613</u>	<u>6,591,075</u>
Non-current Assets:				
Capital assets:				
Depreciable		36,440	1,897,259	
Less accumulated depreciation		<u>(27,144)</u>	<u>(1,819,665)</u>	
Total Non-current Assets		<u>9,296</u>	<u>77,594</u>	
Total Assets	<u>1,396,648</u>	<u>236,020</u>	<u>158,207</u>	<u>6,591,075</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension			453,670	
Total Assets and Deferred Outflows of Resources	<u>1,396,648</u>	<u>236,020</u>	<u>611,877</u>	<u>6,591,075</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	77,484	3,517	33,895	8,501
Claims payable, due within one year				967,990
Compensated absences, due within one year		2,368	27,074	3,650
Total Current Liabilities	<u>77,484</u>	<u>5,885</u>	<u>60,969</u>	<u>980,141</u>
Non-current liabilities:				
Advances from funds				
Claims payable, due in more than one year				1,399,559
Compensated absences, due in more than one year		22,307	161,433	3,825
Net pension liability			1,296,170	
Total Non-current Liabilities		<u>22,307</u>	<u>1,457,603</u>	<u>1,403,384</u>
Total Liabilities	<u>77,484</u>	<u>28,192</u>	<u>1,518,572</u>	<u>2,383,525</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension			217,966	
Total Liabilities and Deferred Inflows of Resources	<u>77,484</u>	<u>28,192</u>	<u>1,736,538</u>	<u>2,383,525</u>
NET POSITION				
Net investment in capital assets		9,296	77,594	
Unrestricted	1,319,164	198,532	(1,202,255)	4,207,550
Total Net Position	<u>\$1,319,164</u>	<u>\$207,828</u>	<u>(\$1,124,661)</u>	<u>\$4,207,550</u>

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Equipment Replacement (BA)</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$2,108,116		\$5,532,784	\$15,533,215
			1,604
			22,073
			379,068
<u>2,108,116</u>		<u>5,532,784</u>	<u>15,935,960</u>
6,173,738	\$1,150,617		9,258,054
(3,962,842)	(1,150,617)		(6,960,268)
<u>2,210,896</u>			<u>2,297,786</u>
<u>4,319,012</u>		<u>5,532,784</u>	<u>18,233,746</u>
			453,670
<u>4,319,012</u>		<u>5,532,784</u>	<u>18,687,416</u>
		167,088	290,485
		1,386,798	2,354,788
			33,092
		<u>1,553,886</u>	<u>2,678,365</u>
2,636,030			2,636,030
		3,861,779	5,261,338
			187,565
			1,296,170
<u>2,636,030</u>		<u>3,861,779</u>	<u>9,381,103</u>
<u>2,636,030</u>		<u>5,415,665</u>	<u>12,059,468</u>
			217,966
<u>2,636,030</u>		<u>5,415,665</u>	<u>12,277,434</u>
2,210,896			2,297,786
(527,914)		117,119	4,112,196
<u>\$1,682,982</u>		<u>\$117,119</u>	<u>\$6,409,982</u>

CITY OF PETALUMA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

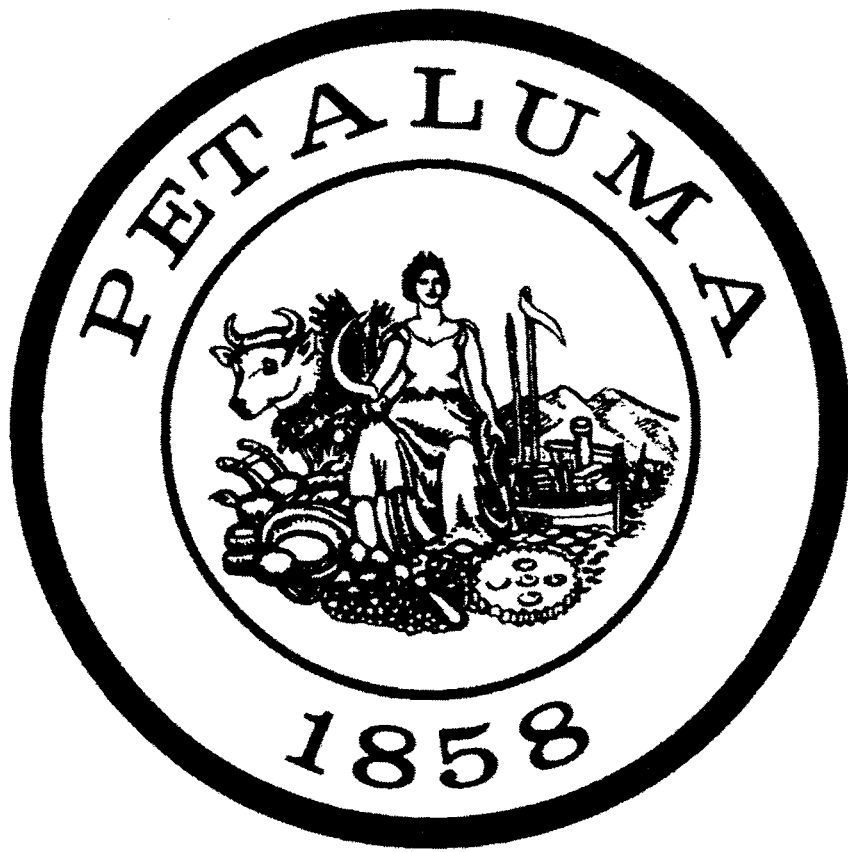
	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
OPERATING REVENUES				
Charges for sales		\$4,083		
Charges for services	\$1,135,823	233,036	\$1,802,161	\$1,726,623
Total Operating Revenues	<u>1,135,823</u>	<u>237,119</u>	<u>1,802,161</u>	<u>1,726,623</u>
OPERATING EXPENSES				
Cost of services	168,788	177,827	1,177,914	397,318
Claims	472,026			53,166
General and administrative	183,928	16,099	278,107	1,299,173
Depreciation			50,913	
Total Operating Expenses	<u>824,742</u>	<u>193,926</u>	<u>1,506,934</u>	<u>1,749,657</u>
Operating Income (Loss)	<u>311,081</u>	<u>43,193</u>	<u>295,227</u>	<u>(23,034)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	6,292	1,081	(2,936)	24,643
Interest expense				
Loss on disposal of capital assets				
Total Nonoperating Revenues (Expenses)	<u>6,292</u>	<u>1,081</u>	<u>(2,936)</u>	<u>24,643</u>
INCOME (LOSS) BEFORE TRANSFERS	317,373	44,274	292,291	1,609
Transfers in	200,000			
Transfers (out)				(200,000)
Change in Net Position	517,373	44,274	292,291	(198,391)
BEGINNING NET POSITION	<u>801,791</u>	<u>163,554</u>	<u>(1,416,952)</u>	<u>4,405,941</u>
ENDING NET POSITION (DEFICIT)	<u>\$1,319,164</u>	<u>\$207,828</u>	<u>(\$1,124,661)</u>	<u>\$4,207,550</u>

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Vehicle/ Equipment Replacement (BA)</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
			\$4,083
		\$1,461,282	6,358,925
		1,461,282	6,363,008
\$12,729		144,916	2,079,492
		1,137,327	1,662,519
		11,656	1,788,963
252,866	\$381		304,160
265,595	381	1,293,899	5,835,134
(265,595)	(381)	167,383	527,874
(1,610)		24,508	51,978
(6,305)	(1)		(6,306)
159			159
(7,756)	(1)	24,508	45,831
(273,351)	(382)	191,891	573,705
600,050			800,050
	(50)		(200,050)
326,699	(432)	191,891	1,173,705
1,356,283	432	(74,772)	5,236,277
<u>\$1,682,982</u>	<u></u>	<u>\$117,119</u>	<u>\$6,409,982</u>

CITY OF PETALUMA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Employee Benefits	General Services	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$1,134,219	\$237,119	\$1,802,161	\$1,726,623
Cash payments to suppliers for goods and services	(316,787)	(184,472)	(1,437,960)	(767,788)
Cash payments to employees for services		(26,589)	(246,594)	
Claims paid	(472,026)			(24,741)
Cash Flows from (used for) Operating Activities	<u>345,406</u>	<u>26,058</u>	<u>117,607</u>	<u>934,094</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	200,000			
Transfers (to) other funds				(200,000)
Interfund payments			(29,114)	
Cash Flows from (used for) Noncapital Financing Activities	<u>200,000</u>		<u>(29,114)</u>	<u>(200,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets			(11,399)	
Cash Flows from (used for) Capital Financing Activities			<u>(11,399)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings (expense)	6,904	1,081	(2,936)	24,643
Cash Flows from (used for) Investing Activities	<u>6,904</u>	<u>1,081</u>	<u>(2,936)</u>	<u>24,643</u>
Net Cash Flows	552,310	27,139	74,158	758,737
Cash and investments at beginning of period	<u>821,217</u>	<u>177,512</u>		<u>5,481,242</u>
Cash and investments at end of period	<u>\$1,373,527</u>	<u>\$204,651</u>	<u>\$74,158</u>	<u>\$6,239,979</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:				
Operating income (loss)	\$311,081	\$43,193	\$295,227	(\$23,034)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			50,913	
Changes in assets and Liabilities:				
Accounts receivable	(1,604)			
Inventories		(7,177)		
Deposits and prepaids	1,694		(2,455)	960,342
Accounts payable	34,235	532	20,516	(39,114)
Accrued claims				28,425
Advances from funds				
Compensated absence		(10,490)	11,211	7,475
Due to retirement system			(257,805)	
Cash Flows from (used for) Operating Activities	<u>\$345,406</u>	<u>\$26,058</u>	<u>\$117,607</u>	<u>\$934,094</u>

Vehicle/ Equipment Replacement (GG)	Vehicle/ Equipment Replacement (BA)	Workers' Compensation	Total
		\$1,461,282	\$6,361,404
2,623,301		(187,708)	(271,414)
		(11,656)	(284,839)
		(855,418)	(1,352,185)
<u>2,623,301</u>		<u>406,500</u>	<u>4,452,966</u>
600,050			800,050
	(50)		(200,050)
			(29,114)
<u>600,050</u>	<u>(50)</u>		<u>570,886</u>
(1,265,932)			(1,277,331)
<u>(1,265,932)</u>			<u>(1,277,331)</u>
(7,915)	(2)	24,508	46,283
<u>(7,915)</u>	<u>(2)</u>	<u>24,508</u>	<u>46,283</u>
1,949,504	(52)	431,008	3,792,804
158,612	52	5,101,776	11,740,411
<u>\$2,108,116</u>		<u>\$5,532,784</u>	<u>\$15,533,215</u>
(\$265,595)	(\$381)	\$167,383	\$527,874
252,866	381		304,160
			(1,604)
			(7,177)
			959,581
		(42,792)	(26,623)
		281,909	310,334
2,636,030			2,636,030
			8,196
			(257,805)
<u>\$2,623,301</u>		<u>\$406,500</u>	<u>\$4,452,966</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, 2017

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
ASSETS				
Cash and investments	\$1,862,117	\$24,301	\$164,850	\$2,051,268
Restricted cash and investments	4,753,823			4,753,823
Accounts, net	27,853			27,853
Notes receivable	234,744			234,744
Total Assets	6,878,537	24,301	164,850	7,067,688
LIABILITIES				
Accounts payable and accrued liabilities	3,269			3,269
Claims payable	128,750			128,750
Interest payable	348,303			348,303
Refundable deposits	1,000			1,000
Long-term debt:				
Due within one year	1,885,000			1,885,000
Due in more than one year	67,873,956			67,873,956
Total Liabilities	70,240,278			70,240,278
NET POSITION				
Held in trust for private purposes or for other governments	<u>(\$63,361,741)</u>	<u>\$24,301</u>	<u>\$164,850</u>	<u>(\$63,172,590)</u>

CITY OF PETALUMA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
ADDITIONS				
Property tax	\$5,698,495			\$5,698,495
Use of money and property	22,470	\$172	\$1,261	23,903
Total Revenues	5,720,965	172	1,261	5,722,398
DEDUCTIONS				
Community development	1,498,697			1,498,697
Interest expense	3,146,364			3,146,364
Total Expenditures	4,645,061			4,645,061
Change in Net Position Before Special Item	1,075,904	172	1,261	1,077,337
SPECIAL ITEM				
Successor Agency bond draw (Note 1P)	5,547,823			5,547,823
Change in Net Position	(4,471,919)	172	1,261	(4,470,486)
NET POSITION HELD IN TRUST OR FOR SPECIFIC PURPOSES				
Beginning of period	(58,889,822)	24,129	163,589	(58,702,104)
End of period	(63,361,741)	\$24,301	\$164,850	(63,172,590)

CITY OF PETALUMA
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
<u>General Agency Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,945,529	\$2,221,878	\$1,945,529	\$2,221,878
Accounts receivable	221	326	221	326
Total Assets	<u>\$1,945,750</u>	<u>\$2,222,204</u>	<u>\$1,945,750</u>	<u>\$2,222,204</u>
<u>Liabilities</u>				
Accrued liabilities	\$1,945,441	\$2,221,856	\$1,945,441	\$2,221,856
Deposits payable	309	348	309	348
Total Liabilities	<u>\$1,945,750</u>	<u>\$2,222,204</u>	<u>\$1,945,750</u>	<u>\$2,222,204</u>
<u>Public Community Access Fund</u>				
<u>Assets</u>				
Cash and investments	\$94	\$101	\$94	\$101
Total Assets	<u>\$94</u>	<u>\$101</u>	<u>\$94</u>	<u>\$101</u>
<u>Liabilities</u>				
Accrued liabilities	\$94	\$101	\$94	\$101
<u>Assessment Districts Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,413,245	\$1,476,776	\$1,413,245	\$1,476,776
Intergovernmental receivable	30,307	21,771	30,307	21,771
Total Assets	<u>\$1,443,552</u>	<u>\$1,498,547</u>	<u>\$1,443,552</u>	<u>\$1,498,547</u>
<u>Liabilities</u>				
Accounts payable		\$11,172		\$11,172
Accrued liabilities	\$1,443,552	1,487,375	\$1,443,552	1,487,375
Total Liabilities	<u>\$1,443,552</u>	<u>\$1,498,547</u>	<u>\$1,443,552</u>	<u>\$1,498,547</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$3,358,868	\$3,698,755	\$3,358,868	\$3,698,755
Accounts receivable	221	326	221	326
Intergovernmental receivable	30,307	21,771	30,307	21,771
Total Assets	<u>\$3,389,396</u>	<u>\$3,720,852</u>	<u>\$3,389,396</u>	<u>\$3,720,852</u>
<u>Liabilities</u>				
Accounts Payable and accrued liabilities	\$3,389,087	\$3,720,504	\$3,389,087	\$3,720,504
Deposits payable	309	348	309	348
Total Liabilities	<u>\$3,389,396</u>	<u>\$3,720,852</u>	<u>\$3,389,396</u>	<u>\$3,720,852</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			
	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 113,972,864	\$ 113,574,606	\$ 114,705,474	\$ 133,614,588
Restricted:				
Special projects	36,707,513	43,425,547	45,022,351	42,252,463
Debt service	7,187	7,187	322,279	415,569
Capital projects	40,354,175	37,584,928	29,385,584	39,709,880
Permanent-non expendable	-	-	23,177	23,418
Unrestricted	24,661,177	22,775,416	21,886,630	(7,036,556)
Total governmental activities net position	<u>215,702,916</u>	<u>217,367,684</u>	<u>211,345,495</u>	<u>208,979,362</u>
Business-type activities				
Net Investment in Capital Assets	82,677,183	83,208,450	87,764,411	106,985,367
Restricted:				
Special projects		-	-	-
Debt service	1,344,216	1,135,775	1,121,485	3,383,336
Capital projects	-	-	-	-
Unrestricted	17,336,938	30,290,323	33,986,673	14,791,955
Total business-type activities net position	<u>101,358,337</u>	<u>114,634,548</u>	<u>122,872,569</u>	<u>125,160,658</u>
Primary government				
Net Investment in Capital Assets	196,650,047	196,783,056	202,469,885	240,599,955
Restricted:				
Special projects	36,707,513	43,425,547	45,022,351	42,252,463
Debt service	1,351,403	1,142,962	1,443,764	3,798,905
Permanent fund: non expendable trust	-	-	23,177	23,418
Capital projects	40,354,175	37,584,928	29,385,584	39,709,880
Unrestricted	41,998,115	53,065,739	55,873,303	7,755,399
Total primary government activities net position	<u>\$ 317,061,253</u>	<u>\$ 332,002,232</u>	<u>\$ 334,218,064</u>	<u>\$ 334,140,020</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 182,493,710	\$ 182,884,119	\$ 179,955,291	\$ 194,631,072	\$ 189,666,550	\$ 190,230,149
45,082,152	52,781,562	56,684,273	56,831,818	89,258,127	108,073,879
-	-	-	-	-	-
733,240	-	-	-	-	-
23,575	23,665	23,755	23,770	23,852	24,036
19,573,193	24,073,206	28,599,585	(38,244,031)	(55,873,989)	(55,661,778)
<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>	<u>242,666,286</u>
97,392,844	99,071,053	101,630,468	108,204,912	116,665,454	130,273,647
-	-	-	-	-	-
3,368,110	2,706,388	2,705,842	2,705,813	2,246,500	40,170
-	-	-	-	-	-
31,125,709	40,176,194	47,338,349	40,725,093	43,276,542	38,210,093
<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>	<u>168,523,910</u>
279,886,554	281,955,172	281,585,759	302,835,984	306,332,004	320,503,796
45,082,152	52,781,562	56,684,273	56,831,818	89,258,127	108,073,879
3,368,110	2,706,388	2,705,842	2,705,813	2,246,500	40,170
23,575	23,665	23,755	23,770	23,852	24,036
733,240	-	-	-	-	-
50,698,902	64,249,400	75,937,934	2,481,062	(12,597,447)	(17,451,685)
<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>	<u>\$ 411,190,196</u>

Schedule 2

City of Petaluma, CA

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	\$ 4,193,590	\$ 4,555,487	\$ 7,610,166	\$ 6,666,303
Community development	18,167,372	16,380,437	18,797,323	14,999,852
Police	16,535,445	15,788,825	15,727,066	15,583,297
Fire	8,193,495	8,174,322	10,172,173	10,282,621
Parks and recreation	6,154,005	5,337,468	2,956,236	2,439,642
Public works	9,724,943	6,698,175	10,145,360	7,562,505
Debt service	3,497,893	3,522,910	3,349,762	3,361,901
Indirect expense allocation	-	-	(1,420,750)	(984,500)
Total governmental activities net position	66,466,743	60,457,624	67,337,336	59,911,621
Business-type activities				
Airport	1,586,579	1,342,029	1,542,320	1,544,378
Ambulance	2,503,099	2,307,644	-	-
Development Services	1,348,591	1,524,440	1,050,823	1,047,568
Marina	807,938	678,347	600,797	499,941
Public Transportation	2,540,221	2,281,271	2,037,363	4,057,615
Wastewater	11,544,863	10,722,037	11,615,051	17,979,930
Water Utility	10,570,251	10,528,513	10,584,053	11,790,875
Storm Water	-	-	-	-
Indirect expense allocation	-	-	1,420,750	984,500
Total business-type activities net assets	30,901,542	29,384,281	28,851,157	37,904,807
Total primary government activities net position	\$ 97,368,284	\$ 89,841,905	\$ 96,188,493	\$ 97,816,428
Program Revenues :				
Governmental activities:				
Charges for services:				
General government	\$ 263,871	\$ 3,443,554	\$ 3,067,208	\$ 1,734,612
Community development	5,433,211	1,622,257	1,603,801	1,489,215
Police	708,284	282,203	285,067	303,190
Fire	-	354,651	1,980,928	2,148,991
Parks and recreation	1,379,888	1,097,340	920,627	828,595
Public works	138,806	145,004	257,400	516,805
Operating grants and contributions	9,278,484	1,649,225	1,675,098	1,942,063
Capital grants and contributions	11,271,768	3,401,082	3,601,567	889,116
Total government activities program revenues	28,474,312	11,995,316	13,391,696	9,852,587
Business-type activities:				
Airport	1,971,936	1,721,866	1,656,007	1,729,631
Ambulance	1,855,217	2,042,455	-	-
Development Services	952,925	1,234,681	1,212,558	1,253,868
Marina	245,634	253,888	268,650	284,372
Public Transportation	201,802	202,524	191,704	221,620
Wastewater Utility	16,910,890	17,555,638	19,068,591	18,987,640
Water Utility	11,914,062	12,461,378	11,718,421	11,673,782
Storm water	-	-	-	-
Operating grants and contributions	-	-	-	3,868,941
Capital grants and contributions	2,386,860	4,055,695	2,681,248	1,842,350
Total business-type activities program revenues	36,439,326	39,528,125	36,797,179	39,862,204
Total primary government program revenues	\$ 64,913,638	\$ 51,523,441	\$ 50,188,875	\$ 49,714,791

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 5,872,122	\$ 6,435,412	\$ 5,557,915	\$ 6,217,478	\$ 7,842,885	\$ 7,925,576
5,277,051	9,701,909	4,427,499	3,557,139	4,493,471	4,867,318
18,015,788	16,328,693	15,594,733	15,681,606	15,527,900	17,857,299
11,056,239	11,412,188	11,143,797	12,255,873	11,440,319	14,303,243
2,394,835	2,777,778	3,181,968	2,497,607	2,527,664	2,685,777
10,805,587	9,273,743	9,146,857	10,273,849	10,505,752	8,631,396
1,876,877	1,007	-	-	-	-
(851,273)	(850,357)	(859,304)	(1,332,733)	(1,817,226)	(1,717,226)
<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>	<u>54,553,383</u>
2,060,164	1,956,849	1,731,830	1,648,939	1,658,938	1,603,499
-	-	-	-	-	-
1,197,701	1,145,142	1,248,470	1,314,221	1,683,387	1,478,233
538,029	494,854	467,323	422,502	396,281	429,959
2,317,905	2,464,412	2,973,974	2,692,703	4,534,626	4,464,719
17,847,608	17,582,495	17,866,754	18,965,735	17,490,248	22,835,958
12,388,010	12,150,268	13,046,584	13,159,889	11,439,420	11,651,874
162,962	367,201	556,848	361,271	634,983	621,354
851,273	850,357	859,304	1,332,733	1,817,226	1,717,226
<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>44,802,822</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>	<u>\$ 99,356,205</u>
\$ 1,697,561	\$ 1,683,790	\$ 1,957,958	\$ 2,780,709	\$ 3,118,778	\$ 3,049,671
1,849,691	7,648,689	2,201,532	1,651,455	3,041,924	2,712,386
198,093	230,793	232,352	177,500	232,240	215,514
2,267,921	2,383,025	2,421,869	2,359,121	2,977,077	3,015,250
2,342,066	2,651,535	1,144,415	1,875,867	2,400,854	1,555,221
1,593,884	8,850,951	3,362,076	2,729,827	2,672,029	2,741,833
2,871,876	1,148,472	1,200,590	782,758	647,646	940,937
1,308,367	7,517,779	3,646,751	11,363,165	2,983,243	2,285,291
<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>	<u>16,516,103</u>
1,832,434	1,784,648	1,821,942	1,759,606	1,715,315	1,676,482
1,334,879	1,715,375	1,531,052	1,395,230	2,049,407	1,998,849
283,903	298,189	255,972	242,993	255,347	258,739
261,899	254,711	292,501	312,964	308,324	293,533
23,585,304	25,305,037	24,295,231	26,032,141	27,218,673	25,099,098
14,460,991	15,408,460	15,209,463	14,430,666	13,356,427	14,550,820
-	-	-	-	888	796
2,071,633	2,146,869	3,676,644	3,434,460	4,209,175	6,494,938
138,305	-	449,283	-	-	-
<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>50,373,255</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>	<u>\$ 66,889,358</u>

Schedule 2

City of Petaluma, CA

Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Net revenues (expenses):				
Governmental activities	\$ (37,992,431)	\$ (48,462,308)	\$ (53,945,640)	\$ (50,059,034)
Business-type activities	5,537,784	10,143,844	7,946,022	1,957,397
Total net revenues (expenses)	<u>\$ (32,454,647)</u>	<u>\$ (38,318,464)</u>	<u>\$ (45,999,618)</u>	<u>\$ (48,101,637)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,392,338	\$ 7,172,637	\$ 6,923,955	\$ 6,736,251
Redevelopment tax increment	16,777,120	17,241,026	17,224,163	16,166,274
Sales taxes	11,649,972	9,445,467	8,631,248	8,843,821
Franchise tax	2,549,185	3,089,600	3,132,790	3,202,734
Intergovernmental, unrestricted	8,111,724	8,061,316	6,159,837	6,046,647
Other taxes	2,335,038	2,792,427	2,793,543	3,062,970
Unrestricted investment earnings	3,743,723	2,185,882	796,641	332,785
Gain on disposal of assets	-	-	-	-
Miscellaneous revenue	1,205,975	680,896	2,039,729	3,351,769
Transfers	167,558	(1,042,655)	221,545	(50,350)
Successor Agency Bond Proceeds	-	-	-	-
Total governmental activities	<u>58,176,721</u>	<u>49,626,596</u>	<u>47,923,451</u>	<u>47,692,901</u>
Business-type activities:				
Taxes:				
Unrestricted investment earnings	\$ 1,131,778	\$ 772,842	\$ 521,229	\$ 280,342
Gain on disposal of assets	-	-	-	-
Miscellaneous revenue	-	-	(7,685)	-
Transfers	(167,558)	1,042,655	(221,545)	50,350
Total business-type activities	<u>964,220</u>	<u>1,815,497</u>	<u>291,999</u>	<u>330,692</u>
Total primary government	<u>\$ 59,140,941</u>	<u>\$ 51,442,093</u>	<u>\$ 48,215,450</u>	<u>\$ 48,023,593</u>
Changes in net position:				
Governmental activities	\$ 20,184,292	\$ 1,164,288	\$ (6,022,189)	\$ (2,366,133)
Business-type activities	<u>6,502,004</u>	<u>11,959,341</u>	<u>8,238,021</u>	<u>2,288,089</u>
Total primary government	<u>\$ 26,686,297</u>	<u>\$ 13,123,629</u>	<u>\$ 2,215,832</u>	<u>\$ (78,044)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ (40,317,767)	\$ (22,965,339)	\$ (32,025,922)	\$ (25,430,417)	\$ (32,446,974)	\$ (38,037,280)
6,605,696	9,901,711	8,781,001	7,710,067	9,458,447	5,570,433
<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>	<u>\$ (32,466,847)</u>
\$ 6,814,419	\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,583,057	\$ 9,961,220
7,153,936	-	-	-	-	-
9,383,601	9,904,433	11,459,527	12,393,784	12,836,372	12,346,472
3,063,429	3,651,287	4,088,228	4,200,929	4,386,505	4,678,179
6,117,382	6,971,230	6,918,391	8,060,611	7,826,858	8,093,750
3,251,193	3,710,336	4,045,534	4,413,036	4,973,753	5,630,225
436,659	316,101	241,751	140,208	642,914	296,135
-	-	-	4,684	-	13,050
3,455,064	1,694,223	3,562,242	4,897,416	2,783,899	3,420,154
39,568,592	(90,000)	(746,420)	(610,580)	(754,473)	(479,403)
-	-	-	-	-	5,547,823
<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>	<u>49,507,605</u>
\$ 159,409	\$ 75,261	\$ 190,603	\$ 113,214	\$ 338,933	\$ 285,078
-	-	3,000	6,720	825	500
-	-	-	-	-	-
(39,100)	90,000	746,420	610,580	754,473	479,403
<u>120,309</u>	<u>165,261</u>	<u>940,023</u>	<u>730,514</u>	<u>1,094,231</u>	<u>764,981</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>	<u>\$ 50,272,586</u>
\$ 38,926,508	\$ 11,856,682	\$ 5,500,351	\$ 16,585,960	\$ 9,831,911	\$ 11,470,325
6,726,005	10,066,972	9,721,024	8,440,581	10,552,678	6,335,414
<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>	<u>\$ 17,805,739</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Reserved	\$ 2,849,553	\$ 252,265	\$ 881,458	
Unreserved, designated	761,418	54,582	-	
Unreserved	3,875	1,732,418	926,720	
Total general fund	<u>3,614,846</u>	<u>2,039,265</u>	<u>1,808,178</u>	
All Other Governmental Funds:				
Reserved	40,732,331	57,098,058	56,141,521	
Unreserved, designated for:				
Special revenue funds	625,383	165,151	21,753	
Capital project funds	82,077	-	-	
Unreserved, reported in:				
Special revenue funds	4,206,199	15,182,712	21,369,514	
Debt service funds	-	(36,727)	-	
Capital project funds	31,998,281	8,548,759	(2,802,574)	
Permanent trust	-	-	23,177	
Permanent funds	22,398	22,982	-	
Total all other governmental funds	<u>77,666,669</u>	<u>80,980,935</u>	<u>74,753,391</u>	
Total governmental fund balances	<u>\$ 81,281,515</u>	<u>\$ 83,020,200</u>	<u>\$ 76,561,569</u>	
General Fund:				
Nonspendable			\$ 64,144	
Committed			397,275	
Assigned			-	
Unassigned			-	
Total general fund			<u>\$ 461,419</u>	
All Other Governmental Funds:				
Nonspendable			\$ 27,034	
Restricted			68,494,306	
Committed			14,919,647	
Assigned			-	
Unassigned			-	
Total governmental fund balances			<u>\$ 83,440,987</u>	

Fiscal Year					
2012	2013	2014	2015	2016	2017

\$ 81,024	\$ 95,544	\$ 83,177	\$ 91,451	\$ 87,958	\$ 102,778
1,179,964	2,041,359	-	2,037,806	3,277,768	4,230,191
-	254,236	4,081,779	4,757,796	4,866,554	5,088,820
-	1,703,571	1,633,298	1,872,873	1,998,762	2,040,912
<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>	<u>\$ 11,462,701</u>

\$ 1,378,920	\$ 23,665	\$ 16,000	\$ 23,770	\$ 23,852	\$ 24,036
28,697,753	27,542,010	57,556,197	57,639,586	90,030,630	108,776,998
16,732,210	26,156,633	1,391,787	-	1,331,352	969,777
-	-	-	-	-	-
-	(81,888)	-	(1,843,525)	-	-
<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>	<u>\$ 109,770,811</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes (see schedule 5)	\$ 41,281,833	\$ 39,739,098	\$ 38,705,700	\$ 38,012,050
Licenses, permits and fees	6,311,769	1,912,580	1,274,934	2,207,999
Fines, forfeitures and penalties	868,609	799,544	789,895	909,973
Use of money and property	3,394,711	2,215,231	1,019,686	671,185
Intergovernmental	14,610,795	12,447,440	11,435,893	9,013,452
Charges for current services	5,701,169	4,784,440	4,373,632	4,808,475
Other	8,843,045	876,041	2,466,222	1,764,517
Total revenues	81,011,931	62,774,374	60,065,962	57,387,651
Expenditures				
Current:				
General government	5,058,079	3,875,414	3,667,640	3,538,262
Community development	16,587,683	14,877,627	17,542,710	13,913,519
Police	16,866,135	15,104,761	14,965,311	15,029,140
Fire	8,165,412	7,790,262	9,288,308	9,979,449
Parks and recreation	5,647,957	4,574,962	2,280,237	1,845,714
Public works	7,321,255	5,521,183	7,198,568	6,574,553
Capital outlay	19,328,719	4,375,770	7,071,745	6,010,308
Debt service				
Principal	1,184,000	1,312,000	1,355,000	1,629,814
Interest	3,484,023	3,359,588	3,289,018	3,315,833
Cost of issuance	-	-	-	-
Total expenditures	83,643,263	60,791,567	66,658,537	61,836,592
Excess of revenues over (under) expenditures	(2,631,332)	1,982,807	(6,592,575)	(4,448,941)
Other Financing Sources (Uses):				
Debt issuance	-	-	-	11,561,444
Premium paid	-	-	-	-
Payment to escrow agent	-	-	-	-
Proceeds from the sale of assets	10,992	1,669	-	4,504
Contributions from enterprise funds	-	-	-	207,830
Transfers in	29,447,200	16,622,618	15,946,693	21,418,966
Transfers out	(29,927,878)	(17,368,889)	(15,812,749)	(21,418,966)
Total other financing sources (uses)	(469,686)	(744,602)	133,944	11,773,778
Special Item				
Successor Agency Bond Proceeds	-	-	-	-
	\$ (3,101,018)	\$ 1,238,205	\$ (6,458,631)	\$ 7,324,837

Debt service as a percentage of noncapital expenditures (1) 7.26% 8.28% 7.79% 8.86%

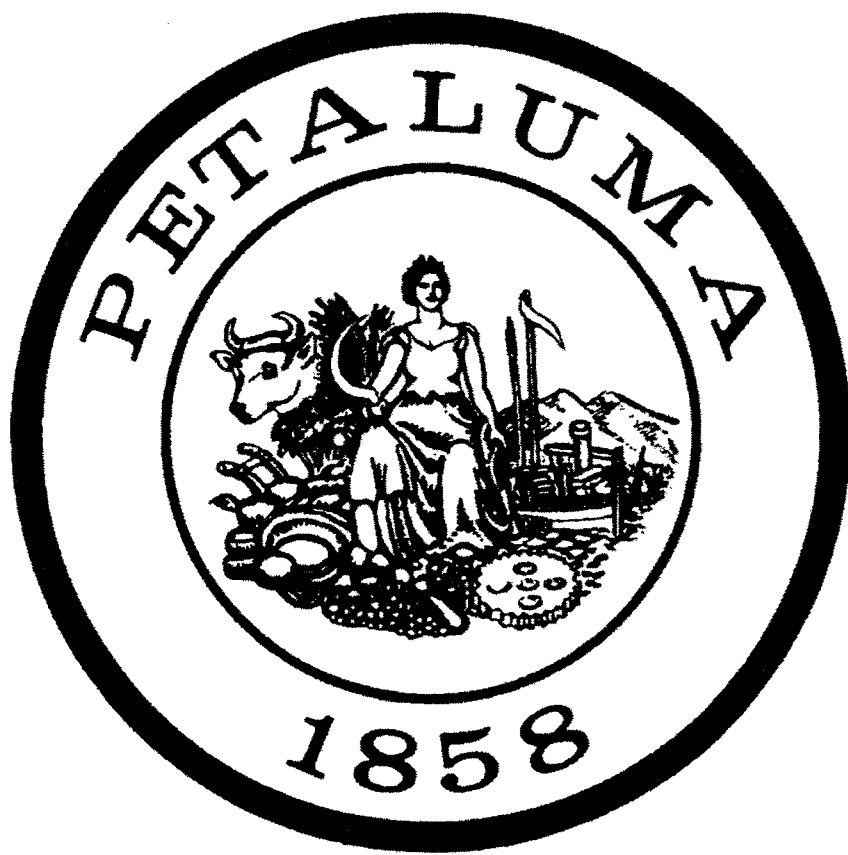
(1) Paragraph 12b requires that the interest and principal components of debt service expenditures be presented separately and that total debt service be shown as a percentage of total noncapital expenditures. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 29,666,577	\$ 25,930,467	\$ 27,550,308	\$ 29,524,036	\$ 31,530,249	\$ 32,616,096
4,921,033	13,467,082	5,768,076	5,405,398	6,678,465	5,802,314
927,900	904,110	892,444	592,257	556,508	739,272
736,888	684,382	665,222	708,536	986,419	2,247,879
12,566,803	15,223,097	11,680,110	19,225,393	11,289,946	10,964,409
5,048,086	5,292,940	5,524,587	6,236,573	7,475,695	7,520,475
1,100,595	817,149	2,319,182	4,650,482	2,165,019	723,345
<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>	<u>60,613,790</u>
3,079,373	2,982,115	3,504,750	4,565,381	5,319,069	5,900,460
6,655,687	7,253,174	3,018,073	2,345,822	2,506,730	2,437,844
14,906,572	15,268,849	15,718,865	15,672,647	16,858,379	17,742,374
10,442,244	10,734,962	11,524,404	12,262,326	12,748,714	13,915,726
1,739,081	2,141,679	2,504,147	8,169,900	2,949,395	2,594,334
6,550,016	12,482,214	7,552,488	18,737,202	7,838,030	10,729,275
4,809,382	1,595,828	2,733,981	3,987,980	334,381	280,032
113,958	134,264	-	-	-	-
1,877,695	2,352	-	-	-	-
-	-	-	-	-	-
<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>53,600,045</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>	<u>7,013,745</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	31,469	40,307	4,684	7,607	13,050
-	-	-	-	-	-
13,041,470	8,822,043	5,759,605	8,752,964	8,378,259	7,454,274
<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>(8,533,677)</u>
90,000	(58,531)	(816,113)	(783,896)	(1,346,866)	(1,066,353)
-	-	-	-	-	5,547,823
<u>\$ 4,883,874</u>	<u>\$ 9,665,259</u>	<u>\$ 7,027,108</u>	<u>\$ (182,479)</u>	<u>\$ 10,780,737</u>	<u>\$ 11,495,215</u>
4.39%	0.27%	0.00%	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			
	2008	2009	2010	2011
Property	\$ 24,169,458	\$ 24,413,663	\$ 24,148,118	\$ 22,929,525
Sales and Use	11,649,972	9,445,467	8,631,248	8,843,821
Occupancy	1,487,648	1,300,892	1,165,607	1,341,692
Franchise	2,549,185	3,089,600	3,132,790	3,202,734
Property Transfer	861,987	737,354	845,268	834,527
Other	563,583	752,122	782,669	886,751
Total taxes	\$ 41,281,833	\$ 39,739,098	\$ 38,705,700	\$ 38,039,050

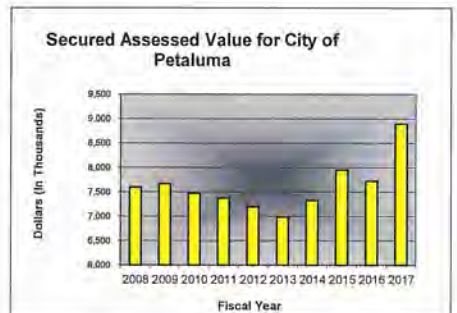
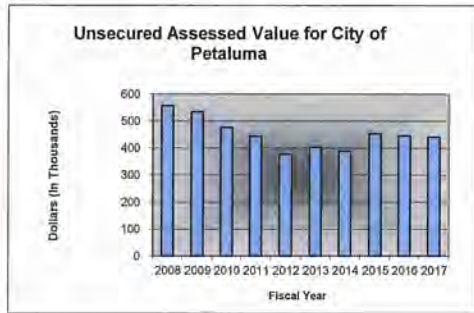
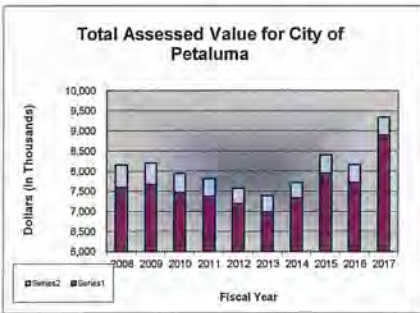
Fiscal Year							% Change
2012	2013	2014	2015	2016	2017	2008-2017	
\$ 13,968,355	\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,333,619	\$ 9,961,220	-58.79%	
9,383,601	9,904,433	11,459,527	12,393,784	12,836,372	12,346,472	5.98%	
1,484,818	1,680,783	1,919,729	2,068,949	2,490,524	2,651,226	78.22%	
3,063,428	3,651,287	4,088,228	4,200,929	4,386,505	4,678,180	83.52%	
826,506	984,045	965,868	1,173,223	1,245,039	1,769,698	105.30%	
939,869	1,045,508	1,159,937	1,170,864	1,238,190	1,209,301	114.57%	
\$ 29,666,577	\$ 25,930,467	\$ 27,550,308	\$ 29,524,038	\$ 31,530,250	\$ 32,616,097		



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)
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
2017	7,102,508,869	169,672,532	(216,201,804)	7,055,979,597	8,211,304,528		1.164

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)
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
2017	1,987,486,724	293,974,519	(149,512,727)	2,131,948,516	2,481,027,370		1.164



(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)

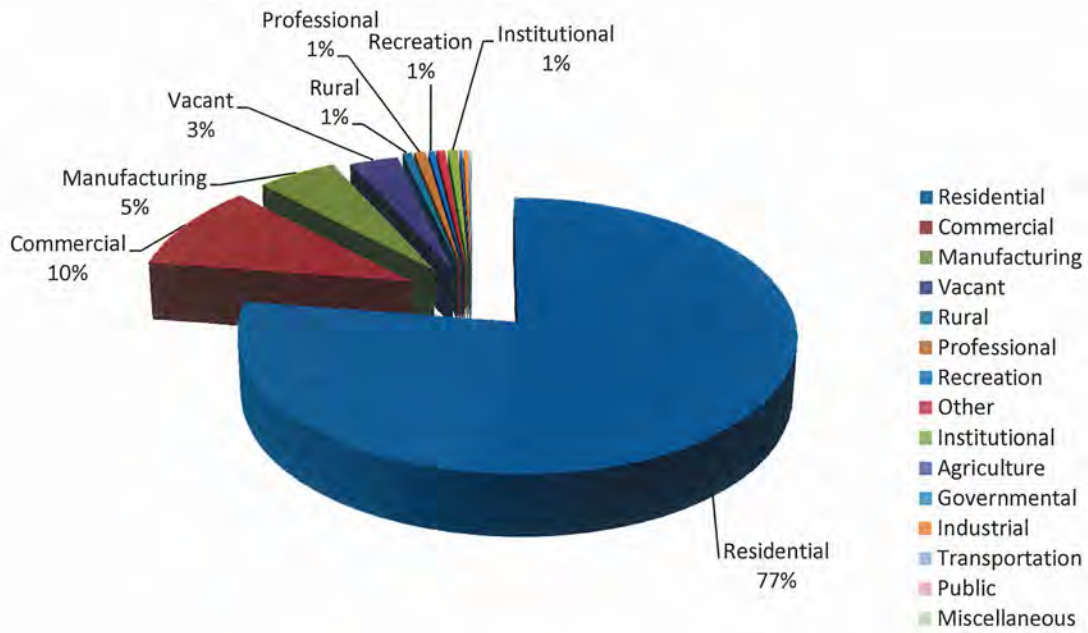
Category	Fiscal Year			
	2008	2009	2010	2011
Residential	\$ 5,816,643	\$ 5,796,159	\$ 5,555,350	\$ 5,575,896
Commercial	737,020	816,894	841,014	838,152
Manufacturing	494,966	509,564	524,252	502,140
Vacant	276,480	259,769	278,095	181,087
Rural	56,741	34,949	36,061	39,886
Professional	67,838	69,365	70,073	64,446
Recreation	32,333	34,405	39,235	46,025
Other	27,686	29,622	30,618	30,443
Institutional	40,580	39,249	37,717	33,414
Agriculture	22,344	21,628	27,496	27,431
Governmental	-	3,725	3,799	3,791
Industrial	12,889	14,148	14,319	14,234
Transportation	9,495	8,993	9,349	9,468
Public	-	1,392	1,419	1,416
Miscellaneous	1,178	1,143	1,164	1,160
TOTAL	\$ 7,596,193	\$ 7,641,005	\$ 7,469,961	\$ 7,368,989

Source: Sonoma County Assessor data , MuniServices, LLC

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 5,551,197	\$ 5,398,541	\$ 5,693,569	\$ 6,219,648	\$ 6,615,390	\$ 7,034,503	
751,102	743,611	762,317	821,853	858,577	944,370	
478,954	444,375	431,460	439,847	450,611	484,841	
149,555	151,203	181,976	191,734	212,309	287,083	
38,536	38,296	39,054	39,631	42,465	55,342	
60,875	62,193	65,564	66,504	67,539	69,649	
45,608	44,902	44,188	40,044	36,017	38,315	
29,293	29,485	27,854	51,706	53,043	53,678	
35,365	35,782	45,531	38,362	41,285	60,718	
27,640	6,994	7,039	6,358	5,940	9,904	
3,819	3,895	3,992	3,991	5,500	5,584	
14,341	14,626	14,566	14,631	15,901	26,366	
5,024	8,201	8,222	8,244	8,384	8,713	
1,427	1,455	1,484	1,491	1,521	1,544	
1,169	1,192	1,216	4,864	5,246	9,386	
\$ 7,193,905	\$ 6,984,751	\$ 7,328,032	\$ 7,948,908	\$ 8,419,728	\$ 9,089,996	

Schedule 8
City of Petaluma, CA
 Assessed Value of Taxable Property by Use Code, Citywide
 2016-2017 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Basic City and County Levy (1):										
Bay Area Quality Mgmt	0.0000	0.0000	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019
City Direct Rate	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643	0.1643
County Library	0.0000	0.0000	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0186	0.0186
County of Sonoma	0.8357	0.8357	0.2785	0.2785	0.2785	0.2785	0.2785	0.2785	0.2784	0.2784
Gen #1 SOCO Water Agency	0.0000	0.0000	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
MRN/SNMA MOSO & Vector	0.0000	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Petaluma AWUF	0.0000	0.0000	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110
Petaluma Schools	0.0000	0.0000	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973
South SO RES CN Land	0.0000	0.0000	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Spring Lake Park SCWA	0.0000	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
ZN ZA Petaluma Basin	0.0000	0.0000	0.0158	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	0.0305	0.0305	0.0305	0.0342	0.0342	0.0360	0.0650	0.0590	0.0460
Sonoma County Junior College bonds	0.0250	0.0250	0.0250	0.0210	0.0210	0.0210	0.0188	0.0180	0.0160	0.0400
Petaluma Elementary school bonds	0.0480	0.0455	0.0435	0.0435	0.0465	0.0465	0.0505	0.0620	0.0530	0.0410
Old Adobe Elementary school bonds	-	-	-	-	-	-	-	-	-	-
Total Override Assessments:	0.1000	0.1080	0.1060	0.1020	0.1087	0.1087	0.1123	0.1520	0.1350	0.1340
Total Direct and Overlapping Rates:	1.1000	1.1080	1.1060	1.1020	1.1087	1.1087	1.1123	1.1520	1.1350	1.1340

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				
	2017			2008	
	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	\$ 74,291,963	1	0.81%	\$ -	0.00%
Sscop Properties LLC	68,935,367	2	0.75%	-	0.00%
Sequoia Equities Park Central	57,363,875	3	0.62%	50,777,370	0.65%
Lagunitas Brewing Company	46,556,529	4	0.51%	-	0.00%
Mgp Viii Properties LLC	43,153,461	5	0.47%	-	0.00%
Regency Petaluma LLC	42,150,713	6	0.46%	26,253,573	0.34%
Tsa Skh Investors LLC	33,776,037	7	0.37%	-	0.00%
Azure At Lakeville Square LLC	33,110,619	8	0.36%	-	0.00%
Redwood Gateway LLC	33,049,507	9	0.36%	29,103,507	0.37%
Target Corp	31,696,041	10	0.34%	-	0.00%
Palo Alto Bayshore Investors L	29,930,350	11	0.33%	-	0.00%
Novak Property LLC	28,085,969	12	0.31%	-	0.00%
Addison Ranch Apts LLC	28,021,616	13	0.30%	-	0.00%
Quarry Heights LLC	27,920,811	14	0.30%	-	0.00%
Labcon North America	27,585,365	15	0.30%	-	0.00%
Petaluma Marina Investors LLC	26,351,825	16	0.29%	-	0.00%
Chelsea Gca Realty Ptp	26,110,140	17	0.28%	29,147,705	0.37%
Syers Properties ILP	25,546,285	18	0.28%	22,214,459	0.29%
Washington Square Assoc	25,253,032	19	0.27%	22,344,410	0.29%
Clover Stornetta Farms Inc.	25,187,381	20	0.27%	-	0.00%
Parkway Petaluma Llc	21,219,446	21	0.23%	18,732,711	0.24%
Redwood Business Center 1 LLC	19,735,521	22	0.21%	-	0.00%
Haven At Petaluma LLC	19,693,937	23	0.21%	-	0.00%
1465 N Mcdowell Holdings 1 LLC	18,516,199	24	0.20%	-	0.00%
Molecular Bio Products Inc.	17,110,790	25	0.19%	-	0.00%
Ca-Redwood Business Park Iii L				83,353,710	1.07%
Cerent Corp				69,763,450	0.90%
Rnm Lakeville LP				62,259,852	0.80%
Fibex Systems Inc.				55,119,280	0.71%
Cisco Technology Inc				36,128,864	0.46%
Tellabs Petaluma Inc.				36,088,310	0.46%
Petaluma Theatre District LLC				34,595,263	0.44%
Crp Holdings A-1 LLC				32,895,000	0.42%
Eqr Lakeville Resort General P				32,334,436	0.41%
Lok Petaluma Marina Hotel				26,132,573	0.34%
Lba Realty Fund Ii - Wbp Iii L				25,194,000	0.32%
Minnesota Mining & Manufacturi				24,107,710	0.31%
Savoy Corporation				23,614,560	0.30%
Petaluma Greenbriar Apartments				21,066,616	0.27%
North Bay Construction Inc				20,159,945	0.26%
Marina Office Park Associates				19,348,724	0.25%
Golden Eagle Delaware LLC				16,320,000	0.21%
Adobe Creek Partners LLC				15,810,000	0.20%
Top 25 Taxpayers	830,352,779		9.04%	832,866,028	10.69%
All Other Taxpayers	8,357,575,334		90.96%	6,960,255,087	89.31%
Total Taxable Assessed Values	\$ 9,187,928,113		100.00%	\$ 7,793,121,115	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
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%
2017	9,633,671	9,633,671	100.00%	-	9,633,671	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
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	-	-	-	-
2017	-	-	-	-

Business-type Activities					
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Total Business-Type Activities
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
2017	30,215,374	6,337,247	4,143,000	86,324,413	127,020,034

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2017	\$ 127,020,034	6%	\$ 2,084

Note: capital lease is immaterial

Schedule 13

City of Petaluma, CA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2017**

2016-17 Assessed Valuation:	\$	9,266,615,806	(includes aircraft valuations)
Redevelopment Incremental Valuation:		<u>(1,758,289,190)</u>	
Adjusted Assessed Valuation:	\$	7,508,326,616	

	Total Debt 6/30/2017	% Applicable	City's Share of Debt 6/30/2017
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College	\$ 279,950,000	11.25%	\$ 31,494,375
Petaluma Joint Union High School District	60,332,700	76.72%	46,284,834
Old Adobe Union School District	25,733,964	89.20%	22,955,211
Cinnabar School District	2,400,000	42.88%	1,029,096
Petaluma City School District	13,795,000	84.59%	11,668,639
Wilmar Union School District	3,887,436	13.55%	526,631
Waugh School District Facilities Improvement District #1	1,767,120	100.00%	1,767,120
Waugh School District Community Facilities District #1	4,655,000	100.00%	4,655,000
City of Petaluma 1915 Act Bonds	1,879,900	100.00%	1,879,900
California Statewide Community Development Authority 1915 Act Bonds	5,133,998	100.00%	5,133,998
Total Overlapping Tax and Assessment Debt			<u>\$ 127,394,804</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County General Fund Obligations	\$ 18,463,567	11.34%	\$ 2,094,322
Sonoma County Pension Obligations	404,185,000	11.34%	45,846,705
Sonoma County Office of Education COP	930,000	11.34%	105,490
Sonoma County Joint Community College GF Obligation	1,280,000	11.25%	144,000
Petaluma Joint Union High School District COP	5,670,000	76.72%	4,349,797
Cinnabar School District COP	1,222,000	42.88%	523,981
Total Direct and Overlapping General Fund Debt:			<u>\$ 53,064,295</u>
OVERLAPPING TAX INCREMENT DEBT	\$ 69,290,000	96.13%	\$ 66,609,863
Total Direct Debt			-
Total Overlapping Debt			247,068,962
Combined Total Debt			<u>\$ 247,068,962</u>

Source:

MuniServices, LLC
non-bonded capital lease obligations.

Ratios to adjust Assessment Valuation:

Total Overlapping Tax and Assessment Debt 1.37%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$4,143,000) 0.04%

Combined Total Debt 2.71%

State School Building Aid Repayment as of 6/30/2017: \$0

AB:(\$500)

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
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	-	-	-	-	-
2017	-	-	-	-	-

*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
2017	14,255,191	11,259,216	2,995,975	423,000	222,952	4.64

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
2017	23,074,598	10,079,533	12,995,065	6,145,372	3,323,928	1.37

* 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 %
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%
2017	60,941	2,291,736	37,606	40.8	7,776	3.00%

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					
	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	1,347	1	4.07%	1,000	1	3.10%
Petaluma Poultry Processors	561	2	1.69%	400	4	1.24%
Petaluma Valley Hospital	507	3	1.53%	600	3	1.86%
City of Petaluma	372	4	1.12%	336	6	1.04%
Enphase Energy Inc	338	5	1.02%			0.00%
Lagunita's Brewing Company*	346	6	1.05%			0.00%
Santa Rosa Junior College	300	7	0.91%	350	5	1.08%
Hansel Auto (includes Honda, Toyota)	268	8	0.81%	300	7	0.93%
Old Adobe Union School District	256	9	0.77%	225	9	0.70%
Clover Stornetta Farms	256	10	0.77%			0.00%
United States Postal Office				607	2	1.88%
North Bay Construction				250	8	0.77%
Calix Networks Inc.				225	10	0.70%
Total Principal Employers	4,551		13.75%	4,356		13.29%
Total City Employment (1)	33,100			32,300		

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				
	2008	2009	2010	2011	2012
Governmental					
General government (total of next 8)	42.8	44.7	44.7	38.8	30.1
Administrative Services (Finance)	12.1	11.5	11.6	8.9	6.05
Internal Services	13.6	15.2	15.2	13.2	10.7
Animal Services	9.7	9.2	9.0	8.0	6.0
City Attorney	0.5	0.5	0.5	0.5	0.5
City Clerk	2.5	2.0	2.0	2.0	2.0
City Manager	1.8	3.8	3.8	3.6	3.3
Human Resources	2.6	2.6	2.6	2.6	1.6
Community development	26.0	2.0	3.6	3.0	5.5
Fire	48.0	47.0	58.3	58.0	57.0
Police	110.0	111.0	111.8	99.5	83.1
Parks and recreation	48.0	45.3	19.8	7.3	5.0
Public works	36.0	31.0	49.0	51.4	35.7
Business Activities					
Airport	3.0	2.7	3.1	1.6	1.6
Ambulance	11.0	11.0	0.0	0.0	0.0
Development Services	5.0	2.0	2.0	3.0	4.0
Marina	0.6	0.6	0.6	0.0	0.0
Transit	2.0	2.0	1.8	2.0	1.0
Water	25.0	24.0	25.7	28.4	29.6
Waste water	18.0	31.3	30.5	31.5	29.6
Internal Service					
Employee benefits	1	1	1	1	0.4
General services	3	3	3	2	2
Information technology	6	7	7	7	7
Risk management	3	4	4	3	0
Workers' compensation	1	1	1	1	1
Total	375	355	351	324	282

Source: City budget, finance department

Fiscal Year				
2013	2014	2015	2016	2017
28.7	26.7	35.0	35.6	36.6
6.05	6.1	13.0	13.0	14.0
10.7	10.7	9.0	9.0	9.0
5.0	0.0	0.0	0.0	0.0
0.0	3.0	4.0	4.0	4.0
2.0	2.0	2.0	2.0	2.0
3.3	3.3	4.0	4.0	4.0
1.6	1.6	3.0	3.6	3.6
1.7	3.7	2.0	2.0	2.0
57.0	57.0	58.0	58.0	58.0
81.5	82.5	84.5	84.5	89.7
5.0	6.0	6.0	6.0	9.0
38.5	36.5	35.2	36.2	39.6
1.0	1.0	1.0	1.0	1.0
0.0	0.0	0.0	0.0	0.0
4.0	5.0	6.0	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	30.1	29.9	30.4	30.9
29.6	30.1	29.9	30.4	31.0
0.7	0.7	0.0	0.0	0.0
2	2	2	2	2
7	7	7	7	7
0	0	0	0	0
1	1	0	0	0
278	280	289	291	305

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

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Community development				
Commercial building permits issued	331	201	192	100
Residential building permits issued	670	666	725	1,000
Inspections performed	4,314	2,846	3,288	4,315
Police				
Number of police calls	54,671	57,396	53,209	54,429
Parking citations	7,734	6,769	5,825	5,564
Traffic citations	6,941	6,769	7,181	5,544
Administrative citations				
Fire				
Ambulance runs	3,566	3,624	3,569	3,508
Fire calls	1,487	1,551	1,478	1,456
Inspections	1,716	2,164	1,737	1,898
Public works				
Street resurfacing miles	0	0.85	2.44	4.33
Parks and recreation				
Historical library & museum visitors	8,234	7,184	12,521	11,473
Recreation class attendance	8,701	4,602	3,248	3,547
Special event attendance	30,000	13,000	12,000	12,700
Airport				
Airport movements	26,000	26,000	26,000	26,000
Annual fuel consumption (gallons)	174,174	170,500	172,110	172,749
Water				
Annual water purchased in billions of gallons	3.2	2.8	2.2	2.4
Utility accounts	19,549	19,434	20,214	19,839
Wastewater				
Average dry weather flows of sewage	3.99 mgd	4 mgd	4.3 mgd	4.6 mgd
Transit				
Number of bus routes	3	3	3	6
Annual ridership	189,500	167,927	181,556	229,447

Sources:

Various city department reports, annual budget narrative

Fiscal Year					
2012	2013	2014	2015	2016	2017
241	249	318	507	255	367
821	1,142	1,172	1,023	1,609	1,549
4,614	6,344	4,379	3,470	4,850	6,185
50,667	49,496	52,738	55,121	56,887	57,616
7,118	9,081	8,073	3,522	6,723	8,248
7,667	4,742	4,947	2,119	3,966	4,041
				35	120
3,612	3,614	3,817	3,963	4,204	4,193
1,557	1,606	1,816	1,863	2,086	2,250
2,014	2,408	2,458	2,723	2,425	2,656
0.75	1.5	1.44	1.7	1.08	2.74
8,801	7,760	6,269	7,251	10,192	10,612
3,214	3,271	3,522	2,499	2,339	2,364
12,900	10,000	2,000	3,400	4,700	4,850
26,000	26,000	26,000	26,000	26,000	26,000
177,286	167,700	138,000	170,885	192,256	175,629
2.7	3.1	3.0	2.5	3.	2.8
19,995	20,152	20,230	20,280	20,322	20,442
4.7 mgd	4.7 mgd	4.3 mgd	4.3 mgd	4.3 mgd	4.3 mgd
6	6	6	6	7	7
306,017	339,460	384,967	400,407	370,674	414,089

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

Function/Program	Fiscal Year			
	2008	2009	2010	2011
Police				
Stations	1	1	1	1
Zone offices	1	1	2	2
Patrol vehicles, marked and unmarked	53	53	56	53
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	4,700	6,000	6,000	4,700
Traffic Signals	50	55	55	50
Park and recreation				
Acreage	299	299	299	299
Parks	44	44	44	44
Community centers	4	4	4	4
Recreation facilities	4	4	4	4
Ball/soccer fields	48	48	48	48
Tennis court	11	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)	278	278	278	278
Fire hydrants	2,482	2,493	2,490	2,492
Aqueduct stations	8	8	8	8
Wells	18	18	16	15
Valves	7,190	7,227	7,251	7,310
Reservoirs, finished water (total capacity - 13.1 mg)	11	11	13.1	13.1
Wastewater				
Booster stations (35 pumps)	11	11	11	12
Sanitary sewers (miles)	195	195	195	195
Storm sewers (miles)	166	166	166	166
Treatment capacity (millions of gallons)	1,806	1,777	1,960	2,445
Transit - buses	10	10	10	10

Sources:

Various city department reports, annual budget narrative

Fiscal Year					
2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
2	2	2	2	2	2
55	55	55	55	55	55
3	3	3	3	3	3
4	4	4	4	4	3
185	185	185	185	185	185
0.80	0.80	0.80	0.80	0.80	0.80
5,129	5,129	4,942	5,392	5,392	5,065
55	55	51	51	51	51
299	299	324	324	324	324
44	44	45	45	45	45
4	4	4	4	4	4
4	4	4	4	4	4
48	48	51	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
255	255	258	268	268	252
2494	2494	2565	2597	2597	2587
8	8	8	8	8	8
15	13	13	13	13	13
7324	7324	7542	7636	7636	7681
13.1	11.1	11.1	11.1	11.1	11.1
12	12	12	12	12	12
195	195	195.5	196.1	196.5	197
122	122	125	127	127	124
2,445	2,445	2,445	2,445	2,445	2,445
10	10	10	11	11	14

