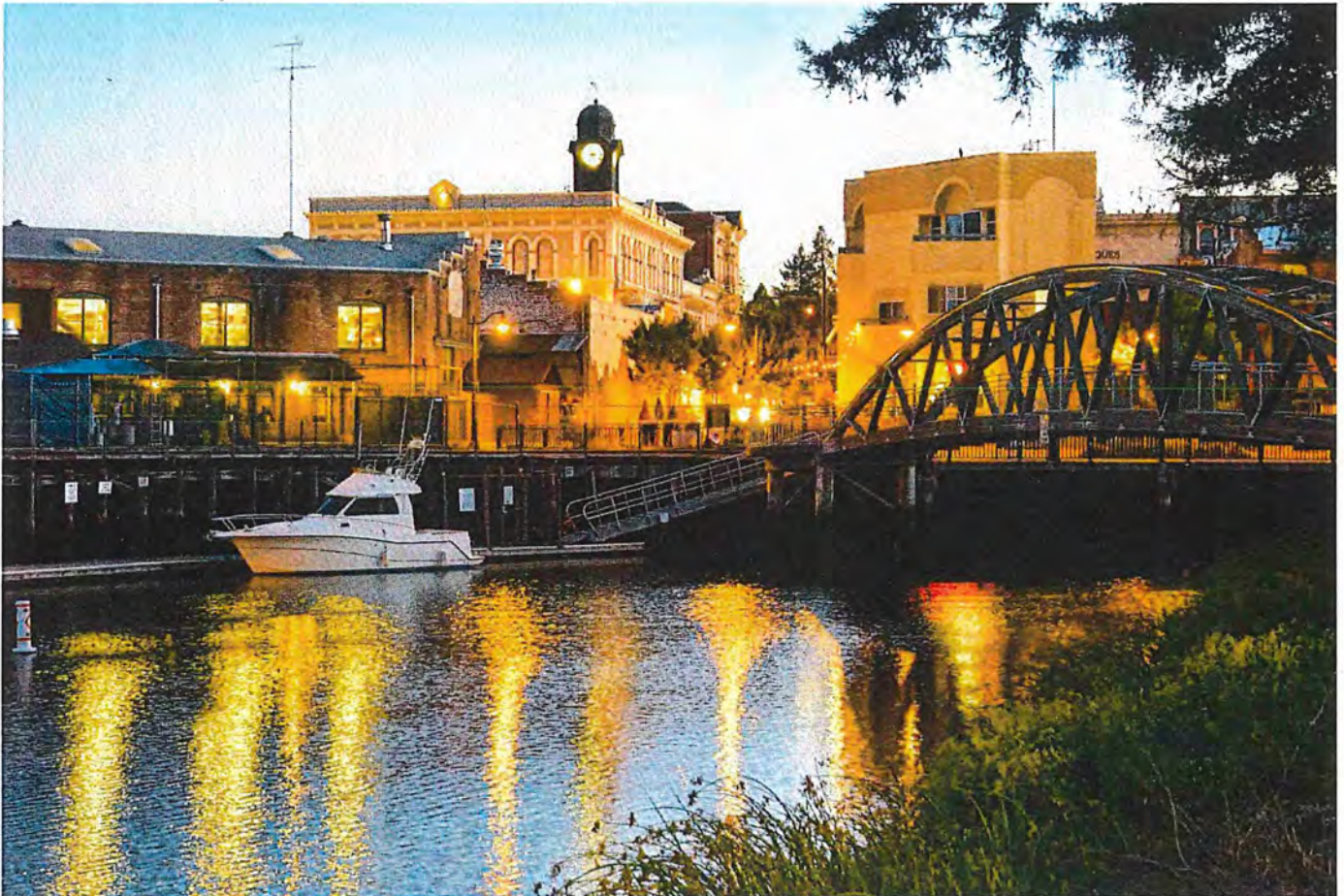


CITY OF PETALUMA
CALIFORNIA



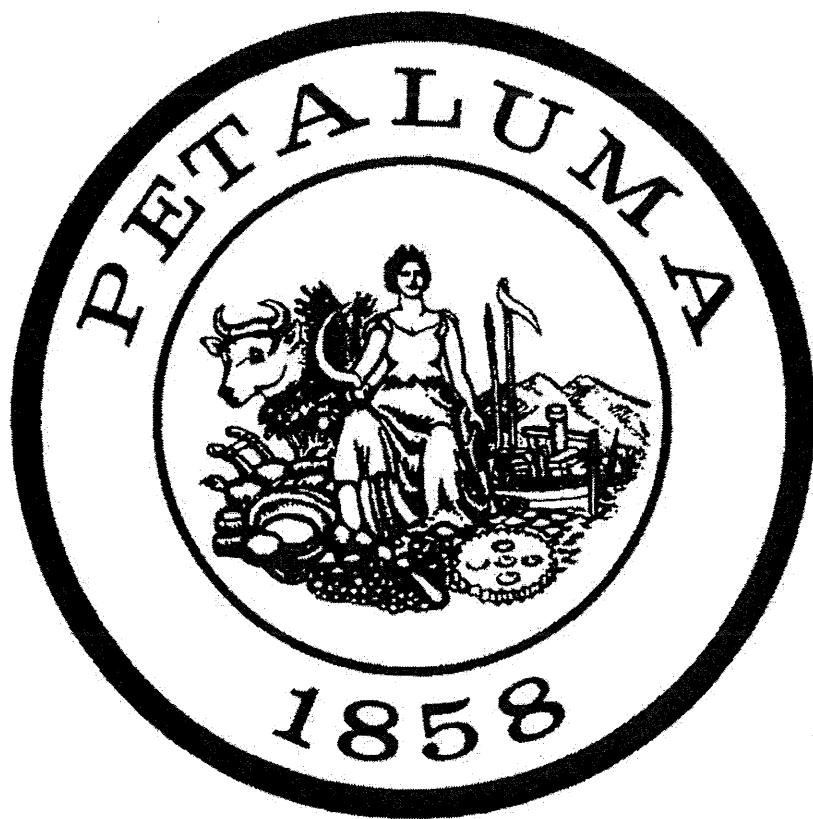
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED JUNE 30, 2018

City of Petaluma Petaluma, California

Comprehensive Annual Financial Report

For the year ended June 30, 2018

Prepared by the Finance Department



CITY OF PETALUMA, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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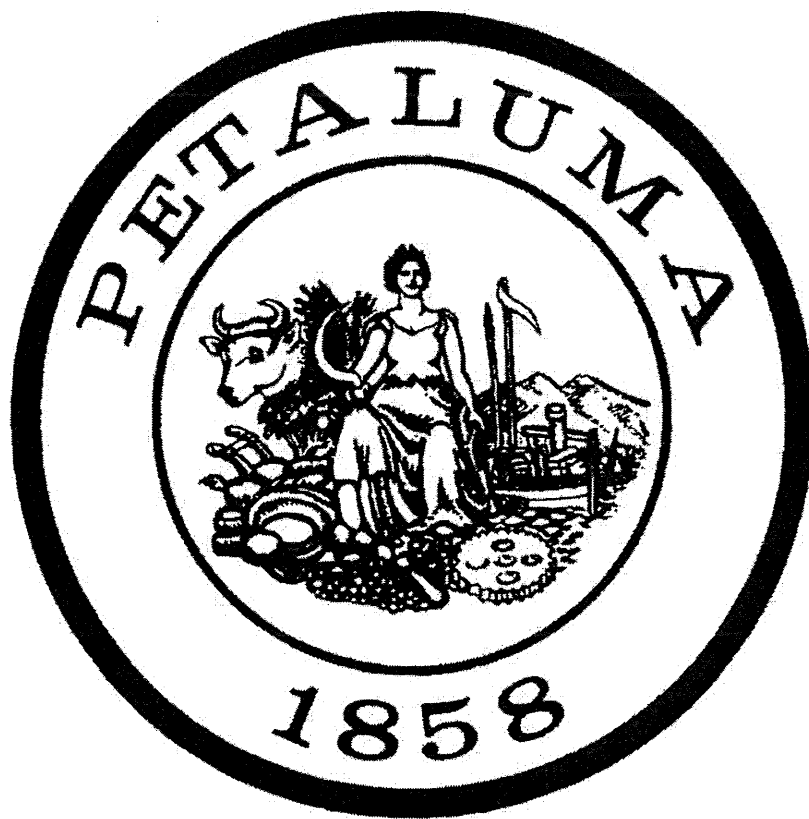
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CITY OF PETALUMA

POST OFFICE BOX 61
PETALUMA, CA 94953-0061

David Glass
Mayor

December 20, 2018

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

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, 2018.

For the fiscal year ended June 30, 2018, 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.

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General Services
Phone (707) 778-4384

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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, 2018, 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, 2018, 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 46 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.

Over the past several years significant reductions have occurred in the General Fund in order to match revenues with expenditures. During FY18, revenues exceeded expenditures by \$1.6 million. This was due mainly to several one-time revenues received, along with lower expenditures due to unfilled positions. For FY19, 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 has continued to remain stable and is expected to remain strong into the new year. The unemployment rate in Sonoma County has gone down significantly and remains 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 stable and slight upward trend as Transient Occupancy Tax received by the City in fiscal year 2018 was \$3.1 million, a 2% increase over the prior year.

Petaluma's overall economic outlook is stable – particularly in the areas of home price stability, jobs, and real estate vacancies. Petaluma's median home price continues to rise year over year due to shortage of inventory relative to demand.

Assessed property valuations have continued to increase year over year following the recession nearly a decade ago. The County Assessor has projected that assessed valuations in Petaluma will grow by 5.83% in 2019. General fund property taxes in fiscal year 2018 were \$10.1 million, up \$.15 million or 1.6% from the prior year due to assessed valuation growth.

Retail sales in Petaluma also continued to stabilize and grow during fiscal year 2018. Total general fund sales tax received in fiscal year 2018 was \$13.4 million, an increase of \$1.1 million or 8.6% as compared to the prior year. This was an above average growth rate and is partially associated with the increase related to rebuilding efforts and replacing lost possessions following the Sonoma County wildfires. The City expects retail sales to remain steady in 2019. Total sales tax revenue in 2019 is estimated to be approximately \$13.7 million, a slight increase year over year.

To address the decline in revenues in past years, the City has taken steps to reduce the impact of rising benefit costs by initiating cost saving measures. The City implemented a second PERS tier with lesser benefits, negotiated a higher employee paid PERS contribution and most recently partially paid down the PERS unfunded liability resulting in long term savings. These steps are expected to lessen the burden on the budget into the future. Due to a tightening labor market, several position vacancies remained unfilled in FY 2018, generating budget savings. Many of those positions will continue to remain unfilled in FY 2019.

In summary, we remain cautiously optimistic about Sonoma County's short-term outlook. Retail sales and tourism have stabilized and continue to grow. Property values are also continuing to rise. Recent economic indicators show that the recovery should continue at a gradual pace into 2019. The City has adopted a balanced budget for the upcoming fiscal year. The City has financial challenges in the years to come as the long-term forecast continues to show a significant structural deficit exists. The financial forecast will be used as a tool to plan and close the structural deficit while at the same time preserving reserves for future use in the event of a natural disaster or economic downturn.

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 \$127.7 million. Total annual accrued investment earnings were \$ 1.15 million.

Debt Administration. As of June 30, 2018, 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, 2017.

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 Janine Tedrow and Isabel Craft. 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,



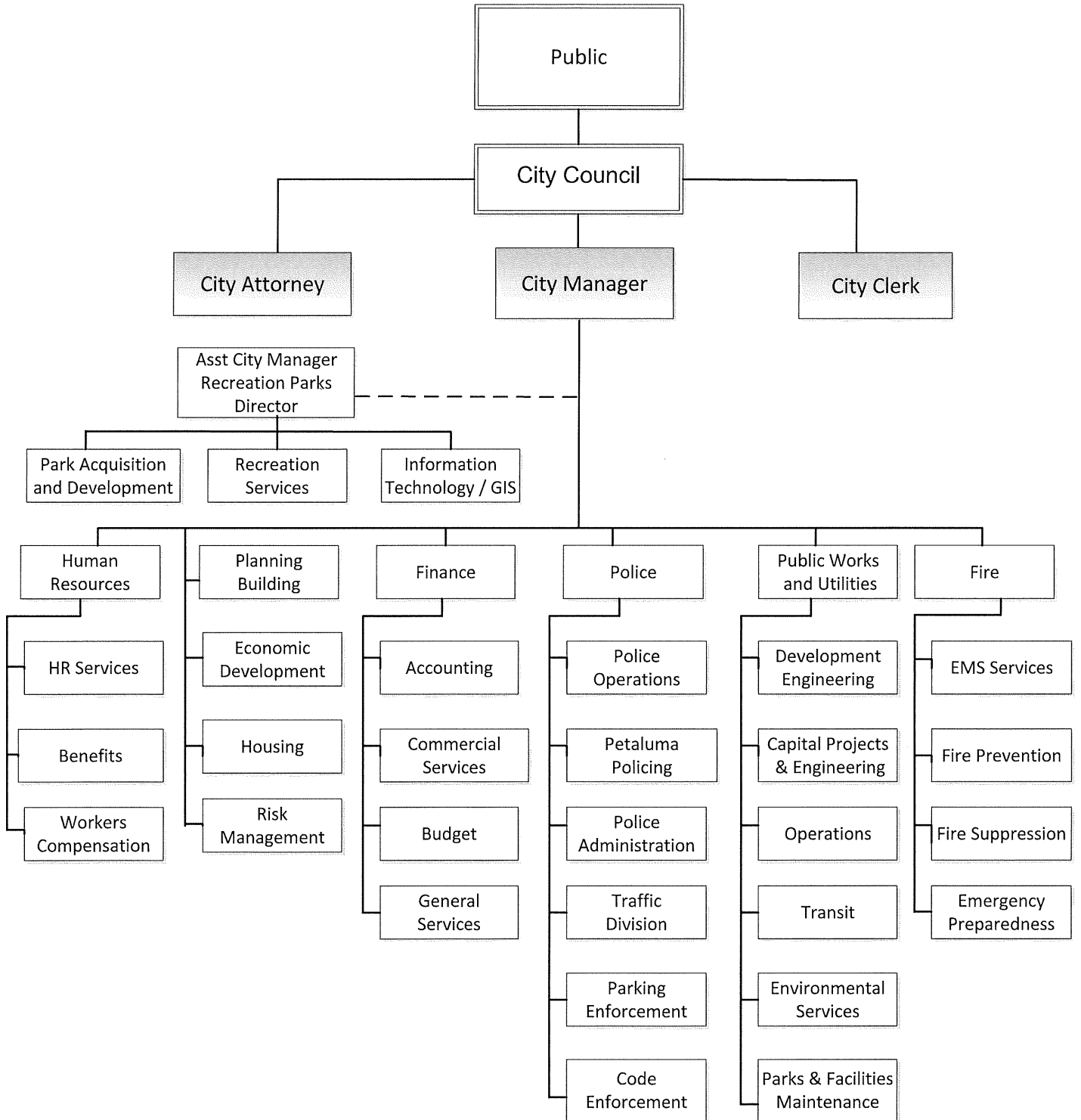
Corey Garberolio
Finance Director

Organization Chart

Offices, Departments & Divisions

City of Petaluma, California

Fiscal Year 17/18



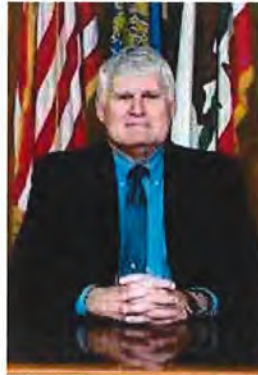
CITY OF PETALUMA PRINCIPAL OFFICIALS
Elected Officials as of June 30, 2018



DAVID GLASS
Mayor



MIKE HEALY
Vice Mayor



CHRIS ALBERTSON
Council Member



TERESA BARRETT
Council Member



GABE KEARNEY
Council Member



DAVE KING
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, 2017

Christopher P. Morrill

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 as of June 30, 2018, 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.

The emphasis of this matter does not constitute a modification to our opinions.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 1N.

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.

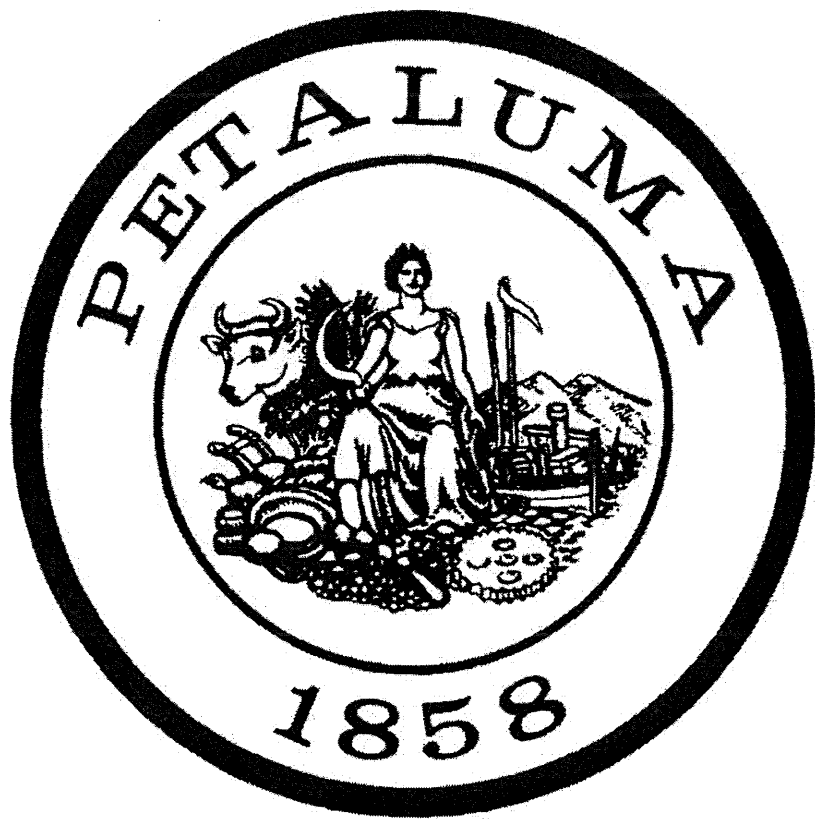
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2018 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 15, 2018



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, 2018.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The ***Government-Wide Financial Statements*** consist of a *Statement of Net Position* and a *Statement of Activities*, 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* provides information on all the City's assets and liabilities, including capital assets and long-term liabilities on the full accrual basis, 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* provides information about the City's revenues and expenses, also on the full accrual basis, and represents 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.

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

The ***Fund Financial Statements*** report the City's operations by fund. 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 the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

- *Governmental Funds* account for most of the City's basic services and focus primarily on short-term activities by measuring current revenues and expenditures and excluding capital assets and long-term obligations. Different from the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds in the Governmental Fund Financial Statements with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

- *Proprietary Funds* are generally used to account for services for which the City charges customers—either outside customers, or internal departments or programs of the City. The City maintains the following 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* are used to report assets held in a trust or agency capacity for others. 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.

The *Notes to the Basic Financial Statements* provide additional information that is essential to obtain a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information. This includes budgetary comparison statements for the governmental funds to demonstrate compliance with the legal provisions of the 2018 appropriation ordinance. Also included is the City's progress in funding its obligation to provide pension benefits to its employees.

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, 2018 by \$424.1 million (Net Position). Of this amount, \$338 million was invested in capital assets; \$111.6 million was restricted for capital projects, debt service, non-expendable trusts and special projects; and (\$25.5) million was unrestricted. This includes all City funds.
- The City's total Net Position increased over the prior year by \$12.9 million and is comprised of a \$.4 million decrease in Governmental Activities and a \$13.3 million increase in Business-Type Activities. The main contributing factors for the change in Governmental activities are due to increased fund balances in Governmental Funds of \$7.3m as well as a decrease in overall Net Pension Liability of \$1.3m resulting from the partial paydown of the unfunded pension liability. Offsetting these increases and contributing to the overall change in governmental activities is the increase in the other post-employment benefit (OPEB) liability of \$8m. GASB 75 was implemented during FY 18 and requires the full net OPEB liability be reported on the Proprietary and Government Wide Financial Statements resulting in a decrease in available fund balance. Business Activity change in net position is comprised of an increase due to current year revenues exceeding expenditures by approximately \$14.9m and a decrease in overall Net Pension Liability of \$1.1m resulting from the partial paydown of the unfunded pension liability. Also contributing to the Business Activity change in net position is the increased liability associated with other post-employment benefits (OPEB) of \$1.6m due to the implementation of GASB 75.

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 \$128.5 million; an increase of \$7.3 million from the prior year. This increase is mainly due to increased fund balances in the Impact Fee, Home/Begin Special Revenue, Capital Projects and General funds. Fiscal Year 2018 fund balance was comprised of \$.1 million non-spendable reserves; \$112 million restricted reserves, \$7.5 million committed reserves, \$5.4 million assigned reserves and \$3.2 million of unassigned reserves.

- At the close of the fiscal year, the total fund balance for the General Fund was \$13.1 million, approximately a \$1.6 million increase from the prior year. This increase was due to increased sales tax revenue associated with the rebuilding and replacement efforts after the Sonoma County wildfires in addition to increased intergovernmental revenues and one-time salary and benefit savings.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, the Statement of Net Position, provides information about the net position which is an indicator of a government's financial position. The Statement of Net Position is comprised of both *Governmental Activities* and *Business-type Activities* and both contribute to the overall total net position. The City of Petaluma's total net position (the amount by which total assets exceed total liabilities) equaled \$424 million at the close of the fiscal year ended June 30, 2018.

The largest portion of the City's net position (80%) 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 (-6%), 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.

Total net position increased by \$12.9 million during the fiscal year as shown below in Table 1. Net position investment in capital assets increased by \$17.5 million; restricted net position increased by \$3.5 million and unrestricted net position decreased by \$8.1 million. Contributing factors for the overall change in total net position is increased overall fund balances in both governmental and proprietary fund groups partially offset by the restatement and overall change of balances related to Other Post-Employment Benefits (OPEB) Liability of \$9.7 million (See Note 1N). Most major fund balances increased due to current year revenues exceeding expenditures. Also contributing to the overall change in net position is a decrease in Net Pension Liability of \$2.4m resulting from the partial paydown of the unfunded pension liability. Changes in the unrestricted fund balance category are the result of changes in fund balances not included in the restricted category including changes in overall Net pension liability, including the Long-Term Pension Liability and Deferred Inflows and Outflows as well as changes in the overall Net OPEB Liability. See Notes 9 and 10 for detailed information on these long-term liabilities.

Summary Statement of Net Position
Total Primary Government
As of June 30, 2018 and 2017
(in thousands)

	Total Activities 2018	Total Activities 2017	Total Activities Change
Assets:			
Current and other assets	\$ 196,081	\$ 196,249	\$ (168)
Capital Assets, net of depreciation	<u>455,598</u>	<u>445,146</u>	<u>10,452</u>
Total Assets	<u>651,679</u>	<u>641,395</u>	<u>10,284</u>
Deferred Outflows of Resources:			
Related to Pension	30,805	18,795	12,010
Related to OPEB	<u>447</u>	<u>-</u>	<u>447</u>
Total Deferred Outflows of Resources	<u>31,252</u>	<u>18,795</u>	<u>12,457</u>
Total Assets and Deferred Outflows of Resources	<u>682,931</u>	<u>660,190</u>	<u>22,741</u>
Liabilities:			
Current Liabilities	18,388	21,290	(2,902)
Non-Current Liabilities	<u>236,628</u>	<u>223,758</u>	<u>12,870</u>
Total Liabilities	<u>255,016</u>	<u>245,048</u>	<u>9,968</u>
Deferred Inflows of Resources:			
Related to Pension	2,203	3,952	(1,749)
Related to OPEB	<u>1,585</u>	<u>-</u>	<u>1,585</u>
Total Deferred Inflows of Resources	<u>3,788</u>	<u>3,952</u>	<u>(164)</u>
Total Liabilities and Deferred Inflows of Resources	<u>258,804</u>	<u>249,000</u>	<u>9,804</u>
Net Position:			
Net Investment in Capital Assets	338,049	320,504	17,545
Restricted	111,612	108,138	3,474
Unrestricted	<u>(25,534)</u>	<u>(17,452)</u>	<u>(8,082)</u>
Total Net Position	<u>\$ 424,127</u>	<u>\$ 411,190</u>	<u>\$ 12,937</u>

Government-wide Financial Statement Analysis- Governmental Activities

Governmental activities contributed \$242.3 million to the City's net position, a decrease of \$.4 million from the prior year as shown below in Table 2. As mentioned previously, main contributing factors for the decrease in net position is due to increased fund balances of \$7.3m mostly offset by the restatement of balances an overall change related to the Other Post-Employment Benefits (OPEB) Liability of \$8 million as reported on the Government-Wide Financial Statements.

Summary of Net Position Governmental Activities As of June 30, 2018 and 2017 (in thousands)			
	Governmental Activities 2018	Governmental Activities 2017	Governmental Activities Change
Assets:			
Current and other assets	\$ 138,161	\$ 139,524	\$ (1,363)
Capital Assets, net of depreciation	<u>197,024</u>	<u>190,230</u>	<u>6,794</u>
Total Assets	<u>335,185</u>	<u>329,754</u>	<u>5,431</u>
Deferred Outflows of Resources:			
Related to Pension	25,906	14,531	11,375
Related to OPEB	<u>402</u>	<u>-</u>	<u>402</u>
Total Deferred Outflows of Resources	<u>26,308</u>	<u>14,531</u>	<u>11,777</u>
Total Assets and Deferred Outflows of Resources	<u>361,493</u>	<u>344,285</u>	<u>17,208</u>
Liabilities:			
Current Liabilities	7,028	8,140	(1,112)
Non-Current Liabilities	<u>109,011</u>	<u>91,575</u>	<u>17,436</u>
Total Liabilities	<u>116,039</u>	<u>99,715</u>	<u>16,324</u>
Deferred Inflows of Resources:			
Related to Pension	1,747	1,904	(157)
Related to OPEB	<u>1,428</u>	<u>-</u>	<u>1,428</u>
Total Deferred Inflows of Resources	<u>3,175</u>	<u>1,904</u>	<u>1,271</u>
Total Liabilities and Deferred Inflows of Resources	<u>119,214</u>	<u>101,619</u>	<u>17,595</u>
Net Position:			
Net Investment in Capital Assets	197,024	190,230	6,794
Restricted	111,611	108,098	3,513
Unrestricted	<u>(66,356)</u>	<u>(55,662)</u>	<u>(10,694)</u>
Total Net Position	<u>\$ 242,279</u>	<u>\$ 242,666</u>	<u>\$ (387)</u>

The Statement of Activities provides information on the change in net position and includes various categories of revenues and expenses as shown below in Table 3. Governmental activities include the following revenue categories:

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.

General Revenues include property tax, sales tax and franchise taxes which are 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.

Governmental activities include the following expense categories:

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. *Police and Fire* provide emergency services to the community including full range of law enforcement services as well as prevention and extinguishments of fires, medical treatment and transport of the sick and traumatically injured and the rescuing of victims. *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.

Governmental Activities Changes:

- Program revenues from Governmental Activities were \$20 million in fiscal year 2018, an increase of \$3.5 million compared to the prior year
 - Charges for Service revenues were up 16% or \$2.2 million from the prior year due to increased State reimbursements related to strike team deployments for wildfire support directly offset by increased expenditures as well as increased impact fees received
 - Capital Grants and Contributions were up by 52% or \$1.2 million due mainly to increased grant payments received for active projects in FY 18
- Property taxes increased by 1.6% or .2 million due to increased assessed valuations
- Sales tax revenues were up by 8.6% or \$1 million due largely to increased activity associated with replacing lost possessions and rebuilding efforts after the wildfires
- Intergovernmental revenues were up by 8.1% or \$.6 million due to increased gas tax revenue from SB1 and increased motor vehicle license fee revenues
- Investment Earnings were up slightly due to rising interest rates
- Other Taxes and Miscellaneous Revenues decreased slightly due to less developer contributions received compared to the prior year
- General Government expenses were up 15.2% or \$.8m due to increased governmental CIP activity as well as increased costs for outside legal services provided during the year
- Community Development expenses were down slightly due to slightly decreased program costs
- Police expenses were down slightly due mostly to decreased salary and benefit costs as a result of vacant positions
- Fire expenses were up due to a combination of increased salary and benefit costs including increased overtime costs due to strike team deployments partially offset by increased revenues/reimbursements
- Public Works expenses were up due to categorization of transfer related items

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

Table 3			
Summary of Statement of Activities and Changes in Net Position			
Governmental Activities			
For the Years Ended June 30, 2018 and 2017			
(In thousands)			
	Governmental Activities 2018	Governmental Activities 2017	Percentage Change
Revenues:			
Program Revenues			
Charges for service	\$ 15,504	\$ 13,290	16.7%
Operating grants and contributions	1,035	941	10.0%
Capital grants and contributions	<u>3,480</u>	<u>2,285</u>	52.3%
Total program revenue	<u>20,019</u>	<u>16,516</u>	21.2%
General Revenues:			
Taxes:			
Property Tax	10,121	9,961	1.6%
Sales Tax	13,412	12,346	8.6%
Franchise Tax	4,742	4,678	1.4%
Intergovernmental/Unrestricted	8,746	8,094	8.1%
Other Taxes	<u>5,578</u>	<u>5,630</u>	-0.9%
Total Taxes	42,599	40,709	4.6%
Unrestricted Investment Earnings	641	309	107.4%
Miscellaneous Revenue	<u>3,058</u>	<u>3,421</u>	-10.6%
Total Revenue	<u>66,317</u>	<u>60,955</u>	8.8%
Expenses:			
General government	6,198	5,381	15.2%
Community development	5,467	5,559	-1.7%
Police	17,605	17,858	-1.4%
Fire	14,388	14,303	0.6%
Recreation	2,688	2,702	-0.5%
Public works	<u>10,730</u>	<u>8,750</u>	22.6%
Total Expenses	<u>57,076</u>	<u>54,553</u>	4.6%
Revenues Over (Under) Expenses	9,241	6,402	44.3%
Transfers	273	(479)	-157.0%
Successor Agency Bond Proceeds	4,736	5,547	100.0%
Unfunded Liability Pension Paydown	<u>(7,490)</u>	<u>-</u>	100.0%
Change in Net Position	6,760	11,470	-41.1%
Net position-beginning of year	242,666	223,075	8.8%
Adjustment Net position-beginning(See Note 1N)	<u>(7,146)</u>	<u>8,121</u>	
Net position-end of year	<u>\$ 242,280</u>	<u>\$ 242,666</u>	-0.2%

Government-wide Financial Statement Analysis- Business-type Activities

The *Business-type activities* net position contributed \$181.9 million to the City's net position an increase of \$13.3 million over the prior year as shown below in Table 4. 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, 2018 and 2017 (in thousands)			
	Business-type Activities 2018	Business-type Activities 2017	Business-type Activities Change
Assets:			
Current and other assets	\$ 57,920	\$ 56,724	\$ 1,196
Capital Assets, net of depreciation	<u>258,574</u>	<u>254,916</u>	<u>3,658</u>
Total assets	<u>316,494</u>	<u>311,640</u>	<u>4,854</u>
Deferred Outflows of Resources:			
Related to Pension	4,900	4,264	636
Related to OPEB	<u>44</u>	<u>-</u>	<u>44</u>
Total Deferred Outflows of Resources	<u>4,944</u>	<u>4,264</u>	<u>680</u>
Total Assets and Deferred Outflows of Resources	<u>321,438</u>	<u>315,904</u>	<u>5,534</u>
Liabilities:			
Current Liabilities	11,360	13,149	(1,789)
Non-Current Liabilities	<u>127,617</u>	<u>132,183</u>	<u>(4,566)</u>
Total liabilities	<u>138,977</u>	<u>145,332</u>	<u>(6,355)</u>
Deferred Inflows of Resources:			
Related to Pension	457	2,049	(1,592)
Related to OPEB	<u>157</u>	<u>-</u>	<u>157</u>
Total Deferred Inflows of Resources	<u>614</u>	<u>2,049</u>	<u>(1,435)</u>
Total Liabilities and Deferred Inflows of Resources	<u>139,591</u>	<u>147,381</u>	<u>(7,790)</u>
Net Position:			
Net Investment in Capital Assets	141,025	130,274	10,751
Restricted	-	40	(40)
Unrestricted	<u>40,822</u>	<u>38,210</u>	<u>2,612</u>
Total Net Position	<u>\$ 181,847</u>	<u>\$ 168,524</u>	<u>\$ 13,323</u>

The Statement of Activities provides information on the change in net position and includes various categories of revenues and expenses as shown below in Table 5. Business-type activities include the following revenue categories:

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.

Business-type activity expenses include Airport, Development Services, Marina, Transit, Wastewater, Water and Storm Water activities.

Business-type Activities Changes:

- Program revenues from Business Activities were \$52.2 million in fiscal year 2018, an increase of \$1.8 million compared to the prior year.
 - Charges for Service revenues were up 10.6% or \$4.6 million due to increased revenues in most enterprise funds related to sales and connection fees
 - Operating Grants and Contributions were down by 43.4% or \$2.8 million due to less non-recurring grant funds for a Transit bus purchase in the prior year
- Airport revenues and expenses increased slightly when compared to the prior year
- Development Services revenues decreased slightly due to slightly less activity while expenses increased due to the increased pension liability allocation
- Marina overall net position decreased due to operating at a loss between \$.1m-\$.2 million annually
- Transit expenses and revenues decreased due to non-recurring grant revenue and associated expenditure for bus purchase that occurred in the prior year
- Wastewater Utility revenue increased by \$2 million due mainly to increased connection fees received and increased charges for sales of water while expenses decreased due to less CIP activity than prior year and non-recurring debt refinancing costs in FY 17
- Water Utility revenue increased by \$2.6 million due to increased usage compared to prior year while expenses also increased slightly by \$1.5 million
- Storm Water Utility expenses decreased compared to prior year due to decreased pension liability allocated to this fund

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				Table 5
Business-type Activities				
As of June 30, 2018 and 2017				
(in thousands)				
	Business-type Activities 2018	Business-type Activities 2017	Percentage Change	
Revenues:				
Program Revenues				
Charges for Service	\$ 48,508	\$ 43,878	10.6%	
Operating Grants and Contributions	3,676	6,495	-43.4%	
Capital Grants and Contributions	<u>-</u>	<u>-</u>	0.0%	
Total Program Revenue	<u>52,184</u>	<u>50,373</u>	3.6%	
General Revenues				
Unrestricted Investment Earnings	720	286	151.7%	
Miscellaneous Revenue	<u>-</u>	<u>-</u>	0%	
Total Revenue	<u>52,904</u>	<u>50,659</u>	4.4%	
Expenses:				
Business Type Activities				
Airport	1,754	1,692	3.7%	
Development Services	1,865	1,603	16.3%	
Marina	367	500	-26.6%	
Transit	3,369	4,539	-25.8%	
Wastewater	16,485	23,513	-29.9%	
Water Utility	13,808	12,289	12.4%	
Storm Water	<u>82</u>	<u>666</u>	-87.7%	
Total Expenses	<u>37,730</u>	<u>44,802</u>	-15.8%	
Revenues Over (Under) Expenses	15,174	5,857	159.1%	
Transfers	<u>(273)</u>	<u>479</u>	-157.0%	
Changes in Net Position	<u>14,901</u>	<u>6,336</u>	135.2%	
Net Position - Beginning of year	168,524	162,188	3.9%	
Adjustment Net position-beginning(See Note 1N)	<u>(1,578)</u>	<u>-</u>		
Net Position - End of Year	<u>\$ 181,847</u>	<u>\$ 168,524</u>	7.9%	

FUND FINANCIAL STATEMENT ANALYSIS

In addition to the accrual basis government wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track resources and operating costs for the general fund and other specific programs. The results for governmental funds below differ from the results reported in the government-wide statements since the focus is on current, available resources. The following are the financial results from the governmental funds:

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.

The major governmental funds include:

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- The sources of revenue for these funds are the various development impact fees collected from developers which are used for the installation or expansion of related infrastructure and affordable housing. 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

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

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. Please refer to note 15 for a more detailed discussion of the activities and assets and liabilities transferred as of February 1, 2012.

As of June 30, 2018, the City of Petaluma Governmental Funds reported combined ending fund balances of \$128.5 million, an increase of \$7.3 million over fiscal year 2017 as shown in Table 6 below. Total non-spendable reserves are \$.1 million, restricted and committed reserves are \$112.2 million and \$7.5 million respectively. Assigned and unassigned are \$5.4 million and \$3.2 million respectively. As mentioned prior, the main contributing factors to the increase in Governmental Fund Balances is due to increased fund balances due to revenues exceeding expenditures in the Impact Fee, Home/Begin Special Revenue, City Capital Projects Fund and General Funds.

The General Fund is the chief operating fund of the City. At June 30, 2018 total fund balance for the General Fund was \$13.1 million. This is made up of \$.1 million in non-spendable fund balance, \$4.4 million in committed, \$5.4 million in assigned and \$3.2 million in unassigned fund balance. The General Fund's fund balance increased by \$1.6 million during the current fiscal year. This increase is primarily due to increased sales tax considered one time in nature related to replacement and rebuilding efforts after the Sonoma County Wildfires in addition to slightly increased intergovernmental revenues. Lower expenditures due to unfilled positions were also a contributing factor to the overall increase in fund balance.

The fund balance in the City Capital Projects Fund increased by \$2.2 million due to increased CIP transfers and associated revenues received in advance to cover anticipated CIP related costs during FY 19.

The Impact Fees Special Revenue fund balance increased by \$3.4 million mainly due to an increase in activity resulting in increased revenues collected for the purpose of funding future CIP projects.

The fund balances in the Home/Begin fund increased slightly by \$.6m while the Non-Major fund group had as slight decrease in fund balance of \$.5m.

Summary of Fund Balances Governmental Funds As of June 30, 2018 and 2017 (in thousands)			
	Governmental Funds 2018	Governmental Funds 2017	Governmental Funds Change
Assets:			
Total assets	\$ 134,304	\$ 126,495	\$ 7,809
Liabilities:			
Total liabilities	5,287	4,852	435
Deferred Inflows of Resources:			
Unavailable revenue	500	409	91
Total Deferred Inflows	500	409	91
Fund Balance:			
Nonspendable	139	127	12
Restricted	112,242	108,777	3,465
Committed	7,551	5,200	2,351
Assigned	5,422	5,089	333
Unassigned	3,163	2,041	1,122
Total fund balance	128,517	121,234	7,283
Total liabilities and fund balances	\$ 134,304	\$ 126,495	\$ 7,809

Governmental Fund revenues increased by approximately \$.6 million over the prior year due to increased taxes, license, permits and fees and intergovernmental revenues offset by a slight decrease in the other revenues.

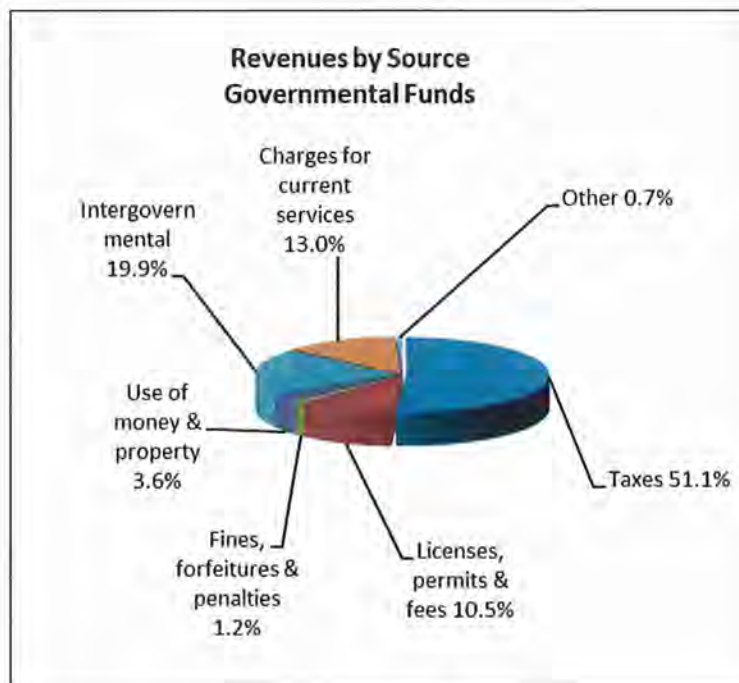
Governmental Fund expenses increased overall by \$9.3 million over the prior year. This increase is due to increased capital project activity resulting in increased expenditures in the City Capital Project funds.

Table 7 and 8 below show Governmental Fund Revenues by Source and Expenditures by Function.

Table 7

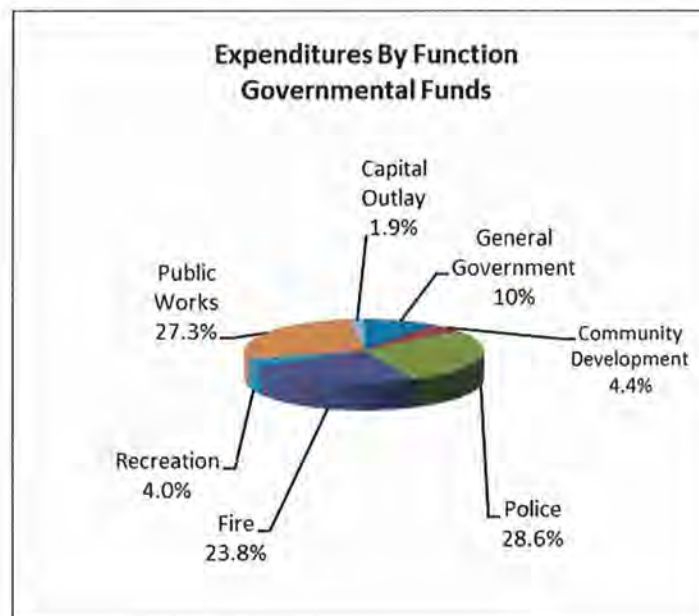
**Revenues Classified by Source
Governmental Funds
For the Years ending June 30, 2018 and 2017
(in millions of dollars)**

Revenue by Source	FY 2018		FY 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 33.85	51.1%	\$ 32.62	53.8%	\$ 1.24	3.8%
Licenses, permits & fees	6.95	10.5%	5.80	9.6%	1.14	19.7%
Fines, forfeitures & penalties	0.82	1.2%	0.74	1.2%	0.08	10.3%
Use of money & property	2.38	3.6%	2.25	3.7%	0.13	5.9%
Intergovernmental	13.17	19.9%	10.96	18.1%	2.21	20.2%
Charges for current services	8.59	13.0%	7.52	12.4%	1.07	14.2%
Other	0.48	0.7%	0.72	1.2%	(0.24)	-33.3%
Total Revenues	\$ 66.23	100.0%	\$ 60.61	100.0%	\$ 5.63	9.3%



Expenditures Classified by Function
Governmental Funds
For the Years ending June 30, 2018 and 2017
(in millions of dollars)

Expenditures by Function	FY 2018		FY 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Current:						
General Government	\$ 6.31	10.0%	\$ 5.90	11.0%	\$ 0.41	6.9%
Community Development	2.79	4.4%	2.44	4.5%	0.35	14.5%
Police	17.91	28.6%	17.74	33.1%	0.17	0.9%
Fire	14.94	23.8%	13.92	26.0%	1.03	7.4%
Recreation	2.54	4.0%	2.60	4.9%	(0.06)	-2.3%
Public Works	17.24	27.3%	10.73	20.0%	6.51	60.7%
Capital Outlay	1.17	1.9%	0.28	0.52%	0.89	317.9%
Total Expenditures	\$ 62.90	100.0%	\$ 53.60	100.0%	\$ 9.30	17.3%



Proprietary Funds

The major proprietary funds include:

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.

As of June 30, 2018, total net position for Proprietary Funds increased by \$4.4 million from the prior year as shown in Table 9 below. Enterprise Funds activity showed total net position for Airport, Wastewater, Water and Storm Water funds up \$.4m, \$12m, \$1m and \$.5m respectively. Marina and Transit funds show slight decreases in fund balance of \$.1m and \$.4m respectively.

Internal Service Funds activity included a decrease in net position of \$9.07 million, due mainly to the paydown of the unfunded pension liability that occurred during Fiscal Year 2018 in the Employee Benefit Fund. More information about the paydown can be found in the notes to the financial statements (Note 3B).

As a reminder, due to the recognition of total net pension liability and other post-employment benefit long term liabilities reported on the Proprietary Fund and Government Wide Financial statements, fund balances for various Proprietary Funds reflect decreased available fund balances. See Note 9 and 10 for detailed information on both long-term liabilities.

Summary of Statement of Net Position
Proprietary Funds
As of June 30, 2018 and 2017
(in thousands)

	Proprietary Funds 2018	Proprietary Funds 2017	Proprietary Funds Change
Assets:			
Current assets	\$ 62,900	\$ 71,247	\$ (8,347)
Non-current assets	<u>273,053</u>	<u>259,850</u>	<u>13,203</u>
Total assets	<u>335,953</u>	<u>331,097</u>	<u>4,856</u>
Deferred Outflows of Resources:			
Related to Pension	5,539	4,718	821
Related to OPEB	<u>116</u>	<u>-</u>	<u>116</u>
Total Deferred Outflows of Resources	<u>5,655</u>	<u>4,718</u>	<u>937</u>
Total Assets and Deferred Outflows of Resources	<u>341,608</u>	<u>335,815</u>	<u>5,793</u>
Liabilities:			
Current liabilities	14,596	16,715	(2,119)
Non-current liabilities	<u>146,951</u>	<u>142,129</u>	<u>4,822</u>
Total liabilities	<u>161,547</u>	<u>158,844</u>	<u>2,703</u>
Deferred Inflows of Resources:			
Related to Pension	516	2,266	(1,750)
Related to OPEB	<u>412</u>	<u>-</u>	<u>412</u>
Total Deferred Inflows of Resources	<u>928</u>	<u>2,266</u>	<u>(1,338)</u>
Total Liabilities and Deferred Inflows of Resource	<u>162,475</u>	<u>161,110</u>	<u>1,365</u>
Net Position:			
Net Investment in Capital Assets	144,990	132,572	12,418
Restricted for debt service	1	40	(39)
Unrestricted	<u>34,142</u>	<u>42,091</u>	<u>(7,949)</u>
Total Net Position	<u>\$ 179,133</u>	<u>\$ 174,703</u>	<u>\$ 4,430</u>

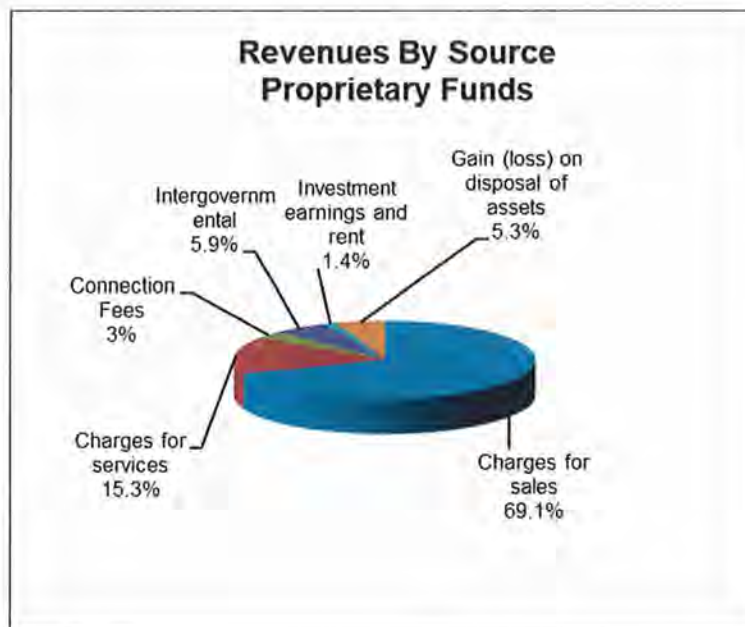
Proprietary Fund revenues increased by approximately \$3.3 million over the prior year due to increased charges for sales slightly offset by decreased charges for services and non-recurring intergovernmental revenue received in the Transit fund the prior year.

Proprietary Fund expenses increased overall by \$2.6 million over the prior year. This increase is due to increased cost of services compared to the prior year in the Risk and Worker's Compensation Internal Service Funds as well as increased expenditures in the Employee Benefit Fund associated with the paydown of the unfunded pension liability partially offset by decreased interest expense due to the non-recurring payoff and refinance of the 2011 WW Bonds that occurred during the prior fiscal year.

Tables 10 and 11 below show Proprietary Fund Revenues by Source and Expenditures by Function.

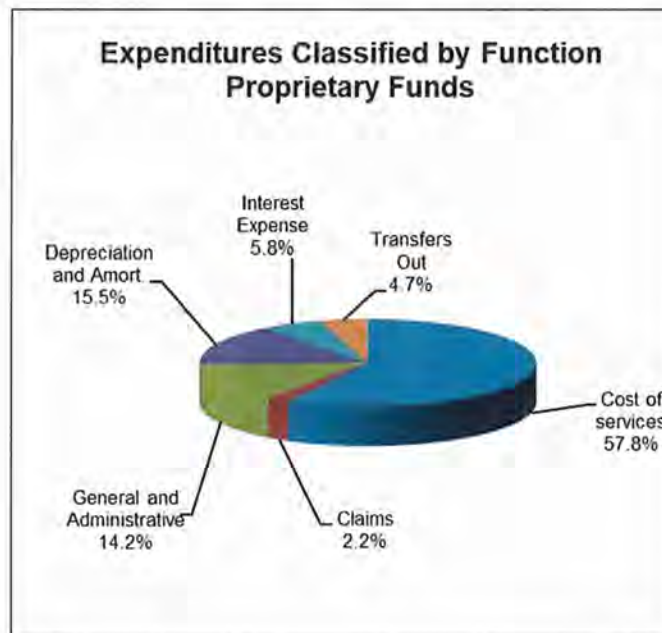
Revenues Classified by Source
Proprietary Funds
For the Years ending June 30, 2018 and 2017
(in millions of dollars)

Revenues by Source	FY 2018		FY 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 42.97	69.1%	\$ 37.91	64.4%	\$ 5.07	13.4%
Charges for services	9.52	15.3%	10.60	18.0%	(1.08)	-10.2%
Connection Fees	1.87	3%	1.70	2.9%	0.17	10.1%
Intergovern. operating/non-operating	3.68	5.9%	6.50	11.0%	(2.82)	-43.4%
Investment earnings and rent	0.86	1.4%	0.36	0.6%	0.50	140.3%
Transfers in	3.28	5.3%	1.79	3.0%	1.49	83.2%
Contribution to/from City/Capital	-	0.0%	-	0.0%	-	0.0%
Total Revenues	\$ 62.18	100.0%	\$ 58.85	100.0%	\$ 3.33	5.6%



**Expenditures Classified by Function
Proprietary Funds
For the Years ending June 30, 2018 and 2017
(in millions of dollars)**

Expenditures by Function	FY 2018		FY 2017		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 30.97	57.8%	\$ 24.90	48.8%	\$ 6.07	24.4%
Claims	1.17	2.2%	1.66	3.3%	(0.49)	-29.7%
General and administrative	7.59	14.2%	8.20	16.1%	(0.61)	-7.4%
Depreciation and amortization	8.30	15.5%	8.01	15.7%	0.29	3.6%
Interest expense	3.09	5.8%	7.54	14.8%	(4.44)	-58.9%
Transfers Out	2.50	4.7%	0.70	1.4%	1.80	100.0%
Total Expenditures	\$ 53.61	100.0%	\$ 51.00	100.0%	\$ 2.61	5.1%



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 \$2.5 million, due mainly to increased charges for services directly related to cost reimbursements from Strike Team Deployments to assist in active wildfires. There were also slight increases due to one-time tax revenues and intergovernmental revenues offset partially by decreased fines, forfeitures and penalties revenues. 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

The City of Petaluma’s investment in capital assets for its Governmental and Business-Type Activities as of June 30, 2018, equals \$455.5 million (net of accumulated depreciation) as shown below in Table 12. 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 \$10.4 million or a 2.3% increase (this represents an increase of \$6.8 million in Governmental Activities and a \$3.6 million increase for Business Activities).

Capital asset balances as of June 30, 2018 and 2017 were:

Table 12						
Capital Assets						
(net of depreciation, in millions)						
as of June 30, 2018 and 2017						
	Governmental		Increase (Decrease) % Change	Business-type		Increase (Decrease) % Change
	Activities			Activities		
	2018	2017		2018	2017	
Land	\$ 39.0	\$ 38.0	3%	\$ 10.7	\$ 10.7	0%
Construction in Process	53.1	43.2	23%	31.7	32.1	-1%
Bldg and Improv	9.1	9.0	1%	15.5	16.2	-4%
Vehicle and Equip	5.0	3.5	44%	4.0	4.7	-15%
Infrastructure	90.8	96.5	-6%	196.7	191.2	3%
Totals	<u>\$ 197.0</u>	<u>\$ 190.2</u>	<u>4%</u>	<u>\$ 258.5</u>	<u>\$ 254.9</u>	<u>1%</u>

At the end of the current fiscal year, the City has no general long-term debt obligation. The Waste Water Fund had \$80 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. The Water Utility had \$5.6 million in outstanding revenue bonds. Airport had outstanding debt of \$3.7m 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 \$6.4 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 \$1.5 billion. At June 30, 2018, 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.

Long Term Debt balances as of June 30, 2018 and 2017 were:

Table 13

Governmental Activities Long-Term Debt
As of June 30, 2018 and 2017
(in millions)

	Balance June 30, 2018	Balance June 30, 2017	Increase (Decrease)
Compensated Absences	\$ 3,766	\$ 3,542	\$ 224
Total Debt	\$ 3,766	\$ 3,542	\$ 224

Table 14

Business-Type Activities Long-Term Debt
As of June 30, 2018 and 2017
(in millions)

	Balance June 30, 2018	Balance June 30, 2017	Increase (Decrease)
2016 Airport Refunding Lease	3,730	4,143	(413)
2017 Wastewater Revenue Refunding Bonds	23,365	23,365	-
2017 Wastewater Revenue unamortized premium	865	916	(51)
WW-CA SWRCB loan	80,032	86,324	(6,292)
2012 Water Revenue Refunding Bonds	5,597	5,934	(337)
Marina loan-CA Dept of Boating & Waterways	6,390	6,337	53
Compensated Absences	371	397	(26)
Total Debt	\$ 120,350	\$ 127,416	\$ (7,066)

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. Significant challenges in the future remain, however, driven by the rising cost of retirement benefits and inadequate revenues.

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 and residential 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 next fiscal year. Revenues from sales taxes are also anticipated to remain stable next fiscal year due to the continuation of a stable, growing economy.

There remains, however, a significant 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 to address the long-term deficit.

The City Council held public meetings and adopted a balanced budget for FY 2018-19.

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 Corey Garberolio, Finance Director, located at 11 English Street, Petaluma, CA 94952, by phone at 707-778-4357 or by email at cgarberolio@ci.petaluma.ca.us. This document can be found on the City's website at 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.

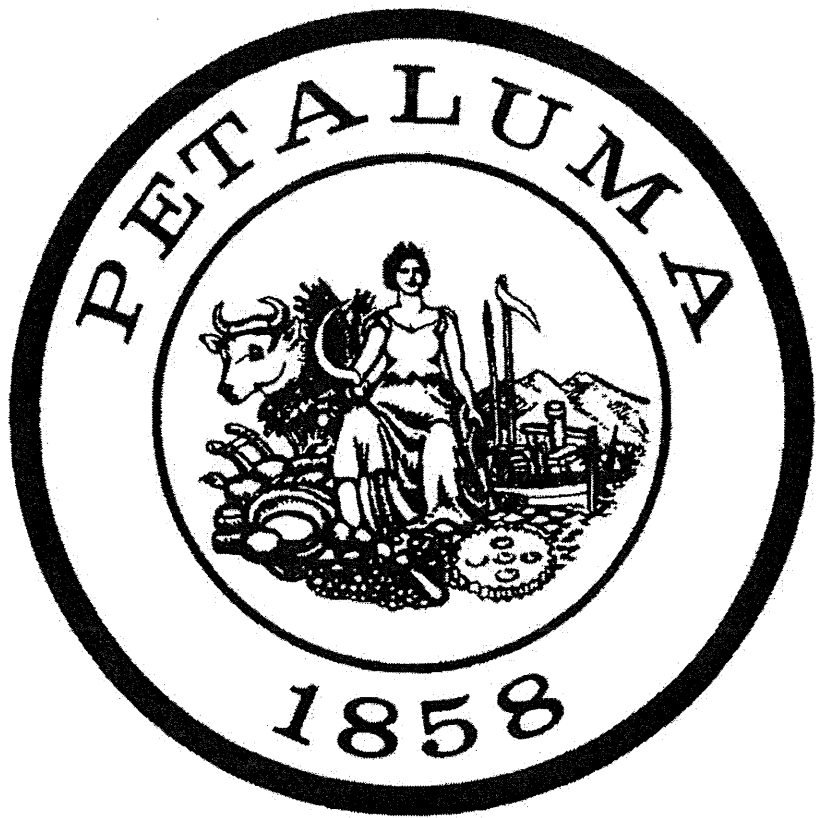
The Statement of Net Position reports the difference between the City's total assets, and deferred outflows of resources and the City's total liabilities and deferred inflow, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$76,677,469	\$43,818,985	\$120,496,454
Restricted cash and investments (Note 2)		934	934
Receivables:			
Accounts, net	1,963,962	4,738,700	6,702,662
Interest	362,942		362,942
Intergovernmental	6,236,203	688,124	6,924,327
Internal balances (Note 3D)	(8,137,006)	8,137,006	
Inventories (Note 1F)	41,039	529,756	570,795
Deposits and prepaid items	131,407	6,875	138,282
Non-current deposits			
Loans receivable (Note 4)	47,744,946		47,744,946
Interest receivable related to loans receivable (Note 4)	13,139,479		13,139,479
Capital assets (Note 5):			
Non-depreciable	92,133,002	42,427,941	134,560,943
Depreciable, net	104,891,208	216,145,588	321,036,796
Total Assets	<u>335,184,651</u>	<u>316,493,909</u>	<u>651,678,560</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 9)	25,906,003	4,899,352	30,805,355
Related to OPEB (Note 10)	402,441	44,269	446,710
Total assets and deferred outflows of resources	<u>361,493,095</u>	<u>321,437,530</u>	<u>682,930,625</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,763,422	2,389,698	5,153,120
Wages payable	801,838		801,838
Interest payable		589,193	589,193
Unearned revenue	37,257		37,257
Refundable deposits	292,406	588,295	880,701
Claims payable (Note 12):			
Due within one year	2,508,212		2,508,212
Due in more than one year	5,317,717		5,317,717
Compensated absences (Note 1G):			
Due within one year	625,144	185,413	810,557
Due in more than one year	3,766,057	370,714	4,136,771
Net pension liability, due in more than one year (Note 9)	85,743,172	13,313,965	99,057,137
OPEB liability, due in more than one year (Note 10)	14,183,770	1,560,230	15,744,000
Long-term debt (Note 6):			
Due within one year		7,607,199	7,607,199
Due in more than one year		112,372,061	112,372,061
Total Liabilities	<u>116,038,995</u>	<u>138,976,768</u>	<u>255,015,763</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 9)	1,746,695	456,795	2,203,490
Related to OPEB (Note 10)	1,427,926	157,074	1,585,000
Total Liabilities and Deferred Inflows of Resources	<u>119,213,616</u>	<u>139,590,637</u>	<u>258,804,253</u>
NET POSITION (Note 8)			
Net investment in capital assets	197,024,210	141,024,513	338,048,723
Restricted for:			
Special projects:			
CDBG	1,205,081		1,205,081
HOME/ BEGIN	21,468,964		21,468,964
Redevelopment low/ moderate income housing	28,966,577		28,966,577
Impact fees	52,942,610		52,942,610
Grants	2,294,522		2,294,522
Gas tax	684,855		684,855
Public safety	680,606		680,606
Landscape Assessment Districts	429,397		429,397
Street maintenance	1,958,245		1,958,245
Transient Occupancy Tax	955,813		955,813
Debt service		934	934
Permanent Nonexpendable	24,333		24,333
Total Restricted	<u>111,611,003</u>	<u>934</u>	<u>111,611,937</u>
Unrestricted	(66,355,734)	40,821,446	(25,534,288)
Total Net Position	<u>\$242,279,479</u>	<u>\$181,846,893</u>	<u>\$424,126,372</u>

See accompanying notes to financial statements

CITY OF PETALUMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Total
			Charges for Services	Operating Grants and Contributions	
Governmental Activities:					
General government	\$8,464,414	(\$2,266,488)	\$2,966,888		\$2,966,888
Community development	4,998,077	469,128	2,996,499	\$332,791	3,329,290
Police	17,604,990	1,346	256,208	702,498	958,706
Fire	14,387,561		3,852,301		3,852,301
Parks and recreation	2,670,363	17,622	2,181,328		2,181,328
Public works	10,626,639	102,752	3,250,494		6,731,049
Total Governmental Activities	58,752,044	(1,675,640)	15,503,718	1,035,289	20,019,562
Business-type Activities:					
Airport	1,663,192	90,794	1,893,407	195,309	2,088,716
Development services	1,739,109	125,820	1,858,577		1,858,577
Marina	329,630	37,313	247,175		247,175
Transit	3,271,218	98,415	292,762	2,661,233	2,953,995
Wastewater utility	15,788,637	695,562	26,994,955	761,234	27,756,189
Water utility	13,200,040	607,622	17,221,574	58,502	17,280,076
Storm water	62,277	20,114	3		3
Total Business-type Activities	36,054,103	1,675,640	48,508,453	3,676,278	52,184,731
Total	\$94,806,147		\$64,012,171	\$4,711,567	\$72,204,293
General revenues:					
Taxes:					
Property taxes					
Sales taxes					
Franchise tax					
Other taxes					
Intergovernmental, unrestricted					
Unrestricted investment earnings					
Miscellaneous					
Transfers (Note 3C)					
Total general revenues and transfers					
Change in Net Position before Special Item					
SPECIAL ITEM					
Transfer in from Successor Agency (Note 1P)					
Pension unfunded liability pay down (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
(\$3,231,038)		(\$3,231,038)
(2,137,915)		(2,137,915)
(16,647,630)		(16,647,630)
(10,535,260)		(10,535,260)
(506,657)		(506,657)
(3,998,342)		(3,998,342)
<u>(37,056,842)</u>		<u>(37,056,842)</u>
	\$334,730	334,730
	(6,352)	(6,352)
	(119,768)	(119,768)
	(415,638)	(415,638)
	11,271,990	11,271,990
	3,472,414	3,472,414
	(82,388)	(82,388)
	<u>14,454,988</u>	<u>14,454,988</u>
<u>(37,056,842)</u>	<u>14,454,988</u>	<u>(22,601,854)</u>
10,120,512		10,120,512
13,412,360		13,412,360
4,741,131		4,741,131
5,577,756		5,577,756
8,746,222		8,746,222
641,094	719,743	1,360,837
3,058,231		3,058,231
273,382	(273,382)	
<u>46,570,688</u>	<u>446,361</u>	<u>47,017,049</u>
9,513,846	14,901,349	24,415,195
4,736,219		4,736,219
(7,490,284)		(7,490,284)
6,759,781	14,901,349	21,661,130
<u>235,519,698</u>	<u>166,945,544</u>	<u>402,465,242</u>
<u>\$242,279,479</u>	<u>\$181,846,893</u>	<u>\$424,126,372</u>



FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal 2018. 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

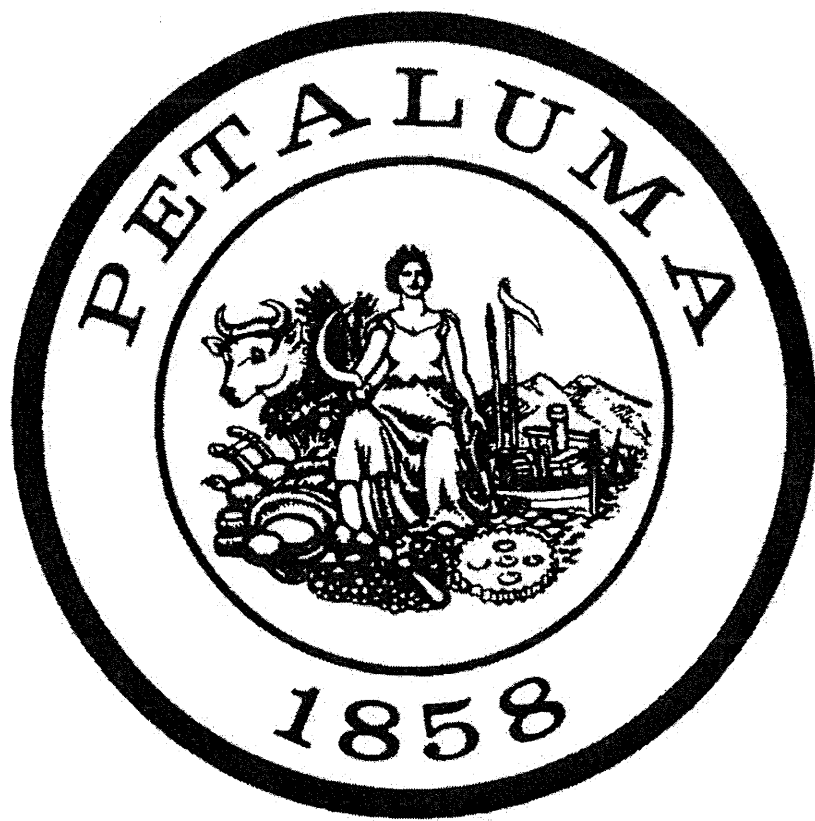
This fund accounts for the collection of resources and the related expenditure on acquisition and construction of major capital improvement projects in the City, other than those accounted for in proprietary funds.

CITY OF PETALUMA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	<u>General</u>	<u>HOME/ Begin Special Revenue</u>	<u>Impact Fees Special Revenue</u>
ASSETS			
Cash and investments (Note 2)	\$11,056,070	\$752,406	\$42,178,272
Receivables:			
Accounts, net	1,347,408		
Interest	362,942		
Intergovernmental	3,163,097		
Due from other funds (Note 3A)	563,458		
Inventories	13,405		
Deposits and prepaid items	26,028		
Loans receivable (Note 4)	49,375	15,293,228	9,599,458
Interest receivable related to loans receivable (Note 4)	25,790	5,423,330	696,031
Advances to other funds (Note 3B)			561,292
Total Assets	<u>\$16,607,573</u>	<u>\$21,468,964</u>	<u>\$53,035,053</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$2,011,093		\$10,143
Wages payable	801,838		
Unearned revenue	37,257		
Refundable deposits	229,781		
Advances from other funds (Note 3B)			
Total Liabilities	<u>3,079,969</u>		<u>10,143</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	401,748		82,300
Total Deferred Inflows of Resources	<u>401,748</u>		<u>82,300</u>
FUND BALANCES (Note 8):			
Fund balance			
Nonspendable	114,598		
Restricted		\$21,468,964	52,942,610
Committed	4,426,112		
Assigned	5,422,325		
Unassigned	3,162,821		
Total Fund Balances	<u>13,125,856</u>	<u>21,468,964</u>	<u>52,942,610</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$16,607,573</u>	<u>\$21,468,964</u>	<u>\$53,035,053</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>
\$143,094	\$2,406,606	\$7,197,850	\$63,734,298
260	16,946	556,378	1,920,992
	2,496,698	576,408	362,942
			6,236,203
			563,458
	1,444		13,405
22,078,885		724,000	27,472
6,812,035		182,293	47,744,946
			13,139,479
			561,292
<u>\$29,034,274</u>	<u>\$4,921,694</u>	<u>\$9,236,929</u>	<u>\$134,304,487</u>
\$7,437	\$250,192	\$346,507	\$2,625,372
			801,838
			37,257
60,000	2,625		292,406
	1,530,563		1,530,563
<u>67,437</u>	<u>1,783,380</u>	<u>346,507</u>	<u>5,287,436</u>
<u>260</u>	<u>13,148</u>	<u>2,356</u>	<u>499,812</u>
<u>260</u>	<u>13,148</u>	<u>2,356</u>	<u>499,812</u>
		24,333	138,931
28,966,577		8,863,733	112,241,884
	3,125,166		7,551,278
			5,422,325
			3,162,821
<u>28,966,577</u>	<u>3,125,166</u>	<u>8,888,066</u>	<u>128,517,239</u>
<u>\$29,034,274</u>	<u>\$4,921,694</u>	<u>\$9,236,929</u>	<u>\$134,304,487</u>



CITY OF PETALUMA
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2018

Total fund balances reported on the governmental funds balance sheet \$128,517,239

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. 193,059,631

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. (2,714,236)

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. 499,812

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:

Compensated absences	(4,159,973)
Net Pension liability	(84,006,568)
Deferred outflows related to pension	25,266,957
Deferred inflows related to pension	(1,687,113)
OPEB obligation	(11,653,709)
Deferred outflows related to OPEB	330,655
Deferred inflows related to OPEB	<u>(1,173,216)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$242,279,479

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, 2018

	<u>General</u>	<u>HOME/ Begin Special Revenue</u>	<u>Impact Fees Special Revenue</u>
REVENUES			
Taxes	\$29,134,836		
Licenses, permits and fees	1,118,832		\$5,827,661
Fines, forfeitures, and penalties	653,834		
Use of money and property	563,087	\$557,513	650,154
Intergovernmental	6,356,326		
Charges for current services	7,934,241		116,553
Other	47,989		13,530
Total Revenues	<u>45,809,145</u>	<u>557,513</u>	<u>6,607,898</u>
EXPENDITURES			
Current:			
General government	5,790,651		
Community development	879,733		513,904
Police	17,187,644		166
Fire	14,848,580		195
Parks and recreation	1,639,101		38,586
Public works	3,950,089		70,697
Capital outlay	163,351		
Total Expenditures	<u>44,459,149</u>		<u>623,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,349,996</u>	<u>557,513</u>	<u>5,984,350</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 3C)	1,693,212		
Transfers (out) (Note 3C)	(1,380,053)		(7,342,101)
Total Other Financing Sources (Uses)	<u>313,159</u>		<u>(7,342,101)</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	1,663,155	557,513	(1,357,751)
SPECIAL ITEM			
Transfer in from Successor Agency (Note 1P)			4,736,219
NET CHANGE IN FUND BALANCES	1,663,155	557,513	3,378,468
BEGINNING FUND BALANCES	<u>11,462,701</u>	<u>20,911,451</u>	<u>49,564,142</u>
ENDING FUND BALANCES	<u>\$13,125,856</u>	<u>\$21,468,964</u>	<u>\$52,942,610</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>
		\$4,716,923	\$33,851,759
			6,946,493
		162,079	815,913
\$341,812	\$25,104	233,240	2,370,910
	3,287,620	3,528,432	13,172,378
29,078	60,887	445,444	8,586,203
		420,993	482,512
<u>370,890</u>	<u>3,373,611</u>	<u>9,507,111</u>	<u>66,226,168</u>
	518,473		6,309,124
443,096		949,858	2,786,591
		725,111	17,912,921
	37,600	55,320	14,941,695
	450,837	406,733	2,535,257
	10,328,769	2,889,894	17,239,449
	1,003,918	4,736	1,172,005
<u>443,096</u>	<u>12,339,597</u>	<u>5,031,652</u>	<u>62,897,042</u>
<u>(72,206)</u>	<u>(8,965,986)</u>	<u>4,475,459</u>	<u>3,329,126</u>
100,000	11,151,844	1,740,672	14,685,728
	(30,469)	(6,714,723)	(15,467,346)
<u>100,000</u>	<u>11,121,375</u>	<u>(4,974,051)</u>	<u>(781,618)</u>
27,794	2,155,389	(498,592)	2,547,508
			4,736,219
27,794	2,155,389	(498,592)	7,283,727
28,938,783	969,777	9,386,658	121,233,512
<u>\$28,966,577</u>	<u>\$3,125,166</u>	<u>\$8,888,066</u>	<u>\$128,517,239</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, 2018

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 \$7,283,727

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.

Capitalized expenditures are therefore added back to fund balance	12,739,938
Depreciation expense is deducted from the fund balance	(7,600,651)
(Depreciation expense is net of internal service fund depreciation of \$524,594 which has already been allocated to serviced funds)	
Loss on disposal of capital assets is deducted from fund balance	(12,019)

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	90,700
Compensated absences	(155,286)
OPEB obligation, and deferred outflows and inflows of resources	(707,105)
Net pension liability, and deferred outflows and inflows of resources	1,454,570

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	(6,334,093)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$6,759,781
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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, 2018

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$1,601,249	\$1,548,889	\$13,263	
Cash and investments with fiscal agents (Note 2)				
Receivables:				
Accounts, net	88,840		20,158	\$6,851
Intergovernmental	3,997			548,728
Interest				
Inventories (Note 1F)	53,230		5,031	83,647
Deposits and prepaid items				
Total Current Assets	<u>1,747,316</u>	<u>1,548,889</u>	<u>38,452</u>	<u>639,226</u>
Non-Current Assets:				
Advance to other funds (Note 3B)				
Capital assets (Note 5):				
Nondepreciable	4,536,642			1,022,340
Depreciable	18,948,586	380,638	5,034,455	10,189,184
Less: accumulated depreciation	<u>(11,616,206)</u>	<u>(356,272)</u>	<u>(3,529,758)</u>	<u>(4,816,108)</u>
Total Non-current Assets	<u>11,869,022</u>	<u>24,366</u>	<u>1,504,697</u>	<u>6,395,416</u>
Total Assets	<u>13,616,338</u>	<u>1,573,255</u>	<u>1,543,149</u>	<u>7,034,642</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 9)		532,539		213,015
Related to OPEB (Note 10)		<u>11,972</u>		
Total Assets and Deferred Outflows of Resources	<u>13,616,338</u>	<u>2,117,766</u>	<u>1,543,149</u>	<u>7,247,657</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	47,634	70,208	10,830	180,058
Interest payable	16,847		33,495	
Due to other funds (Note 3A)			373,525	189,933
Refundable deposits	142,662	186,193	14,535	
Claims payable, due within one year (Note 12)				
Compensated absences, due within one year (Note 1G)	11,313	18,457	399	3,011
Long-term debt, due within one year (Note 6)	<u>424,000</u>		<u>392,310</u>	
Total Current Liabilities	<u>642,456</u>	<u>274,858</u>	<u>825,094</u>	<u>373,002</u>
Non-Current liabilities:				
Claims payable, due in more than one year (Note 12)				
Compensated absences, due in more than one year (Note 1G)	16,481	49,234	1,208	7,712
Advance from other funds (Note 3B)				
Net pension liability (Note 9)		1,447,170		578,868
OPEB liability (Note 10)		421,939		
Long-term debt, due in more than one year (Note 6)	<u>3,306,000</u>		<u>5,997,934</u>	
Total Non-current Liabilities	<u>3,322,481</u>	<u>1,918,343</u>	<u>5,999,142</u>	<u>586,580</u>
Total Liabilities	<u>3,964,937</u>	<u>2,193,201</u>	<u>6,824,236</u>	<u>959,582</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 9)		49,652		19,861
Related to OPEB (Note 10)		<u>42,478</u>		
Total Liabilities and Deferred Inflows of Resources	<u>3,964,937</u>	<u>2,285,331</u>	<u>6,824,236</u>	<u>979,443</u>
NET POSITION (NOTE 8):				
Net investment in capital assets	8,139,022	24,366	(2,455,303)	6,395,416
Restricted for debt service				
Unrestricted	<u>1,512,379</u>	<u>(191,931)</u>	<u>(2,825,784)</u>	<u>(127,202)</u>
Total Net Position	<u>\$9,651,401</u>	<u>(\$167,565)</u>	<u>(\$5,281,087)</u>	<u>\$6,268,214</u>

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

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	
\$26,708,166 934	\$3,627,743	\$10,190,602	\$129,073	\$43,818,985 934	\$12,943,171
3,427,420 129,367		1,195,431 6,032		4,738,700 688,124	42,970
6,230 6,875		376,809	4,809	529,756 6,875	27,634 103,935
<u>30,278,992</u>	<u>3,627,743</u>	<u>11,768,874</u>	<u>133,882</u>	<u>49,783,374</u>	<u>13,117,710</u>
7,814,092		1,350,066		9,164,158	1,350,066
29,584,149 246,747,022 (75,753,071)		7,284,810 70,096,692 (39,184,908)	5,334	42,427,941 351,401,911 (135,256,323)	11,449,439 (7,484,860)
<u>208,392,192</u>		<u>39,546,660</u>	<u>5,334</u>	<u>267,737,687</u>	<u>5,314,645</u>
<u>238,671,184</u>	<u>3,627,743</u>	<u>51,315,534</u>	<u>139,216</u>	<u>317,521,061</u>	<u>18,432,355</u>
2,662,691 14,295		1,491,107 18,002		4,899,352 44,269	639,046 71,786
<u>241,348,170</u>	<u>3,627,743</u>	<u>52,824,643</u>	<u>139,216</u>	<u>322,464,682</u>	<u>19,143,187</u>
1,214,798 504,616		852,905 34,235	13,265	2,389,698 589,193 563,458 588,295	138,050
85,817 6,443,889		60,862 347,000	5,554	185,413 7,607,199	2,508,212 26,457
<u>8,249,120</u>		<u>1,539,907</u>	<u>18,819</u>	<u>11,923,256</u>	<u>2,672,719</u>
155,723		131,046	9,310	370,714	5,317,717
7,235,851 503,808 97,818,127		4,052,076 634,483 5,250,000	520,729	520,729 13,313,965 1,560,230 112,372,061	204,771 9,024,224 1,736,604 2,530,061
<u>105,713,509</u>		<u>10,067,605</u>	<u>530,039</u>	<u>128,137,699</u>	<u>18,813,377</u>
<u>113,962,629</u>		<u>11,607,512</u>	<u>548,858</u>	<u>140,060,955</u>	<u>21,486,096</u>
248,258 50,720		139,024 63,876		456,795 157,074	59,582 254,710
<u>114,261,607</u>		<u>11,810,412</u>	<u>548,858</u>	<u>140,674,824</u>	<u>21,800,388</u>
96,316,084 934		32,599,594	5,334	141,024,513 934	3,964,579
<u>30,769,545</u>	<u>3,627,743</u>	<u>8,414,637</u>	<u>(414,976)</u>	<u>40,764,411</u>	<u>(6,621,780)</u>
<u>\$127,086,563</u>	<u>\$3,627,743</u>	<u>\$41,014,231</u>	<u>(\$409,642)</u>	<u>181,789,858</u>	<u>(\$2,657,201)</u>
				57,035	
				<u>\$181,846,893</u>	

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
OPERATING REVENUES				
Charges for sales	\$806,351	\$636	\$7,349	
Charges for services	1,087,056	1,857,941	239,826	\$292,762
Connection fee				
Total Operating Revenues	<u>1,893,407</u>	<u>1,858,577</u>	<u>247,175</u>	<u>292,762</u>
OPERATING EXPENSES				
Cost of services	1,019,893	1,621,069	61,940	2,308,571
Claims				
General and administrative	241,062	243,860	160,986	344,566
Depreciation	388,435		106,694	716,496
Total Operating Expenses	<u>1,649,390</u>	<u>1,864,929</u>	<u>329,620</u>	<u>3,369,633</u>
Operating Income (Loss)	<u>244,017</u>	<u>(6,352)</u>	<u>(82,445)</u>	<u>(3,076,871)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	26,290	16,273	(4,437)	1,204
Interest expense	(104,596)		(37,323)	
Intergovernmental	195,309			2,661,233
Gain or (loss) on disposal of assets				
Total Nonoperating Revenues (Expenses)	<u>117,003</u>	<u>16,273</u>	<u>(41,760)</u>	<u>2,662,437</u>
Income (Loss) Before Transfers	361,020	9,921	(124,205)	(414,434)
Transfers in (Note 3C)				34,000
Transfers (out) (Note 3C)				
Net Transfers				<u>34,000</u>
Income (Loss) Before Special Item	361,020	9,921	(124,205)	(380,434)
SPECIAL ITEM				
Pension unfunded liability pay down (Note 1P)				
Change in net position	361,020	9,921	(124,205)	(380,434)
BEGINNING NET POSITION (DEFICITS)	<u>9,290,381</u>	<u>(177,486)</u>	<u>(5,156,882)</u>	<u>6,648,648</u>
ENDING NET POSITION (DEFICITS)	<u>\$9,651,401</u>	<u>(\$167,565)</u>	<u>(\$5,281,087)</u>	<u>\$6,268,214</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

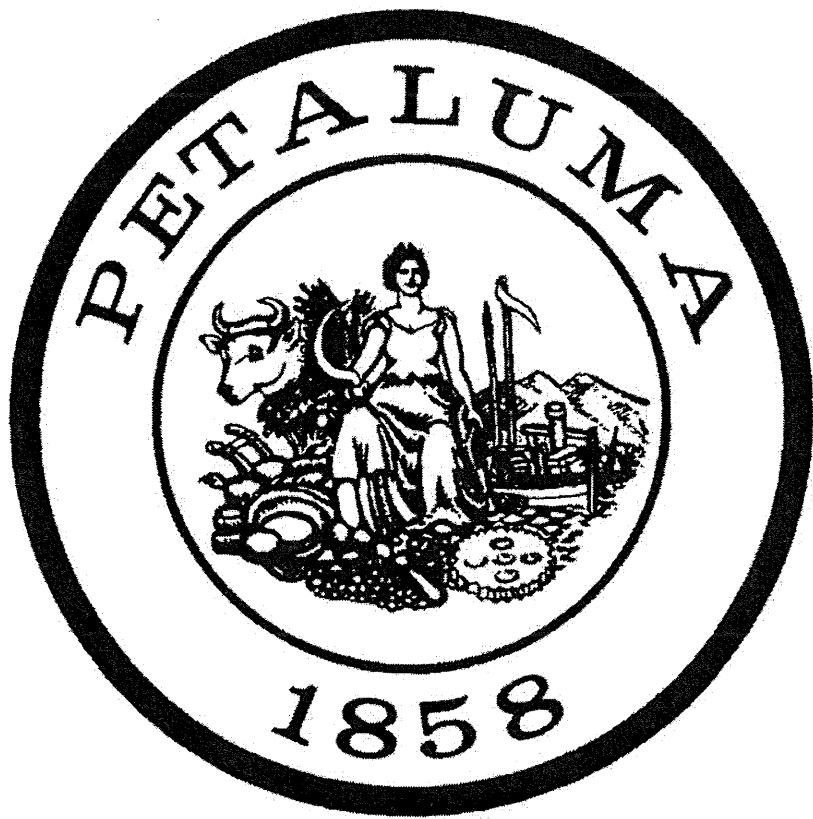
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$25,477,642		\$16,675,795		\$42,967,773	\$4,368
66,160		125,003	\$3	3,668,751	5,847,418
1,451,153		420,776		1,871,929	
26,994,955		17,221,574	3	48,508,453	5,851,786
5,048,313		10,643,844		20,703,630	2,762,227
3,320,563		1,626,135	82,391	6,019,563	1,169,971
5,313,416		1,246,665		7,771,706	1,572,104
13,682,292		13,516,644	82,391	34,494,899	6,028,896
13,312,663		3,704,930	(82,388)	14,013,554	(177,110)
363,868	\$34,539	117,801	164,205	719,743	138,230
(2,709,771)		(209,533)		(3,061,223)	(33,140)
761,234		58,502		3,676,278	(410)
(1,584,669)	34,539	(33,230)	164,205	1,334,798	104,680
11,727,994	34,539	3,671,700	81,817	15,348,352	(72,430)
1,530,556		60,000	498,473	2,123,029	1,156,000
(375,000)		(2,021,411)		(2,396,411)	(101,000)
1,155,556		(1,961,411)	498,473	(273,382)	1,055,000
12,883,550	34,539	1,710,289	580,290	15,074,970	982,570
					(7,490,284)
12,883,550	34,539	1,710,289	580,290	15,074,970	(6,507,714)
114,203,013	3,593,204	39,303,942	(989,932)		3,850,513
\$127,086,563	\$3,627,743	\$41,014,231	(\$409,642)		(\$2,657,201)
				(173,621)	
				\$14,901,349	

CITY OF PETALUMA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$1,929,500	\$1,690,864	\$257,041	\$292,559
Cash payments to suppliers for goods and services	(1,096,833)	(885,111)	(183,956)	(2,779,389)
Cash payments to employees for services	(184,885)	(839,641)	(33,777)	(304,025)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>647,782</u>	<u>(33,888)</u>	<u>39,308</u>	<u>(2,790,855)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds				34,000
Transfers to other funds				
Interfund loan payments			(34,872)	(290,593)
Interfund loan receipts				
Intergovernmental receipts	195,309			3,256,864
Cash Flows from (used for) Noncapital Financing Activities	<u>195,309</u>		<u>(34,872)</u>	<u>3,000,271</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(162,131)	(24,366)	1	(210,620)
Payments on long-term debt	(413,000)			
Interest paid	(106,462)			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(681,593)</u>	<u>(24,366)</u>	<u>1</u>	<u>(210,620)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income and changes in market values of investments	26,290	16,273	(4,437)	1,204
Cash Flows from (used for) Investing Activities	<u>26,290</u>	<u>16,273</u>	<u>(4,437)</u>	<u>1,204</u>
Net Cash Flows	187,788	(41,981)		
Cash and investments at beginning of period	1,413,461	1,590,870	13,263	
Cash and investments at end of period	<u>\$1,601,249</u>	<u>\$1,548,889</u>	<u>\$13,263</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$244,017	(\$6,352)	(\$82,445)	(\$3,076,871)
Special item				
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization	388,435		106,694	716,496
Change in:				
Accounts receivable	5,332		(1,316)	(1,203)
Intergovernmental	21,041			
Inventories	(819)		(2,858)	(10,286)
Deposits and prepaids			14,184	1,000
Advance to other funds				
Accounts payable and accrued liabilities	(18,360)	(18,303)	9,162	(369,717)
Refundable deposits	9,720	(167,713)	(3,002)	
Unearned revenue				(7,709)
Claims payable				
Advances from funds				
Compensated absences	(1,584)	16,968	(1,111)	(4,093)
Net pension liability, deferred inflows and deferred outflows		115,911		(38,472)
Net OPEB liability, deferred inflows and deferred outflows		25,601		
Cash Flows from (used for) Operating Activities	<u>\$647,782</u>	<u>(\$33,888)</u>	<u>\$39,308</u>	<u>(\$2,790,855)</u>
NONCASH TRANSACTIONS				
Interest accrued on notes payable			<u>\$52,997</u>	

See accompanying notes to financial statements

Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$26,219,869		\$16,719,031	\$503	\$47,109,367	\$5,837,481
(11,878,664)		(11,100,472)	(70,100)	(27,994,525)	(2,894,449)
(2,600,817)		(2,312,873)	(428,610)	(6,704,628)	(8,941,465)
					(960,168)
<u>11,740,388</u>		<u>3,305,686</u>	<u>(498,207)</u>	<u>12,410,214</u>	<u>(6,958,601)</u>
1,530,556		60,000	498,473	2,123,029	1,156,000
(375,000)		(2,021,411)		(2,396,411)	(101,000)
		(1,350,066)	(44,348)	(1,719,879)	(1,350,066)
					6,750,330
<u>761,234</u>		<u>58,502</u>		<u>4,271,909</u>	
<u>1,916,790</u>		<u>(3,252,975)</u>	<u>454,125</u>	<u>2,278,648</u>	<u>6,455,264</u>
(10,565,226)		(461,126)	(5,334)	(11,428,802)	(2,191,797)
(6,343,771)		(337,000)		(7,093,771)	
(2,727,767)		(211,594)		(3,045,823)	
<u>(19,636,764)</u>		<u>(1,009,720)</u>	<u>(5,334)</u>	<u>(21,568,396)</u>	<u>(2,191,797)</u>
363,868	\$34,539	117,801	164,205	719,743	105,090
363,868	34,539	117,801	164,205	719,743	105,090
(5,615,718)	34,539	(839,208)	114,789	(6,159,791)	(2,590,044)
<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>
<u>\$26,709,100</u>	<u>\$3,627,743</u>	<u>\$10,190,602</u>	<u>\$129,073</u>	<u>\$43,819,919</u>	<u>\$12,943,171</u>
\$13,312,663		\$3,704,930	(\$82,388)	\$14,013,554	(\$177,110)
					(7,490,284)
5,313,416		1,246,665		7,771,706	524,594
(640,457)		(575,414)	500	(1,212,558)	(41,366)
(129,367)		1,671		(106,655)	
7,621		84,981	1,541	80,180	(5,561)
(5,262)		1,613		11,535	275,133
(5,178,062)				(5,178,062)	
(888,889)		(532,896)	10,750	(1,808,253)	(152,435)
		74,675		(86,320)	
		(5,088)		(12,797)	
					209,803
					(362,136)
(25,120)		(40,453)	(4,424)	(59,817)	10,571
(56,724)		(693,497)	(424,186)	(1,096,968)	96,674
30,569		38,499		94,669	153,516
<u>\$11,740,388</u>		<u>\$3,305,686</u>	<u>(\$498,207)</u>	<u>\$12,410,214</u>	<u>(\$6,958,601)</u>
				<u>\$52,997</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, 2018

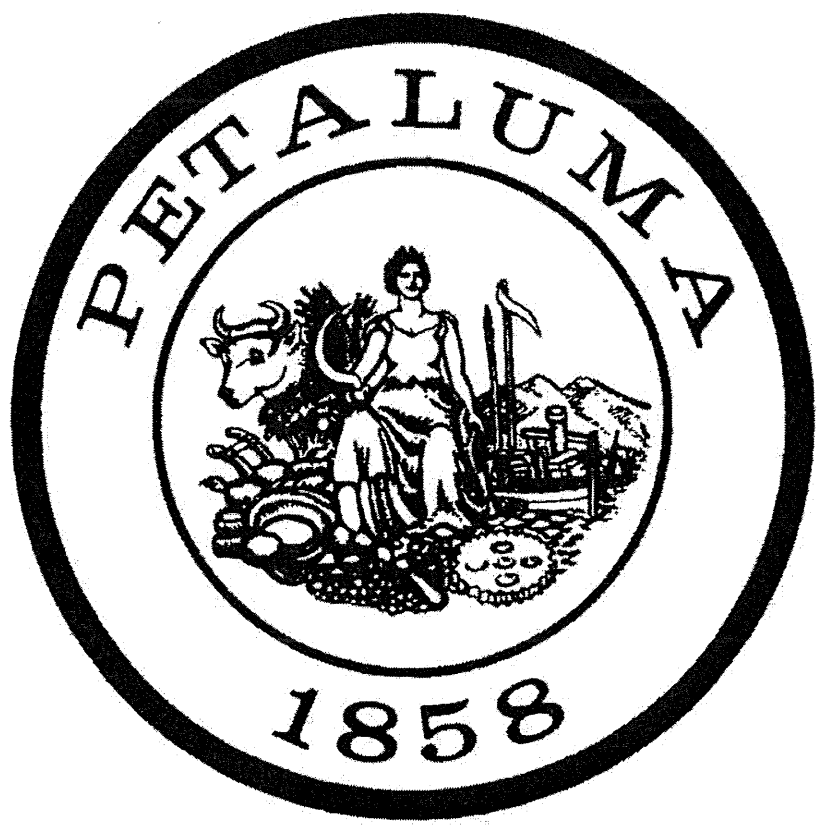
	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 2)	\$3,465,222	\$3,720,926
Restricted cash and investments (Note 2)	8,028	
Accounts receivable		185
Intergovernmental receivable		14,194
Notes receivable (Note 15B)	<u>234,744</u>	
Total Assets	<u><u>3,707,994</u></u>	<u><u>\$3,735,305</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	914	\$3,734,921
Deposits payable		384
Claims payable	128,750	
Interest payable	387,756	
Long-term debt (Note 15C):		
Long-term debt, due within one year	2,865,000	
Long-term debt, due in more than one year	<u>64,986,625</u>	
Total Liabilities	<u><u>68,369,045</u></u>	<u><u>\$3,735,305</u></u>
NET POSITION		
Held in trust for private purposes	<u><u>(\$64,661,051)</u></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, 2018

	Private Purpose Trusts
ADDITIONS	
Property tax	\$5,724,493
Use of money and property	16,134
Total Additions	5,740,627
DEDUCTIONS	
Community development	254,114
Interest expense	2,238,755
Total Deductions	2,492,869
Change in Net Position Before Special Item	3,247,758
SPECIAL ITEM	
Transfer out to the City (Note 1P)	(4,736,219)
Change in Net Position	(1,488,461)
NET POSITION HELD IN TRUST OR FOR PRIVATE PURPOSES	
Beginning of year	(63,172,590)
End of year	(\$64,661,051)

See accompanying notes to financial statements



CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018

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, 2018

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2017-2018, the General Fund and the following Major Special Revenue Fund had expenditures in excess of its budget at the level of budgetary control:

Fund	Amount Exceeded Budget
General Fund:	
City Attorney	\$54,368
Community Development	183,405
Fire	1,444,197
Impact Fees Fund:	
Police	166
Fire	195
Parks and Recreation	4,668
Housing Successor Fund:	
Community Development	14,939

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018. 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, 2018, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,225,344	\$615,944	\$4,841,288
Additions	2,474,231	597,017	3,071,248
Payments	(2,308,374)	(656,834)	(2,965,208)
Ending Balance	<u>\$4,391,201</u>	<u>\$556,127</u>	<u>\$4,947,328</u>
Current Portion	<u>\$625,144</u>	<u>\$185,413</u>	<u>\$810,557</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018

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. *Net Position Restatements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities and Business-Type Activities were restated and reduced by \$7,146,588 and \$1,578,366 respectively. In addition, the beginning net positions of the Development Services Enterprise Fund, Wastewater Utility Enterprise Fund, Water Utility Enterprise Fund and Employee Benefits Internal Service Funds were restated and reduced by \$426,844; \$509,664; \$641,858 and \$2,559,469 respectively. See additional information in Note 10.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018.

GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment 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 required the City to make a prior period adjustment. The City implemented this statement in fiscal 2017-2018. See additional information in Note 10.

GASB 81 – *Irrevocable Split-Interest Agreements* - This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement had no effect on the City's financial statements.

GASB 85 – *Omnibus 2017* - The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The City implemented this statement in fiscal 2017-2018.

GASB 86 – *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement had no effect on the City's financial statements.

P. *Special Items*

In fiscal year 2017-2018, the Successor Agency transferred \$4,736,219 of the 2011 Tax Allocation bond proceeds to the City's Impact Fee Special Revenue Fund. This amount is intended for future use of funding City of Petaluma capital improvement projects. During fiscal year 2017 2018, the City paid down \$7,490,284 of the unfunded pension liability with loans from the Wastewater Utility Enterprise Fund, the Water Utility Enterprise Fund and Risk Management Internal Service Fund totaling \$6,750,330 and \$739,954 of reserves from the Employee Benefit Internal Service Fund. Also see Note 3B.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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.

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, 2018, are as follows:

City cash and investments in primary government:	
Cash and investments	\$120,496,454
Restricted cash and investments	934
Total cash and investments in primary government	120,497,388
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	7,186,148
Restricted cash and investments	8,028
Total cash and investments in Fiduciary Funds	7,194,176
Total cash and investments	\$127,691,564

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Cash on hand	\$2,921
Cash and investments with financial institutions	127,372,290
Cash and investments with fiscal agents	316,353
Total Cash and Investments	\$127,691,564

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.

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	5 years	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 \$316,353 at June 30, 2018, 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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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.

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	\$1,788,025	\$1,683,785	\$175,055	\$1,392,514	\$5,039,379
FHLMC			1,520,133		1,520,133
FHLMC - Multi Family Structure			253,798		253,798
FHLMC Mortgage-backed Federal Agency Securities			127,813		127,813
FNMA - Collateralized Mortgage Obligation	109,251	2,534,336	2,056,556		4,700,143
U.S. Treasury Bonds/ Notes	1,258,298	8,148,032	4,355,651		13,761,981
Certificate of Deposit	250,000				250,000
California Local Agency Investment Fund	60,721,011				60,721,011
California Asset Management Program					
Held by Fiscal Agents	30,003,943				30,003,943
Money Market Funds	8,028				8,028
Total Investments	<u>\$94,138,556</u>	<u>\$12,366,153</u>	<u>\$8,489,006</u>	<u>\$1,392,514</u>	116,386,229
<i>Cash on hand and in banks</i>					<u>11,305,335</u>
Total Cash and Investments					<u>\$127,691,564</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, 2018, these investments have an average maturity of 193 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. The City reports its investments in CAMP at fair value provided by CAMP, which is the same which is the same as the value pool of the share of pool share, in accordance with GASB 79 requirements. At June 30, 2018, the fair value was approximate to the City's cost. At June 30, 2018, these investments have an average maturity of 46 days.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, have an average maturity of 26 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, 2018, are as follows:

Investment Type	AAAm	AA+/AA/AA-	Total
<i>Securities of U.S. Government Agencies</i>			
FHLB		\$5,737,892	\$5,737,892
FNMA		453,070	453,070
FHLMC		1,866,152	1,866,152
FHLMC - Mortgage-backed Federal Agency Securities		271,402	271,402
FNMA - Collateralized Mortgage Obligation		3,058,952	3,058,952
FHLMC - Multi Family Structure		253,798	253,798
California Asset Management Program	\$30,003,943		30,003,943
Money Market Funds	8,028		8,028
Totals	<u>\$30,011,971</u>	<u>\$11,641,266</u>	<u>41,653,237</u>
<i>Not rated:</i>			
Certificate of Deposit			250,000
California Local Agency Investment Fund			60,721,011
Cash on Hand and in Banks			11,305,335
<i>Exempt from credit rate disclosure:</i>			
U.S. Treasury Bonds/ Notes			<u>13,761,981</u>
Total Cash and Investments			<u>\$127,691,564</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
Securities of U.S. Government Agencies			
FHLB		\$5,737,892	\$5,737,892
FNMA		453,070	453,070
FHLMC		1,866,152	1,866,152
FHLMC - Multi Family Structure		253,798	253,798
FHLMC- Mortgage-backed Federal Agency Securities		271,402	271,402
FNMA - Collateralized Mortgage Obligation		3,058,952	3,058,952
U.S. Treasury Bonds/ Notes	\$13,761,981		13,761,981
Total Investments	<u>\$13,761,981</u>	<u>\$11,641,266</u>	25,403,247
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			30,003,943
Investments Measured at Amortized Cost:			
Certificate of Deposit			250,000
California Local Agency Investment Fund			60,721,011
Money Market Funds			<u>8,028</u>
Total Investments			<u>\$116,386,229</u>

U.S. Treasury Bond/ Notes, classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. U.S. Governmental Agencies Securities 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 the City's 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, 2018.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 2017-2018 the General Fund made a short-term loan to the Marina Enterprise Fund in the amount of \$373,525 and the Transit Enterprise Fund in the amount of \$189,933.

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, 2018, the outstanding amount of the advance was \$520,729.

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, 2018, the outstanding amount of the advance was \$40,563.

During fiscal 2016-2017, the Wastewater 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, 2018, the outstanding amount of the advance was \$2,273,894.

During fiscal 2017-2018, the Wastewater Utility Enterprise Fund (\$4,050,198), Water Utility Enterprise Fund (\$1,350,066) and Risk Management Internal Service Fund (\$1,350,066) together loaned \$6,750,330 to the Employee Benefits Fund for the pay down of the PERS Unfunded Liability. The annual savings advanced for the paydown are expected to lessen the burden on the budget during the period of rising PERS costs. All funds paying towards the cost of employee retirements, including the lending funds, will recognize some savings. The advance bears an annual interest rate of 1.75 percent. The principal and interest are due in 15 equal installments, such that the entire principal and interest shall be repaid on or before June 30, 2033. As of June 30, 2018, the outstanding amount of the advance was \$6,750,330.

During fiscal 2017-2018, the Wastewater Utility Fund advanced \$1,490,000 to the City Capital Projects Fund to cover the costs of the LED Streetlight Retrofit Project. The advance bears an annual interest rate of 1.25 percent. The principal and interest are due in eight equal payments. As of June 30, 2018, the outstanding amount of the advance was \$1,490,000.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Non-Major Governmental Funds	\$1,593,212 (A)
	Internal Service Funds	100,000 (C)
Successor Housing Fund	Impact Fees Special Revenue Fund	75,000 (A)
	Non-Major Governmental Funds	25,000 (A)
City Capital Projects Fund	General Fund	68,000 (B)
	Impact Fees Special Revenue Fund	7,233,101 (B)
	Non-Major Governmental Funds	2,951,308 (B)
	Wastewater Utility Enterprise Funds	315,000 (B)
	Water Utility Enterprise Fund	584,435 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	1,710,203 (A)
	City Capital Projects Fund	30,469 (B)
Transit Enterprise Fund	Impact Fees Special Revenue Fund	34,000 (A)
Wastewater Utility Enterprise Fund	General Fund	93,580 (C)
	Water Utility Enterprise Fund	1,436,976 (D)
Water Utility Enterprise Fund	Wastewater Utility Enterprise Funds	60,000 (D)
Storm Water Enterprise Fund	General Fund	498,473 (D)
Internal Service Funds	General Fund	720,000 (A)
	Non-Major Governmental Funds	435,000 (A)
	Internal Service Funds	1,000 (A)
		<u>\$17,964,757</u>

Purposes for transfers:

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

D. Internal Balances

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

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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	2,392,738
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	7,277,103
Total Housing Loans to Not-For Profit Agencies	44,330,746
First-Time Home Buyers Loans	3,414,200
Total	\$47,744,946

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, 2018, the total principal and interest receivable related to these loans was \$44,330,746 and \$13,139,479, respectively.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, the outstanding balance of the loans was \$3,414,200.

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, 2018

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, 2018, is as follows:

	Balance at June 30, 2017	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2018
Governmental Activities					
Capital Assets not being Depreciated:					
Land	\$38,009,488	\$1,003,918			\$39,013,406
Construction in Progress	43,191,802	11,031,795		(\$1,104,001)	53,119,596
Total Capital Assets not being Depreciated	81,201,290	12,035,713		(1,104,001)	92,133,002
Capital Assets being Depreciated:					
Buildings and Improvements	21,804,082			577,674	22,381,756
Vehicles and Equipment	15,709,302	2,359,472	(\$278,954)		17,789,820
Infrastructure	198,723,480	536,140	(39,858)	526,327	199,746,089
Total Capital Assets being Depreciated	236,236,864	2,895,612	(318,812)	1,104,001	239,917,665
Less Accumulated Depreciation:					
Buildings and Improvements	(12,781,545)	(505,616)			(13,287,161)
Vehicles and Equipment	(12,241,963)	(820,443)	278,954		(12,783,452)
Infrastructure	(102,184,497)	(6,799,186)	27,839		(108,955,844)
Total Accumulated Depreciation	(127,208,005)	(8,125,245)	306,793		(135,026,457)
Net Capital Assets being Depreciated	109,028,859	(5,229,633)	(12,019)	1,104,001	104,891,208
Governmental Activities Capital Assets, Net	\$190,230,149	\$6,806,080	(\$12,019)		\$197,024,210

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2017	Additions	Transfers	Balance at June 30, 2018
<i>Business-type Activities</i>				
Capital Assets not being Depreciated:				
Land	\$10,731,229			\$10,731,229
Construction in Progress	32,070,941	\$11,187,286	(\$11,561,515)	31,696,712
Total Capital Assets not being Depreciated	42,802,170	11,187,286	(11,561,515)	42,427,941
Capital Assets being Depreciated:				
Buildings and Improvements	30,000,255	17,467		30,017,722
Vehicles and Equipment	13,911,304	224,048		14,135,352
Infrastructure	296,837,939		11,561,515	308,399,454
Total Capital Assets being Depreciated	340,749,498	241,515	11,561,515	352,552,528
Less Accumulated Depreciation for:				
Buildings and Improvements	(13,755,301)	(726,987)		(14,482,288)
Vehicles and Equipment	(9,240,362)	(943,377)		(10,183,739)
Infrastructure	(105,639,571)	(6,101,342)		(111,740,913)
Total Accumulated Depreciation	(128,635,234)	(7,771,706)		(136,406,940)
Net Capital Assets being Depreciated	212,114,264	(7,530,191)	11,561,515	216,145,588
Business-type Activities Capital Assets, Net	\$254,916,434	\$3,657,095		\$258,573,529

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, 2018

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	\$114,598
Community Development	2,699,777
Police	180,138
Fire	62,429
Parks and Recreation	637,648
Public Works	3,906,061
Internal Service Funds:	
Information Services	45,685
Vehicle Replacement - GG	478,909
Total Depreciation Expense	<u><u>\$8,125,245</u></u>

Business Functions

Airport	\$388,435
Marina	106,694
Transit	716,496
Wastewater Utility	5,313,416
Water Utility	1,246,665
Total Depreciation Expense	<u><u>\$7,771,706</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, were as follows:

Business-Type Activity Debt:	Original Issue Amount	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018	Amount due within one year
Revenue Bonds:						
2012 Water Revenue Refunding Bonds 3.670%, due 5/1/2031	\$7,529,000	\$5,934,000		\$337,000	\$5,597,000	\$347,000
2017 Wastewater Revenue Refunding Bonds 3.125-4.00%, Due 11/01/2036 Plus: Original issue Premium	23,365,000 967,283	23,365,000 916,374		50,910	23,365,000 865,464	
Total Revenue Bonds		30,215,374		387,910	29,827,464	347,000
State Loan Fund:						
State Revolving Loan Fund 1.400%, due 4/9/2029	125,964,254	86,324,413		6,292,861	80,031,552	6,443,889
Notes Payable:						
California Department of Boating and Waterways	3,960,000	6,337,247	\$52,997		6,390,244	392,310
Total Notes Payable		6,337,247	52,997		6,390,244	392,310
Lease Obligation:						
2016 Airport Refunding Lease Obligation 2.710%, due 11/1/2025	4,531,000	4,143,000		413,000	3,730,000	424,000
Total Lease Obligation		4,143,000		413,000	3,730,000	424,000
Total Business Type Activity Debt		\$127,020,034	\$52,997	\$7,093,771	\$119,979,260	\$7,607,199

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018.

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
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	5,569,510		447,000	71,720
2022	388,000	963,863	6,919,074	1,445,573			459,000	59,444
2023	401,000	949,385	7,085,131	1,279,515			472,000	46,829
2024 - 2028	2,261,000	4,508,741	38,059,408	3,763,824			1,492,000	61,381
2029 - 2033	15,359,000	2,779,367	8,168,599	196,046				
2034 - 2036	9,470,000	228,088						
Outstanding Accumulated Payments and Penalties	28,962,000	<u>\$12,403,039</u>	80,031,552	<u>\$11,979,559</u>	6,390,244	<u>\$17,654</u>	3,730,000	<u>\$418,397</u>
Less: Original Issuance Premium (Discount)	865,464							
Total Payments due	<u>\$29,827,464</u>		<u>\$80,031,552</u>		<u>\$6,390,244</u>		<u>\$3,730,000</u>	

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

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 3.67% 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 \$5,069,396 and \$548,594 in fiscal 2017-18. Total principal and interest remaining to be paid on the Bonds was \$7 million as of June 30, 2018.

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 \$34.3 million as of June 30, 2018.

The bonds were issued at a premium of \$967,283 which is being amortized over the 19-year life of the bonds resulting in an annual amortization of \$50,910.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

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, 2018 was \$80,031,552.

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, 2018 was \$6,390,244. 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, 2018 was \$3,730,000.

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 - DEBT WITHOUT CITY COMMITMENT (Continued)

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

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.

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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances as of June 30, 2018, 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, prepaids and inventories	\$114,598						\$114,598
Subtotal	114,598						114,598
Amounts required to maintained intact:							
Permanent funds						\$24,333	24,333
Total Nonspendable Fund Balances	114,598					24,333	138,931
Restricted for:							
Special projects			\$52,942,610				52,942,610
Community redevelopment						8,863,733	8,863,733
Low-income housing		\$21,468,964		\$28,966,577			50,435,541
Total Restricted Fund Balances		21,468,964	52,942,610	28,966,577		8,863,733	112,241,884
Committed to:							
Special projects	4,426,112				\$3,125,166		7,551,278
Total Committed Fund Balances	4,426,112				3,125,166		7,551,278
Assigned:							
Special projects	5,422,325						5,422,325
Total Assigned Fund Balances	5,422,325						5,422,325
Unassigned:							
General Fund	3,162,821						3,162,821
Total Unassigned Fund Balances	3,162,821						3,162,821
Total Fund Balances	<u>\$13,125,856</u>	<u>\$21,468,964</u>	<u>\$52,942,610</u>	<u>\$28,966,577</u>	<u>\$3,125,166</u>	<u>\$8,888,066</u>	<u>\$128,517,239</u>

C. Fund Deficits

As of June 30, 2018, the Development Services Enterprise Fund, the Marina Enterprise Fund, the Storm Water Enterprise Fund, the Employee Benefits Internal Service Fund, the Information Services Internal Service Fund and the Workers' Compensation Internal Service Fund, had negative net positions of \$167,565, \$5,281,087, \$409,642, \$8,300,098, \$1,262,143 and \$408,170 respectively. See Note 13C for further discussion of the Marina Fund. All other deficits are expected to be repaid by future revenues.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018:

	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	\$10,650,764	\$28,943,402	\$993,032
Safety	20,154,591	70,113,735	1,210,458
Total	<u>\$30,805,355</u>	<u>\$99,057,137</u>	<u>\$2,203,490</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, 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	8.788%	8.788%	50% of the Total Normal Cost

In addition, the City made a payment to the Miscellaneous Plan's unfunded liability in the amount of \$11,550,174.

	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	18.527%	18.527%	50% of the Total Normal Cost

In addition, the City made a payment to the Safety Plan's unfunded liability in the amount of \$3,709,928.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2016	June 30, 2017
Inactive employees or beneficiaries currently receiving benefits	262	271
Inactive employees entitled to but not yet receiving benefits	227	238
Active employees	190	196
Total	679	705

	Safety	
	June 30, 2016	June 30, 2017
Inactive employees or beneficiaries currently receiving benefits	199	199
Inactive employees entitled to but not yet receiving benefits	77	80
Active employees	117	116
Total	393	395

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for 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.

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 20% (1)
Investment Rate of Return	7.375% (2)
Post Retirement Benefit Increase	Contract COLA up to 2% until Purchasing Power applies, 2% 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, 2016 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 be found on the CalPERS website under Forms and Publications.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

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 7.375% used for the June 30, 2016 measurement date was net of administrative expenses. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2017 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</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, 2018

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, 2016	\$103,531,448	\$77,608,047	\$25,923,401
Changes in the year:			
Service cost	2,343,412		2,343,412
Interest on the total pension liability	7,655,833		7,655,833
Changes in benefit terms			
Changes in assumptions	6,039,854		6,039,854
Differences between actual and expected experience	(1,001,955)		(1,001,955)
Net Plan to Plan Resource Movement		2,139	(2,139)
Contribution - employer		2,624,811	(2,624,811)
Contribution - employee		976,772	(976,772)
Net investment income		8,528,004	(8,528,004)
Benefit payments, including refunds of employee contributions	(5,332,945)	(5,332,945)	
Administrative expense		(114,583)	114,583
Other miscellaneous income			
Net changes	<u>9,704,199</u>	<u>6,684,198</u>	<u>3,020,001</u>
Balance at June 30, 2017	<u>\$113,235,647</u>	<u>\$84,292,245</u>	<u>\$28,943,402</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$175,096,176	\$113,266,598	\$61,829,578
Changes in the year:			
Service cost	3,646,598		3,646,598
Interest on the total pension liability	13,084,036		13,084,036
Changes in benefit terms			
Changes in assumptions	11,023,088		11,023,088
Differences between actual and expected experience	(297,700)		(297,700)
Net Plan to Plan Resource Movement			
Contribution - employer		5,735,707	(5,735,707)
Contribution - employee		1,300,945	(1,300,945)
Net investment income		12,302,444	(12,302,444)
Benefit payments, including refunds of employee contributions	(9,302,702)	(9,302,702)	
Administrative expense		(167,231)	167,231
Other miscellaneous income			
Net changes	<u>18,153,320</u>	<u>9,869,163</u>	<u>8,284,157</u>
Balance at June 30, 2017	<u>\$193,249,496</u>	<u>\$123,135,761</u>	<u>\$70,113,735</u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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	6.15%	6.15%
Net Pension Liability	\$43,443,499	\$96,854,455
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$28,943,402	\$70,113,735
1% Increase	8.15%	8.15%
Net Pension Liability	\$16,889,108	\$48,255,975

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, 2018, the City contributions to the plan were \$15,792,022. At June 30, 2018, 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	\$5,729,007	
Changes in assumptions	3,716,833	
Differences between actual and expected experience		(\$993,032)
Net differences between projected and actual earnings on plan investments	1,204,924	
Total	\$10,650,764	(\$993,032)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$10,063,015	
Changes in assumptions	8,122,275	(\$433,237)
Differences between actual and expected experience		(777,221)
Net differences between projected and actual earnings on plan investments	1,969,301	
Total	\$20,154,591	(\$1,210,458)

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

\$15,792,022 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, 2019. 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
2019	\$1,548,385	2019	\$2,078,092
2020	2,497,898	2020	4,644,415
2021	497,081	2021	3,020,163
2022	(614,639)	2022	(861,552)
Total	\$3,928,725	Total	\$8,881,118

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, 2018, the City contributed \$2,317 and the covered employees contributed \$32,429 the total of which met the requirements of the plan.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

A. *General Information about the City's Other Post Employment Benefit (OPEB) Plan*

Plan Description – The City's Post Employment Benefit Plan is a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – 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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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.

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.

For the year ended June 30, 2018, the City’s contributions to the Plan were \$446,710.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017.

Active employees	297
Inactives currently receiving benefit	167
Inactives entitled to but not yet receiving benefit payments	105
Total	569

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Total OPEB Liability

Actuarial Methods and Assumptions – The City’s total OPEB liability was measured and determined based on the following dates, actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Valuation Date	• June 30, 2017
Contribution Policy	• No pre-funding
Discount Rate and Long Term Expected Rate of Return on Assets	• 3.58% at June 30, 2017 (Bond Buyer 20-bond Index) • 2.85% at June 30, 2016 (Bond Buyer 20-bond Index)
General Inflation	• 2.75% per annum
Mortality, Retirement, Disability,	• CalPERS 1997-2015 Experience Study
Mortality Improvement	• Post retirement mortality projected fully generational with Scale MP-2017
Salary Increases	• Aggregate - 3% • Merit - CalPERS 1997-2015 Experience Study
Medical Trend	• Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years • Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	• 4.25%
Healthcare participation	• Actives: 70% if covered, 60% if waived with 20 or more years service, 40% if waived with less than 20 years of service • Retirees: 100% if covered, 0% re-elect if waived

The discount rate was based on Bond Buyer 20-bond Index.

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2016 (Measurement Date)	<u>\$16,397,000</u>
Changes Recognized for the Measurement Period:	
Service cost	1,150,000
Interest on the total OPEB liability	493,000
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	(1,829,000)
Benefit payments	<u>(467,000)</u>
Net changes	<u>(653,000)</u>
Balance at June 30, 2017 (Measurement Date)	<u><u>\$15,744,000</u></u>

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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 discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
2.58%	3.58%	4.58%
\$18,331,000	\$15,744,000	\$13,668,000

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$13,457,000	\$15,744,000	\$18,719,000

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$278,241. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$446,710	
Differences between actual and expected experience		
Changes of assumptions		(\$1,585,000)
Total	\$446,710	(\$1,585,000)

\$446,710 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$244,000)
2020	(244,000)
2021	(244,000)
2022	(244,000)
2023	(244,000)
Thereafter	(365,000)
Total	(\$1,585,000)

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2018, for general liability was \$1,773,819 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, 2018 for workers' compensation was \$6,052,110 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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 12 - RISK MANAGEMENT

The accrued claims liability reported in the risk funds as of June 30, 2018, 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, 2018. 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, 2018.

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2018, 2017, and 2016:

For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Payable Due within One Year
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
2018	7,616,126	1,846,606	(1,636,803)	7,825,929	2,508,212

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, 2018 totaling \$2,861,901 for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$17,212,023. In addition, the City's governmental funds had outstanding professional service contracts at year-end in the amount of \$1,485,258 and proprietary funds in the amount of \$5,574,887.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

C. Marina Enterprise Fund Finances

At June 30, 2018, the Marina Enterprise Fund had \$13,263 in cash while accumulated deficit was \$5.3 million. As discussed in Note 6C, the Marina Enterprise Fund had an outstanding loan of \$6.4 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.

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, 2018, the City identified the following site 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 received the permit to operate the system from the Bay Area Air Quality Management District (BAAQMD) in February 2018. The City began full operation of the system in April 2018. ECA will continue to 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, 2018

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, 2018 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

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, 2018, the outstanding balance of the loans was \$234,744.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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, 2017	Retirements	Balance June 30, 2018	Amount due within one year
Tax Allocation Bonds:					
2015 Tax Allocation Bonds, Series A 3.73%, due 5/1/2033	\$19,545,000	\$18,600,000	\$640,000	\$17,960,000	\$640,000
2015 Tax Allocation Bonds, Series B 3.25%, due 5/1/2030	16,060,000	14,745,000	890,000	13,855,000	935,000
2017 Tax Allocation Refunding Bonds 3.00-4.00%, Due 11/01/2039	35,945,000	35,945,000	355,000	35,590,000	1,290,000
Plus: Original issue Premium	491,287	468,956	22,331	446,625	
Total Tax Allocation Bonds		<u><u>\$69,758,956</u></u>	<u><u>\$1,907,331</u></u>	<u><u>\$67,851,625</u></u>	<u><u>\$2,865,000</u></u>

Redevelopment Agency Tax Allocation Bonds

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 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.

CITY OF PETALUMA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

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 \$94,289,282 at June 30, 2018. 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 2017-18 was \$5,724,493 which represented coverage of 139% of the \$4,106,633 of debt service.

2003A and 2005A Tax Allocation Bonds - As of June 30, 2018 the outstanding defeased balance related to the 2003A and 2005A Tax Allocation Bonds was \$17,690,000 and \$13,390,000, respectively.

2007 and 2011 Tax Allocation Bonds - As of June 30, 2018 the outstanding defeased balance related to the 2007 and 2011 Tax Allocation Bonds was \$29,280,000 and \$6,107,000, respectively.

Debt Service Requirements

Annual debt service requirements are shown below:

Successor Agency Debt: For The Year Ending June 30	Tax Allocation Bonds	
	Principal	Interest
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	3,260,000	1,878,622
2024 - 2028	13,280,000	7,852,502
2029 - 2033	15,820,000	5,475,997
2034 - 2038	15,070,000	2,786,069
2039 - 2040	7,985,000	271,771
Total payments due	67,405,000	\$26,884,282
Plus: Original Issuance Premium (Discount)	446,625	
	<u>\$67,851,625</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, 2018
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	6/30/2017
Total Pension Liability				
Service Cost	\$1,931,227	\$2,007,788	\$2,017,338	\$2,343,412
Interest	6,997,431	7,267,715	7,469,079	7,655,833
Changes in benefits	0	0	0	0
Changes in assumptions	0	(1,694,544)	0	6,039,854
Differences between expected and actual experience	0	(848,115)	(1,631,258)	(1,001,955)
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)	(5,162,636)	(5,332,945)
Net change in total pension liability	4,358,592	1,861,836	2,692,523	9,704,199
Total pension liability - beginning	94,618,497	98,977,089	100,838,925	103,531,448
Total pension liability - ending (a)	\$98,977,089	\$100,838,925	\$103,531,448	\$113,235,647
Plan fiduciary net position				
Contributions - employer	\$2,390,127	\$1,990,786	\$2,382,217	\$2,624,811
Contributions - employee	1,243,703	889,286	936,978	976,772
Net investment income	11,808,495	1,767,481	386,997	8,528,004
Benefit payments, including refunds of employee contributions	(4,570,066)	(4,871,008)	(5,162,636)	(5,332,945)
Net Plan to Plan Resource Movement	0	0	0	2,139
Administrative Expense	0	(89,077)	(48,215)	(114,583)
Other Miscellaneous Income	0	0	0	0
Net change in plan fiduciary net position	10,872,259	(312,532)	(1,504,659)	6,684,198
Plan fiduciary net position - beginning	68,552,979	79,425,238	79,112,706	77,608,047
Plan fiduciary net position - ending (b)	\$79,425,238	\$79,112,706	\$77,608,047	\$84,292,245
Net pension liability - ending (a)-(b)	\$19,551,851	\$21,726,219	\$25,923,401	\$28,943,402
Plan fiduciary net position as a percentage of the total pension liability	80.25%	78.45%	74.96%	74.44%
Covered Payroll	\$12,004,148	\$13,001,281	\$13,272,833	\$14,000,551
Net pension liability as percentage of covered payroll	162.88%	167.11%	195.31%	206.73%

Notes to Schedule:

Benefit changes The figures above do not include any liability impact that may have resulted from plan changes which occurred after the valuation date. 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 rates of 7.50% used in June 30, 2014 measurement date, 7.65% used for both June 30, 2015 and June 30, 2016 measurement dates and 7.15% used in June 30, 2017 measurement date are without reduction of pension plan administrative expense. All other assumptions for the measurement dates were the same as those used for the prior measurement dates.

* 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, 2018
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	MISCELLANEOUS			
	2015	2016	2017	2018
Actuarially determined contribution	\$1,938,902	\$2,099,340	\$2,111,855	\$5,729,007
Contributions in relation to the actuarially determined contributions	(1,938,902)	(2,099,340)	(2,111,855)	(5,729,007)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Payroll	\$13,001,281	\$13,272,833	\$14,000,551	\$14,424,240
Contributions as a percentage of covered payroll	14.91%	15.82%	15.08%	39.72%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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			
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, 2018
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	6/30/2017
Total Pension Liability				
Service Cost	\$3,422,621	\$3,115,595	\$3,034,176	\$3,646,598
Interest	11,716,276	12,221,159	12,650,095	13,084,036
Changes in assumptions	0	(3,032,668)	0	0
Changes in benefits	0	0	0	11,023,088
Differences between expected and actual experience	0	(423,859)	(1,118,953)	(297,700)
Benefit payments, including refunds of employee contributions	<u>(7,707,622)</u>	<u>(8,276,688)</u>	<u>(8,863,457)</u>	<u>(9,302,702)</u>
Net change in total pension liability	7,431,275	3,603,539	5,701,861	18,153,320
Total pension liability - beginning	<u>158,359,501</u>	<u>165,790,776</u>	<u>169,394,315</u>	<u>175,096,176</u>
Total pension liability - ending (a)	<u>\$165,790,776</u>	<u>\$169,394,315</u>	<u>\$175,096,176</u>	<u>\$193,249,496</u>
Plan fiduciary net position				
Contributions - employer	\$5,842,432	\$4,384,155	\$4,894,550	\$5,735,707
Contributions - employee	1,731,948	1,037,804	1,025,996	1,300,945
Net investment income	17,135,155	2,505,960	588,669	12,302,444
Benefit payments, including refunds of employee contributions	<u>(7,707,622)</u>	<u>(8,276,688)</u>	<u>(8,863,457)</u>	<u>(9,302,702)</u>
Net Plan to Plan Resource Movement	0	61,599	0	0
Administrative Expense	0	(130,196)	(70,508)	(167,231)
Other Miscellaneous Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position	17,001,913	(417,366)	(2,424,750)	9,869,163
Plan fiduciary net position - beginning	<u>99,106,801</u>	<u>116,108,714</u>	<u>115,691,348</u>	<u>113,266,598</u>
Plan fiduciary net position - ending (b)	<u>\$116,108,714</u>	<u>\$115,691,348</u>	<u>\$113,266,598</u>	<u>\$123,135,761</u>
Net pension liability - ending (a)-(b)	<u>\$49,682,062</u>	<u>\$53,702,967</u>	<u>\$61,829,578</u>	<u>\$70,113,735</u>
Plan fiduciary net position as a percentage of the total pension liability	70.03%	68.30%	64.69%	63.72%
Covered Payroll	\$11,800,515	\$11,238,710	\$11,313,110	\$12,054,472
Net pension liability as percentage of covered payroll	421.02%	477.84%	546.53%	581.64%

Notes to Schedule:

Benefit changes The figures above do not include any liability impact that may have resulted from plan changes which occurred after the valuation date. 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 rates of 7.50% used in June 30, 2014 measurement date, 7.65% used for both June 30, 2015 and June 30, 2016 measurement dates and 7.15% used in June 30, 2017 measurement date are without reduction of pension plan administrative expense. All other assumptions for the measurement dates were the same as those used for the prior measurement dates.

* 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, 2018
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	SAFETY			
	2015	2016	2017	2018
Actuarially determined contribution	\$4,401,132	\$5,240,190	\$6,080,971	\$10,063,015
Contributions in relation to the actuarially determined contributions	<u>(4,401,132)</u>	<u>(5,240,190)</u>	<u>(6,080,971)</u>	<u>(10,063,015)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered Payroll	\$11,238,710	\$11,313,110	\$12,054,472	\$12,241,930
Contributions as a percentage of covered payroll	39.16%	46.32%	50.45%	82.20%
Notes to Schedule				
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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, 2018

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

OPEB Plan - Single Employer
Last 10 fiscal years*

Measurement Date	6/30/17
Total OPEB Liability (1)	
Service Cost	1,150,000
Interest	493,000
Changes of benefit terms	0
Differences between expected and actual experience	
Changes of assumptions	(1,829,000)
Benefit payments	(467,000)
Net change in total OPEB liability	(653,000)
Total OPEB liability - beginning	16,397,000
Total OPEB liability - ending (a)	\$15,744,000
 Covered payroll	 \$24,725,000
 Total OPEB liability as a percentage of covered-employee payroll	 63.68%

Notes to Schedule:

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

* Fiscal year 2018 was the first year of implementation.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$27,975,696	\$28,605,711	\$29,134,836	\$529,125
Licenses, permits, and fees	1,098,000	1,098,000	1,118,832	20,832
Fines, forfeitures and penalties	942,000	893,250	653,834	(239,416)
Use of money and property	437,700	437,700	563,087	125,387
Intergovernmental	5,884,988	5,941,238	6,356,326	415,088
Charges for current services	6,117,000	6,342,000	7,934,241	1,592,241
Other	14,000	14,000	47,989	33,989
Total Revenues	<u>42,469,384</u>	<u>43,331,899</u>	<u>45,809,145</u>	<u>2,477,246</u>
EXPENDITURES:				
Current:				
General government:				
City council	109,808	111,009	105,971	5,038
City clerk	263,909	293,562	273,493	20,069
City attorney	925,020	1,192,228	1,246,596	(54,368)
City Manager	1,219,903	1,184,162	1,141,058	43,104
Administrative services	3,859,014	3,615,272	3,023,533	591,739
Community development	543,828	696,328	879,733	(183,405)
Police	17,387,532	17,591,497	17,187,644	403,853
Fire	13,337,376	13,404,383	14,848,580	(1,444,197)
Parks	1,828,278	1,844,772	1,639,101	205,671
Public works	3,897,685	3,958,122	3,950,089	8,033
Capital outlay	40,000	189,500	163,351	26,149
Total Expenditures	<u>43,412,353</u>	<u>44,080,835</u>	<u>44,459,149</u>	<u>(378,314)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(942,969)</u>	<u>(748,936)</u>	<u>1,349,996</u>	<u>2,098,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,550,512	1,693,212	1,693,212	
Transfers (out)	<u>(1,160,053)</u>	<u>(1,380,053)</u>	<u>(1,380,053)</u>	
Total other financing sources (uses)	<u>390,459</u>	<u>313,159</u>	<u>313,159</u>	
NET CHANGE IN FUND BALANCE	<u>(\$552,510)</u>	<u>(\$435,777)</u>	1,663,155	<u>\$2,098,932</u>
BEGINNING FUND BALANCE			<u>11,462,701</u>	
ENDING FUND BALANCE			<u>\$13,125,856</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, 2018

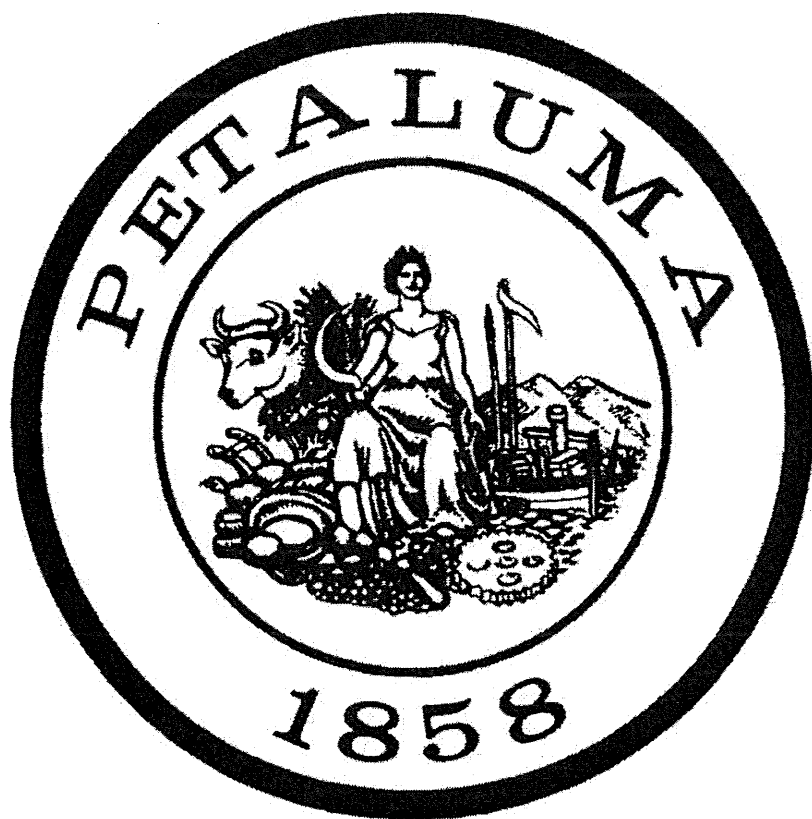
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	<u>\$3,492</u>	<u>\$3,492</u>	<u>\$557,513</u>	<u>\$554,021</u>
Total Revenues	<u>3,492</u>	<u>3,492</u>	<u>557,513</u>	<u>554,021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,492</u>	<u>3,492</u>	<u>557,513</u>	<u>554,021</u>
NET CHANGE IN FUND BALANCE	<u><u>\$3,492</u></u>	<u><u>\$3,492</u></u>	557,513	<u><u>\$554,021</u></u>
BEGINNING FUND BALANCE			<u>20,911,451</u>	
ENDING FUND BALANCE			<u><u>\$21,468,964</u></u>	

CITY OF PETALUMA
IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
License, permits and fees	\$7,988,082	\$7,988,082	\$5,827,661	(\$2,160,421)
Use of money and property	145,293	145,293	650,154	504,861
Intergovernmental		4,700,000		(4,700,000)
Charges for services			116,553	116,553
Other			13,530	13,530
Total Revenues	<u>8,133,375</u>	<u>12,833,375</u>	<u>6,607,898</u>	<u>(6,225,477)</u>
EXPENDITURES:				
Current:				
Community development	645,552	666,202	513,904	152,298
Police			166	(166)
Fire			195	(195)
Parks and Recreation	33,918	33,918	38,586	(4,668)
Public works	101,930	101,930	70,697	31,233
Total Expenditures	<u>781,400</u>	<u>802,050</u>	<u>623,548</u>	<u>178,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,351,975</u>	<u>12,031,325</u>	<u>5,984,350</u>	<u>(6,046,975)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(776,000)	(7,667,100)	(7,342,101)	324,999
Total other financing sources (uses)	<u>(776,000)</u>	<u>(7,667,100)</u>	<u>(7,342,101)</u>	<u>324,999</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	<u>6,575,975</u>	<u>4,364,225</u>	<u>(1,357,751)</u>	<u>(5,721,976)</u>
SPECIAL ITEM				
Transfer in from Successor Agency			4,736,219	4,736,219
NET CHANGE IN FUND BALANCE	<u>\$6,575,975</u>	<u>\$4,364,225</u>	<u>3,378,468</u>	<u>(\$985,757)</u>
BEGINNING FUND BALANCES			<u>49,564,142</u>	
ENDING FUND BALANCE			<u>\$52,942,610</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$26,665	\$26,665	\$341,812	\$315,147
Charges for current services	22,880	22,880	29,078	6,198
Total Revenues	49,545	49,545	370,890	321,345
EXPENDITURES:				
Current:				
Community Development	196,877	428,157	443,096	(14,939)
Total Expenditures	196,877	428,157	443,096	(14,939)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,332)	(378,612)	(72,206)	306,406
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	
NET CHANGE IN FUND BALANCE	(\$47,332)	(\$278,612)	27,794	\$306,406
BEGINNING FUND BALANCE			28,938,783	
ENDING FUND BALANCE			\$28,966,577	



**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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property		\$25,104	\$25,104
Intergovernmental	\$178,100	3,287,620	3,109,520
Charges for current services	60,000	60,887	887
Other	2,169,000		(2,169,000)
	<u>2,407,100</u>	<u>3,373,611</u>	<u>966,511</u>
EXPENDITURES			
Current:			
General government	1,305,081	518,473	786,608
Fire		37,600	(37,600)
Parks and recreation	645,000	450,837	194,163
Public works	16,543,224	10,328,769	6,214,455
Capital outlay	20,000	1,003,918	(983,918)
	<u>18,513,305</u>	<u>12,339,597</u>	<u>6,173,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(16,106,205)</u>	<u>(8,965,986)</u>	<u>7,140,219</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,667,705	11,151,844	3,515,861
Transfers (out)	(30,410)	(30,469)	59
	<u>14,637,295</u>	<u>11,121,375</u>	<u>3,515,920</u>
NET CHANGE IN FUND BALANCES			
	<u>(1,468,910)</u>	<u>2,155,389</u>	<u>3,624,299</u>
NET CHANGE IN FUND BALANCE			
	<u><u>(\$1,468,910)</u></u>	<u>2,155,389</u>	<u><u>\$3,624,299</u></u>
BEGINNING FUND BALANCE			
		<u>969,777</u>	
ENDING FUND BALANCE			
		<u><u>\$3,125,166</u></u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

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

GRANTS AND DONATIONS FUND

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

GAS TAX FUND

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

PUBLIC SAFETY FUND

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

LANDSCAPE ASSESSMENT DISTRICTS FUND

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

STREET FUND

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

TRANSIENT OCCUPANCY TAX FUND

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

PRINCE PARK FUND

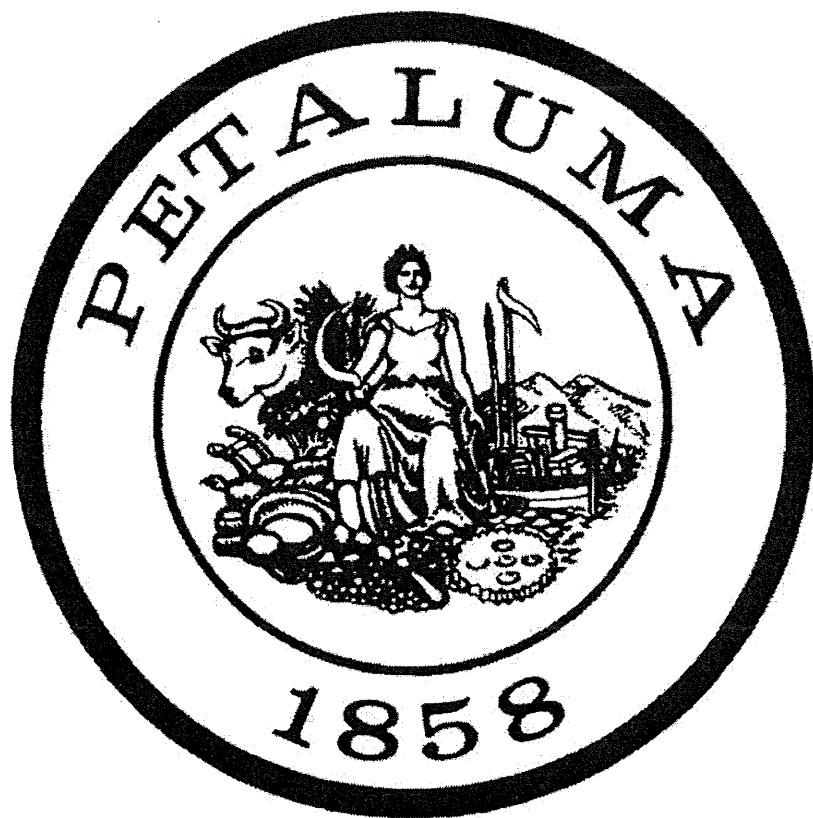
The fund details the activity of the ongoing maintenance of Prince Park. The activities included in this fund are receipts of investment earnings, and transfers out to the general fund to cover costs of the park's maintenance.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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, 2018

	SPECIAL REVENUE FUNDS			
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety
ASSETS				
Cash and investments	\$208,024	\$2,123,544	\$510,481	\$760,622
Receivables:				
Accounts		885		
Intergovernmental	95,097	176,017	174,374	
Interest receivable related to notes receivable	182,293			
Notes receivable	724,000			
	<u>\$1,209,414</u>	<u>\$2,300,446</u>	<u>\$684,855</u>	<u>\$760,622</u>
Total Assets				
LIABILITIES				
Accounts payable and accrued liabilities	\$4,333	\$5,924		\$80,016
	<u>4,333</u>	<u>5,924</u>		<u>80,016</u>
Total Liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable				
	<u></u>	<u></u>	<u></u>	<u></u>
Total deferred inflows of resources				
FUND BALANCES				
Fund balances:				
Nonspendable				
Restricted	1,205,081	2,294,522	\$684,855	680,606
	<u>1,205,081</u>	<u>2,294,522</u>	<u>684,855</u>	<u>680,606</u>
Total Fund Balances				
	<u>\$1,209,414</u>	<u>\$2,300,446</u>	<u>\$684,855</u>	<u>\$760,622</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				

SPECIAL REVENUE FUNDS				PERMANENT	Total Nonmajor Governmental Funds
Landscape Assessment Districts	Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	
\$444,211	\$1,731,915	\$739,506	\$655,214	\$24,333	\$7,197,850
	186,987	368,506			556,378
14,878	116,042				576,408
					182,293
					724,000
<u>\$459,089</u>	<u>\$2,034,944</u>	<u>\$1,108,012</u>	<u>\$655,214</u>	<u>\$24,333</u>	<u>\$9,236,929</u>
\$29,692	\$74,343	\$152,199			\$346,507
29,692	74,343	152,199			346,507
	2,356				2,356
	2,356				2,356
429,397	1,958,245	955,813	\$655,214	\$24,333	24,333
					8,863,733
429,397	1,958,245	955,813	655,214	24,333	8,888,066
<u>\$459,089</u>	<u>\$2,034,944</u>	<u>\$1,108,012</u>	<u>\$655,214</u>	<u>\$24,333</u>	<u>\$9,236,929</u>

CITY OF PETALUMA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS			
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety
REVENUES				
Taxes				
Fines, forfeitures, and penalties				\$162,079
Use of money and property	\$154,490	(\$4,610)	\$14,222	9,002
Intergovernmental	332,791	731,992	1,575,520	315,456
Charges for current services				
Other		387,691		
Total Revenues	487,281	1,115,073	1,589,742	486,537
EXPENDITURES				
Current:				
General Government				
Community development	307,791	36,249		
Police		617,861		107,250
Fire		35,313		20,007
Parks and recreation				
Public works		159,270	38,516	
Capital outlay				
Total Expenditures	307,791	848,693	38,516	127,257
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	179,490	266,380	1,551,226	359,280
OTHER FINANCING SOURCES (USES)				
Transfers in		73,353		
Transfers (out)	(25,000)	(174,511)	(1,636,850)	(321,053)
Total Other Financing Sources (Uses)	(25,000)	(101,158)	(1,636,850)	(321,053)
NET CHANGE IN FUND BALANCES	154,490	165,222	(85,624)	38,227
BEGINNING FUND BALANCES	1,050,591	2,129,300	770,479	642,379
ENDING FUND BALANCES	\$1,205,081	\$2,294,522	\$684,855	\$680,606

SPECIAL REVENUE FUNDS				PERMANENT	Total Nonmajor Governmental Funds
Landscape Assessment Districts	Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	
	\$1,644,681	\$3,072,242			\$4,716,923
\$4,783	13,738	32,723	\$8,595	\$297	162,079
	572,673				233,240
416,712	28,732				3,528,432
	33,302				445,444
					420,993
421,495	2,293,126	3,104,965	8,595	297	9,507,111
		605,818			949,858
					725,111
406,733					55,320
	2,692,108				406,733
	4,736				2,889,894
					4,736
406,733	2,696,844	605,818			5,031,652
14,762	(403,718)	2,499,147	8,595	297	4,475,459
	1,639,715	27,604			1,740,672
	(1,221,716)	(3,279,093)	(56,500)		(6,714,723)
	417,999	(3,251,489)	(56,500)		(4,974,051)
14,762	14,281	(752,342)	(47,905)	297	(498,592)
414,635	1,943,964	1,708,155	703,119	24,036	9,386,658
\$429,397	\$1,958,245	\$955,813	\$655,214	\$24,333	\$8,888,066

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, 2018

	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		\$154,490	\$154,490		(\$4,610)	(\$4,610)
Intergovernmental	\$344,057	332,791	(11,266)	\$2,290,549	731,992	(1,558,557)
Charges for current services						
Other					387,691	387,691
Total Revenues	<u>344,057</u>	<u>487,281</u>	<u>143,224</u>	<u>2,290,549</u>	<u>1,115,073</u>	<u>(1,175,476)</u>
EXPENDITURES						
Current:						
General government						
Community development	315,033	307,791	7,242	18,484	36,249	(17,765)
Police				324,549	617,861	(293,312)
Fire				50,000	35,313	14,687
Parks and recreation						
Public works					159,270	(159,270)
Capital outlay						
Total Expenditures	<u>315,033</u>	<u>307,791</u>	<u>7,242</u>	<u>393,033</u>	<u>848,693</u>	<u>(455,660)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>29,024</u>	<u>179,490</u>	<u>150,466</u>	<u>1,897,516</u>	<u>266,380</u>	<u>(1,631,136)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				45,000	73,353	28,353
Transfers (out)	(25,000)	(25,000)		(3,565,350)	(174,511)	3,390,839
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>		<u>(3,520,350)</u>	<u>(101,158)</u>	<u>3,419,192</u>
NET CHANGE IN FUND BALANCE	<u>\$4,024</u>	<u>154,490</u>	<u>\$150,466</u>	<u>(\$1,622,834)</u>	<u>\$165,222</u>	<u>\$1,788,056</u>
BEGINNING FUND BALANCES		<u>1,050,591</u>			<u>2,129,300</u>	
ENDING FUND BALANCES		<u>\$1,205,081</u>			<u>\$2,294,522</u>	

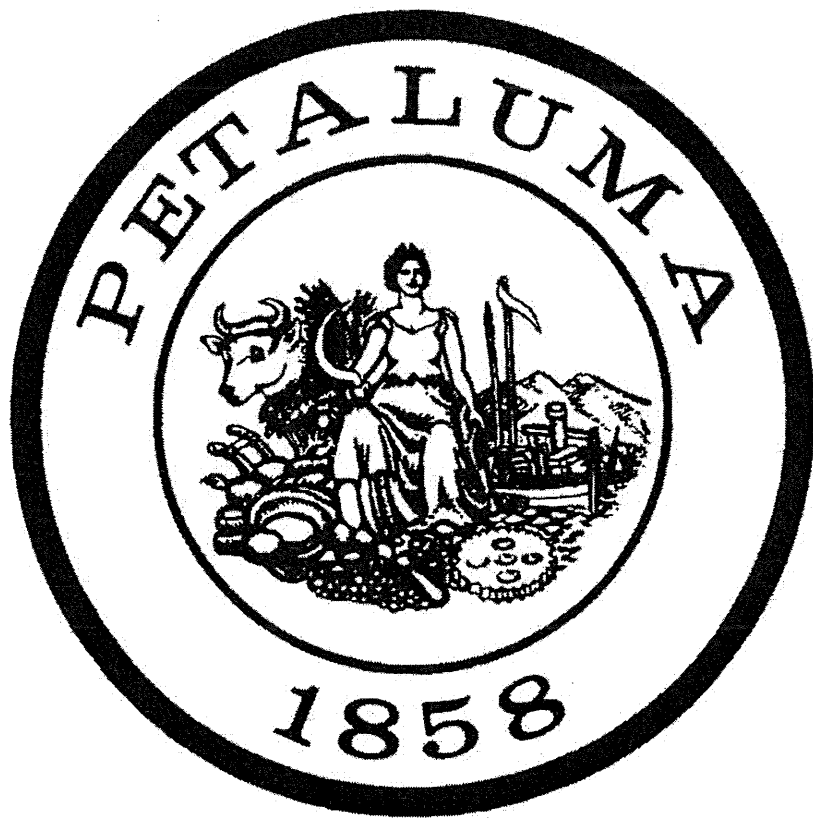
GAS TAX			PUBLIC SAFETY			LANDSCAPE ASSESSMENT DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$5,255	\$14,222	\$8,967	\$55,000	\$162,079	\$107,079	\$3,040	\$4,783	\$1,743
1,687,462	1,575,520	(111,942)	3,606	9,002	5,396	185,000	315,456	130,456
						392,084	416,712	24,628
<u>1,692,717</u>	<u>1,589,742</u>	<u>(102,975)</u>	<u>243,606</u>	<u>486,537</u>	<u>242,931</u>	<u>395,124</u>	<u>421,495</u>	<u>26,371</u>
			112,833	107,250	5,583			
			30,032	20,007	10,025	473,817	406,733	67,084
35,205	38,516	(3,311)						
			<u>25,000</u>	<u>25,000</u>	<u>25,000</u>			
<u>35,205</u>	<u>38,516</u>	<u>(3,311)</u>	<u>167,865</u>	<u>127,257</u>	<u>40,608</u>	<u>473,817</u>	<u>406,733</u>	<u>67,084</u>
<u>1,657,512</u>	<u>1,551,226</u>	<u>(106,286)</u>	<u>75,741</u>	<u>359,280</u>	<u>283,539</u>	<u>(78,693)</u>	<u>14,762</u>	<u>93,455</u>
<u>(1,636,850)</u>	<u>(1,636,850)</u>		<u>(292,700)</u>	<u>(321,053)</u>	<u>(28,353)</u>			
<u>(1,636,850)</u>	<u>(1,636,850)</u>		<u>(292,700)</u>	<u>(321,053)</u>	<u>(28,353)</u>			
<u>\$20,662</u>	(85,624)	<u>(\$106,286)</u>	<u>(\$216,959)</u>	38,227	<u>\$255,186</u>	<u>(\$78,693)</u>	14,762	<u>\$93,455</u>
	<u>770,479</u>			<u>642,379</u>			<u>414,635</u>	
	<u>\$684,855</u>			<u>\$680,606</u>			<u>\$429,397</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, 2018

	STREET			TRANSIENT OCCUPANCY TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$1,599,014	\$1,644,681	\$45,667	\$2,748,326	\$3,072,242	\$323,916
Fines, forfeitures, and penalties						
Use of money and property	9,921	13,738	3,817	6,259	32,723	26,464
Intergovernmental	445,093	572,673	127,580			
Charges for current services	25,000	28,732	3,732			
Other	11,500	33,302	21,802			
Total Revenues	<u>2,090,528</u>	<u>2,293,126</u>	<u>202,598</u>	<u>2,754,585</u>	<u>3,104,965</u>	<u>350,380</u>
EXPENDITURES						
Current:						
General government						
Community development				654,825	605,818	49,007
Police						
Fire						
Parks and recreation						
Public works	3,123,823	2,692,108	431,715			
Capital outlay	112,750	4,736	108,014			
Total Expenditures	<u>3,236,573</u>	<u>2,696,844</u>	<u>539,729</u>	<u>654,825</u>	<u>605,818</u>	<u>49,007</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,146,045)</u>	<u>(403,718)</u>	<u>742,327</u>	<u>2,099,760</u>	<u>2,499,147</u>	<u>399,387</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,639,700	1,639,715	15	27,560	27,604	44
Transfers (out)	(1,221,739)	(1,221,716)	23	(3,279,093)	(3,279,093)	
Total Other Financing Sources (Uses)	<u>417,961</u>	<u>417,999</u>	<u>38</u>	<u>(3,251,533)</u>	<u>(3,251,489)</u>	<u>44</u>
NET CHANGE IN FUND BALANCE	<u>(\$728,084)</u>	<u>14,281</u>	<u>\$742,365</u>	<u>(\$1,151,773)</u>	<u>(752,342)</u>	<u>\$399,431</u>
BEGINNING FUND BALANCES		<u>1,943,964</u>			<u>1,708,155</u>	
ENDING FUND BALANCES		<u>\$1,958,245</u>			<u>\$955,813</u>	

PRINCE PARK			WICKERSHAM PARK TRUST		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,432	\$8,595	\$4,163	\$154	\$297	\$143
<u>4,432</u>	<u>8,595</u>	<u>4,163</u>	<u>154</u>	<u>297</u>	<u>143</u>
<u>4,432</u>	<u>8,595</u>	<u>4,163</u>	<u>154</u>	<u>297</u>	<u>143</u>
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(\$52,068)</u>	<u>(47,905)</u>	<u>\$4,163</u>	<u>\$154</u>	<u>297</u>	<u>\$143</u>
	<u>703,119</u>			<u>24,036</u>	
	<u>\$655,214</u>			<u>\$24,333</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, 2018

	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
ASSETS				
Current Assets:				
Cash and investments	\$1,131,186	\$217,678	\$45,178	\$5,319,724
Receivables				
Accounts, net	15,859			27,061
Inventories		27,634		
Deposits and prepaid items	23,572		15,820	64,543
Total Current Assets	<u>1,170,617</u>	<u>245,312</u>	<u>60,998</u>	<u>5,411,328</u>
Non-current Assets:				
Advance to other funds				1,350,066
Capital assets:				
Depreciable		36,440	1,924,845	
Less accumulated depreciation		<u>(27,144)</u>	<u>(1,865,349)</u>	
Total Non-current Assets		<u>9,296</u>	<u>59,496</u>	<u>1,350,066</u>
Total Assets	<u>1,170,617</u>	<u>254,608</u>	<u>120,494</u>	<u>6,761,394</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension			639,046	
Deferred outflows related to OPEB	71,786			
Total Assets and Deferred Outflows of Resources	<u>1,242,403</u>	<u>254,608</u>	<u>759,540</u>	<u>6,761,394</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	7,400	9,618	26,972	25,033
Claims payable, due within one year				734,892
Compensated absences, due within one year		2,660	17,366	6,431
Total Current Liabilities	<u>7,400</u>	<u>12,278</u>	<u>44,338</u>	<u>766,356</u>
Non-current liabilities:				
Advances from other funds	6,750,330			
Claims payable, due in more than one year				1,038,927
Compensated absences, due in more than one year		23,612	181,159	
Net Pension liability			1,736,604	
OPEB liability	2,530,061			
Total Non-current Liabilities	<u>9,280,391</u>	<u>23,612</u>	<u>1,917,763</u>	<u>1,038,927</u>
Total Liabilities	<u>9,287,791</u>	<u>35,890</u>	<u>1,962,101</u>	<u>1,805,283</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension			59,582	
Deferred inflows related to OPEB	254,710			
Total Liabilities and Deferred Inflows of Resources	<u>9,542,501</u>	<u>35,890</u>	<u>2,021,683</u>	<u>1,805,283</u>
NET POSITION				
Net investment in capital assets		9,296	59,496	
Unrestricted	<u>(8,300,098)</u>	<u>209,422</u>	<u>(1,321,639)</u>	<u>4,956,111</u>
Total Net Position	<u><u>(\$8,300,098)</u></u>	<u><u>\$218,718</u></u>	<u><u>(\$1,262,143)</u></u>	<u><u>\$4,956,111</u></u>

Vehicle/ Equipment Replacement (GG)	Equipment Replacement (BA)	Workers' Compensation	Total
\$516,488		\$5,712,917	\$12,943,171
		50	42,970
			27,634
			103,935
<u>516,488</u>		<u>5,712,967</u>	<u>13,117,710</u>
			1,350,066
8,337,537 (4,441,750)	\$1,150,617 (1,150,617)		11,449,439 (7,484,860)
<u>3,895,787</u>			<u>5,314,645</u>
<u>4,412,275</u>		<u>5,712,967</u>	<u>18,432,355</u>
			639,046
			71,786
<u>4,412,275</u>		<u>5,712,967</u>	<u>19,143,187</u>
		69,027	138,050
		1,773,320	2,508,212
			26,457
		<u>1,842,347</u>	<u>2,672,719</u>
2,273,894			9,024,224
		4,278,790	5,317,717
			204,771
			1,736,604
			2,530,061
<u>2,273,894</u>		<u>4,278,790</u>	<u>18,813,377</u>
<u>2,273,894</u>		<u>6,121,137</u>	<u>21,486,096</u>
			59,582
			254,710
<u>2,273,894</u>		<u>6,121,137</u>	<u>21,800,388</u>
3,895,787 (1,757,406)		(408,170)	3,964,579 (6,621,780)
<u>\$2,138,381</u>		<u>(\$408,170)</u>	<u>(\$2,657,201)</u>

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

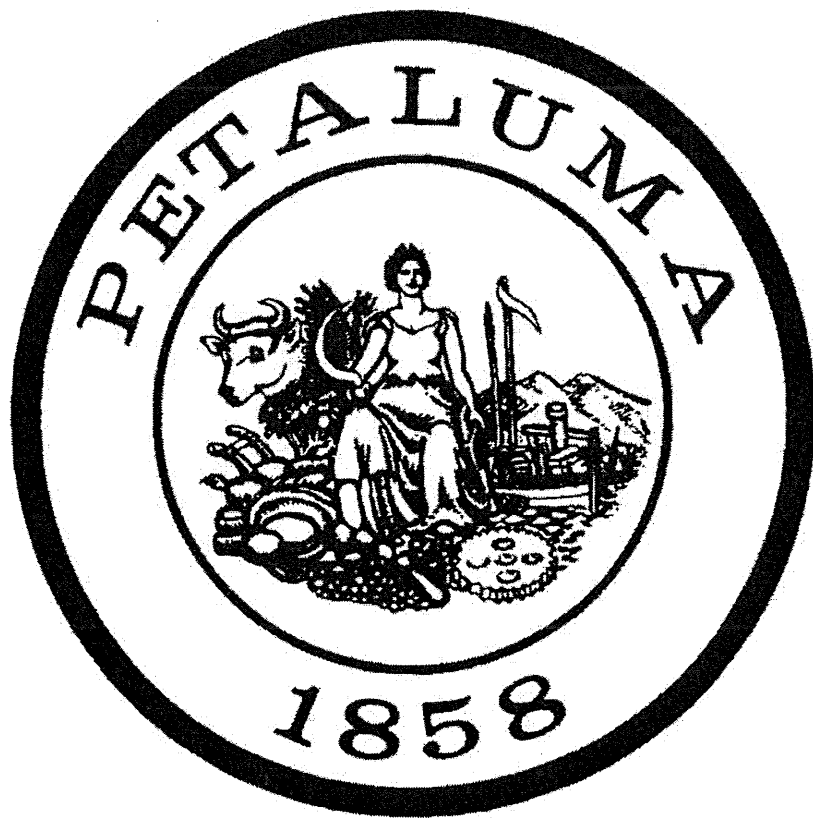
	Employee Benefits	General Services	Information Services	Risk Management
OPERATING REVENUES				
Charges for sales		\$4,368		
Charges for services	\$808,479	225,514	\$1,785,603	\$1,406,377
Total Operating Revenues	808,479	229,882	1,785,603	1,406,377
OPERATING EXPENSES				
Cost of services	290,282	198,980	1,590,109	449,773
Claims	12,083			(478,915)
General and administrative	291,559	22,034	282,974	642,166
Depreciation			45,685	
Total Operating Expenses	593,924	221,014	1,918,768	613,024
Operating Income (Loss)	214,555	8,868	(133,165)	793,353
NONOPERATING REVENUES (EXPENSES)				
Investment earnings and rent	15,936	2,022	(4,317)	55,208
Interest expense				
Loss on disposal of capital assets				
Total Nonoperating Revenues (Expenses)	15,936	2,022	(4,317)	55,208
INCOME (LOSS) BEFORE TRANSFERS	230,491	10,890	(137,482)	848,561
Transfers in	200,000			
Transfers (out)				(100,000)
Net Transfers	200,000			(100,000)
INCOME (LOSS) BEFORE SPECIAL ITEM	430,491	10,890	(137,482)	748,561
SPECIAL ITEM				
Pension unfunded liability pay down	(7,490,284)			
Change in Net Position	(7,059,793)	10,890	(137,482)	748,561
BEGINNING NET POSITION	(1,240,305)	207,828	(1,124,661)	4,207,550
ENDING NET POSITION (DEFICIT)	(8,300,098)	218,718	(1,262,143)	4,956,111

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Vehicle/ Equipment Replacement (BA)</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
			\$4,368
		\$1,621,445	5,847,418
		1,621,445	5,851,786
\$998	\$1,000	231,085	2,762,227
		1,636,803	1,169,971
		333,371	1,572,104
478,909			524,594
479,907	1,000	2,201,259	6,028,896
(479,907)	(1,000)	(579,814)	(177,110)
14,856		54,525	138,230
(33,140)			(33,140)
(410)			(410)
(18,694)		54,525	104,680
(498,601)	(1,000)	(525,289)	(72,430)
955,000	1,000		1,156,000
(1,000)			(101,000)
954,000	1,000		1,055,000
455,399		(525,289)	982,570
			(7,490,284)
455,399		(525,289)	(6,507,714)
1,682,982		117,119	3,850,513
<u>\$2,138,381</u>		<u>(\$408,170)</u>	<u>(\$2,657,201)</u>

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

	Employee Benefits	General Services	Information Services	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$794,224	\$229,882	\$1,785,603	\$1,406,377
Cash payments to suppliers for goods and services	(363,698)	(198,440)	(823,072)	(816,959)
Cash payments to employees for services	(7,627,050)	(20,437)	(959,607)	
Claims paid	(12,083)			(114,815)
Cash Flows from (used for) Operating Activities	<u>(7,208,607)</u>	<u>11,005</u>	<u>2,924</u>	<u>474,603</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	200,000			
Transfers (to) other funds				(100,000)
Interfund payments				(1,350,066)
Interfund receipts	6,750,330			
Cash Flows from (used for) Noncapital Financing Activities	<u>6,950,330</u>			<u>(1,450,066)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets			(27,587)	
Cash Flows from (used for) Capital Financing Activities			<u>(27,587)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings and changes in market values of investments	15,936	2,022	(4,317)	55,208
Cash Flows from (used for) Investing Activities	<u>15,936</u>	<u>2,022</u>	<u>(4,317)</u>	<u>55,208</u>
Net Cash Flows	(242,341)	13,027	(28,980)	(920,255)
Cash and investments at beginning of period	1,373,527	204,651	74,158	6,239,979
Cash and investments at end of period	<u>\$1,131,186</u>	<u>\$217,678</u>	<u>\$45,178</u>	<u>\$5,319,724</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:				
Operating income (loss)	\$214,555	\$8,868	(\$133,165)	\$793,353
Special item	(7,490,284)			
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			45,685	
Changes in assets and Liabilities:				
Accounts receivable	(14,255)			(27,061)
Inventories		(5,561)		
Deposits and prepaids	(2,055)		(9,365)	286,553
Accounts payable	(70,084)	6,101	(6,923)	16,532
Accrued claims				(593,730)
Advances from funds				
Compensated absence		1,597	10,018	(1,044)
Due to retirement system			96,674	
Due to OPEB system	153,516			
Cash Flows from (used for) Operating Activities	<u>(\$7,208,607)</u>	<u>\$11,005</u>	<u>\$2,924</u>	<u>\$474,603</u>

Vehicle/ Equipment Replacement (GG)	Vehicle/ Equipment Replacement (BA)	Workers' Compensation	Total
		\$1,621,395	\$5,837,481
(\$363,134)		(329,146)	(2,894,449)
	(\$1,000)	(333,371)	(8,941,465)
		(833,270)	(960,168)
<u>(363,134)</u>	<u>(1,000)</u>	<u>125,608</u>	<u>(6,958,601)</u>
955,000	1,000		1,156,000
(1,000)			(101,000)
			(1,350,066)
			6,750,330
<u>954,000</u>	<u>1,000</u>		<u>6,455,264</u>
<u>(2,164,210)</u>			<u>(2,191,797)</u>
<u>(2,164,210)</u>			<u>(2,191,797)</u>
<u>(18,284)</u>		<u>54,525</u>	<u>105,090</u>
<u>(18,284)</u>		<u>54,525</u>	<u>105,090</u>
(1,591,628)		180,133	(2,590,044)
<u>2,108,116</u>		<u>5,532,784</u>	<u>15,533,215</u>
<u>\$516,488</u>		<u>\$5,712,917</u>	<u>\$12,943,171</u>
(\$479,907)	(\$1,000)	(\$579,814)	(\$177,110)
			(7,490,284)
478,909			524,594
		(50)	(41,366)
			(5,561)
			275,133
		(98,061)	(152,435)
		803,533	209,803
(362,136)			(362,136)
			10,571
			96,674
			153,516
<u>(\$363,134)</u>	<u>(\$1,000)</u>	<u>\$125,608</u>	<u>(\$6,958,601)</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, 2018

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$3,273,752	\$24,580	\$166,890	\$3,465,222
Restricted cash and investments	8,028			8,028
Notes receivable	234,744			234,744
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>3,516,524</u>	<u>24,580</u>	<u>166,890</u>	<u>3,707,994</u>
LIABILITIES				
Accounts payable and accrued liabilities	914			914
Claims payable	128,750			128,750
Interest payable	387,756			387,756
Long-term debt:				
Due within one year	2,865,000			2,865,000
Due in more than one year	64,986,625			64,986,625
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>68,369,045</u>	<u> </u>	<u> </u>	<u>68,369,045</u>
NET POSITION				
Held in trust for private purposes or for other governments	<u>(\$64,852,521)</u>	<u>\$24,580</u>	<u>\$166,890</u>	<u>(\$64,661,051)</u>

CITY OF PETALUMA
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
ADDITIONS				
Property tax	\$5,724,493			\$5,724,493
Use of money and property	13,815	\$279	\$2,040	16,134
Total Revenues	5,738,308	279	2,040	5,740,627
DEDUCTIONS				
Community development	254,114			254,114
Interest expense	2,238,755			2,238,755
Total Expenditures	2,492,869			2,492,869
Change in Net Position Before Special Item	3,245,439	279	2,040	3,247,758
SPECIAL ITEM				
Transfer out to the City	(4,736,219)			(4,736,219)
Change in Net Position	(1,490,780)	279	2,040	(1,488,461)
NET POSITION HELD IN TRUST OR FOR SPECIFIC PURPOSES				
Beginning of period	(63,361,741)	24,301	164,850	(63,172,590)
End of period	<u>(\$64,852,521)</u>	<u>\$24,580</u>	<u>\$166,890</u>	<u>(\$64,661,051)</u>

CITY OF PETALUMA
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
<u>General Agency Fund</u>				
<u>Assets</u>				
Cash and investments	\$2,221,878	\$2,354,585	\$2,221,878	\$2,354,585
Accounts receivable	326	185	326	185
Total Assets	<u>\$2,222,204</u>	<u>\$2,354,770</u>	<u>\$2,222,204</u>	<u>\$2,354,770</u>
<u>Liabilities</u>				
Accrued liabilities	\$2,221,856	\$2,354,386	\$2,221,856	\$2,354,386
Deposits payable	348	384	348	384
Total Liabilities	<u>\$2,222,204</u>	<u>\$2,354,770</u>	<u>\$2,222,204</u>	<u>\$2,354,770</u>
<u>Public Community Access Fund</u>				
<u>Assets</u>				
Cash and investments	\$101	\$124	\$101	\$124
Total Assets	<u>\$101</u>	<u>\$124</u>	<u>\$101</u>	<u>\$124</u>
<u>Liabilities</u>				
Accrued liabilities	\$101	\$124	\$101	\$124
<u>Assessment Districts Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,476,776	\$1,366,217	\$1,476,776	\$1,366,217
Intergovernmental receivable	21,771	14,194	21,771	14,194
Total Assets	<u>\$1,498,547</u>	<u>\$1,380,411</u>	<u>\$1,498,547</u>	<u>\$1,380,411</u>
<u>Liabilities</u>				
Accounts payable	\$11,172		\$11,172	
Accrued liabilities	1,487,375	\$1,380,411	1,487,375	\$1,380,411
Total Liabilities	<u>\$1,498,547</u>	<u>\$1,380,411</u>	<u>\$1,498,547</u>	<u>\$1,380,411</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$3,698,755	\$3,720,926	\$3,698,755	\$3,720,926
Accounts receivable	326	185	326	185
Intergovernmental receivable	21,771	14,194	21,771	14,194
Total Assets	<u>\$3,720,852</u>	<u>\$3,735,305</u>	<u>\$3,720,852</u>	<u>\$3,735,305</u>
<u>Liabilities</u>				
Accounts Payable and accrued liabilities	\$3,720,504	\$3,734,921	\$3,720,504	\$3,734,921
Deposits payable	348	384	348	384
Total Liabilities	<u>\$3,720,852</u>	<u>\$3,735,305</u>	<u>\$3,720,852</u>	<u>\$3,735,305</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			
	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 113,574,606	\$ 114,705,474	\$ 133,614,588	\$ 182,493,710
Restricted:				
Special projects	43,425,547	45,022,351	42,252,463	45,082,152
Debt service	7,187	322,279	415,569	-
Capital projects	37,584,928	29,385,584	39,709,880	733,240
Permanent-non expendable	-	23,177	23,418	23,575
Unrestricted	<u>22,775,416</u>	<u>21,886,630</u>	<u>(7,036,556)</u>	<u>19,573,193</u>
Total governmental activities net position	<u>217,367,684</u>	<u>211,345,495</u>	<u>208,979,362</u>	<u>247,905,870</u>
Business-type activities				
Net Investment in Capital Assets	83,208,450	87,764,411	106,985,367	97,392,844
Restricted:				
Special projects	-	-	-	-
Debt service	1,135,775	1,121,485	3,383,336	3,368,110
Capital projects	-	-	-	-
Unrestricted	<u>30,290,323</u>	<u>33,986,673</u>	<u>14,791,955</u>	<u>31,125,709</u>
Total business-type activities net position	<u>114,634,548</u>	<u>122,872,569</u>	<u>125,160,658</u>	<u>131,886,663</u>
Primary government				
Net Investment in Capital Assets	196,783,056	202,469,885	240,599,955	279,886,554
Restricted:				
Special projects	43,425,547	45,022,351	42,252,463	45,082,152
Debt service	1,142,962	1,443,764	3,798,905	3,368,110
Permanent fund: non expendable trust	-	23,177	23,418	23,575
Capital projects	37,584,928	29,385,584	39,709,880	733,240
Unrestricted	<u>53,065,739</u>	<u>55,873,303</u>	<u>7,755,399</u>	<u>50,698,902</u>
Total primary government activities net position	<u>\$ 332,002,232</u>	<u>\$ 334,218,064</u>	<u>\$ 334,140,020</u>	<u>\$ 379,792,533</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 182,884,119	\$ 179,955,291	\$ 194,631,072	\$ 189,666,550	\$ 190,230,149	\$ 197,024,210
52,781,562	56,684,273	56,831,818	89,258,127	108,073,879	111,586,670
-	-	-	-	-	-
-	-	-	-	-	-
23,665	23,755	23,770	23,852	24,036	24,333
24,073,206	28,599,585	(38,244,031)	(55,873,989)	(55,661,778)	(66,355,734)
<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>	<u>242,279,479</u>
99,071,053	101,630,468	108,204,912	116,665,454	130,273,647	141,024,513
-	-	-	-	-	-
2,706,388	2,705,842	2,705,813	2,246,500	40,170	934
-	-	-	-	-	-
40,176,194	47,338,349	40,725,093	43,276,542	38,210,093	40,821,446
<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>	<u>181,846,893</u>
281,955,172	281,585,759	302,835,984	306,332,004	320,503,796	338,048,723
52,781,562	56,684,273	56,831,818	89,258,127	108,073,879	111,586,670
2,706,388	2,705,842	2,705,813	2,246,500	40,170	934
23,665	23,755	23,770	23,852	24,036	24,333
-	-	-	-	-	-
64,249,400	75,937,934	2,481,062	(12,597,447)	(17,451,685)	(25,534,288)
<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>	<u>\$ 424,126,372</u>

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental activities:				
General government	\$ 4,555,487	\$ 7,610,166	\$ 6,666,303	\$ 5,872,122
Community development	16,380,437	18,797,323	14,999,852	5,277,051
Police	15,788,825	15,727,066	15,583,297	18,015,788
Fire	8,174,322	10,172,173	10,282,621	11,056,239
Parks and recreation	5,337,468	2,956,236	2,439,642	2,394,835
Public works	6,698,175	10,145,360	7,562,505	10,805,587
Debt service	3,522,910	3,349,762	3,361,901	1,876,877
Indirect expense allocation		(1,420,750)	(984,500)	(851,273)
Total governmental activities net position	<u>60,457,624</u>	<u>67,337,336</u>	<u>59,911,621</u>	<u>54,447,226</u>
Business-type activities				
Airport	1,342,029	1,542,320	1,544,378	2,060,164
Ambulance	2,307,644	-	-	-
Development Services	1,524,440	1,050,823	1,047,568	1,197,701
Marina	678,347	600,797	499,941	538,029
Public Transportation	2,281,271	2,037,363	4,057,615	2,317,905
Wastewater	10,722,037	11,615,051	17,979,930	17,847,608
Water Utility	10,528,513	10,584,053	11,790,875	12,388,010
Storm Water		-	-	162,962
Indirect expense allocation		1,420,750	984,500	851,273
Total business-type activities net assets	<u>29,384,281</u>	<u>28,851,157</u>	<u>37,904,807</u>	<u>37,363,652</u>
Total primary government activities net position	<u>\$ 89,841,905</u>	<u>\$ 96,188,493</u>	<u>\$ 97,816,428</u>	<u>\$ 91,810,878</u>
Program Revenues :				
Governmental activities:				
Charges for services:				
General government	\$ 3,443,554	\$ 3,067,208	\$ 1,734,612	\$ 1,697,561
Community development	1,622,257	1,603,801	1,489,215	1,849,691
Police	282,203	285,067	303,190	198,093
Fire	354,651	1,980,928	2,148,991	2,267,921
Parks and recreation	1,097,340	920,627	828,595	2,342,066
Public works	145,004	257,400	516,805	1,593,884
Operating grants and contributions	1,649,225	1,675,098	1,942,063	2,871,876
Capital grants and contributions	3,401,082	3,601,567	889,116	1,308,367
Total government activities program revenues	<u>11,995,316</u>	<u>13,391,696</u>	<u>9,852,587</u>	<u>14,129,459</u>
Business-type activities:				
Airport	1,721,866	1,656,007	1,729,631	1,832,434
Ambulance	2,042,455			
Development Services	1,234,681	1,212,558	1,253,868	1,334,879
Marina	253,888	268,650	284,372	283,903
Public Transportation	202,524	191,704	221,620	261,899
Wastewater Utility	17,555,638	19,068,591	18,987,640	23,585,304
Water Utility	12,461,378	11,718,421	11,673,782	14,460,991
Storm water				
Operating grants and contributions	-	-	3,868,941	2,071,633
Capital grants and contributions	4,055,695	2,681,248	1,842,350	138,305
Total business-type activities program revenues	<u>39,528,125</u>	<u>36,797,179</u>	<u>39,862,204</u>	<u>43,969,348</u>
Total primary government program revenues	<u>\$ 51,523,441</u>	<u>\$ 50,188,875</u>	<u>\$ 49,714,791</u>	<u>\$ 58,098,807</u>

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 6,435,412	\$ 5,557,915	\$ 6,217,478	\$ 7,842,885	\$ 7,925,576	\$ 8,464,414	
9,701,909	4,427,499	3,557,139	4,493,471	4,867,318	4,998,077	
16,328,693	15,594,733	15,681,606	15,527,900	17,857,299	17,604,990	
11,412,188	11,143,797	12,255,873	11,440,319	14,303,243	14,387,561	
2,777,778	3,181,968	2,497,607	2,527,664	2,685,777	2,670,363	
9,273,743	9,146,857	10,273,849	10,505,752	8,631,396	10,626,639	
1,007	-	-	-	-	-	
(850,357)	(859,304)	(1,332,733)	(1,817,226)	(1,717,226)	(1,675,640)	
<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>	<u>57,076,404</u>	
1,956,849	1,731,830	1,648,939	1,658,938	1,603,499	1,663,192	
-	-	-	-	-	-	
1,145,142	1,248,470	1,314,221	1,683,387	1,478,233	1,739,109	
494,854	467,323	422,502	396,281	429,959	329,630	
2,464,412	2,973,974	2,692,703	4,534,626	4,464,719	3,271,218	
17,582,495	17,866,754	18,965,735	17,490,248	22,835,958	15,788,637	
12,150,268	13,046,584	13,159,889	11,439,420	11,651,874	13,200,040	
367,201	556,848	361,271	634,983	621,354	62,277	
850,357	859,304	1,332,733	1,817,226	1,717,226	1,675,640	
<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>37,729,743</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>	<u>\$ 94,806,147</u>	
\$ 1,683,790	\$ 1,957,958	\$ 2,780,709	\$ 3,118,778	\$ 3,049,671	\$ 2,966,888	
7,648,689	2,201,532	1,651,455	3,041,924	2,712,386	2,996,499	
230,793	232,352	177,500	232,240	215,514	256,208	
2,383,025	2,421,869	2,359,121	2,977,077	3,015,250	3,852,301	
2,651,535	1,144,415	1,875,867	2,400,854	1,555,221	2,181,328	
8,850,951	3,362,076	2,729,827	2,672,029	2,741,833	3,250,494	
1,148,472	1,200,590	782,758	647,646	940,937	1,035,289	
7,517,779	3,646,751	11,363,165	2,983,243	2,285,291	3,480,555	
<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>	<u>20,019,562</u>	
1,784,648	1,821,942	1,759,606	1,715,315	1,676,482	1,893,407	
1,715,375	1,531,052	1,395,230	2,049,407	1,998,849	1,858,577	
298,189	255,972	242,993	255,347	258,739	247,175	
254,711	292,501	312,964	308,324	293,533	292,762	
25,305,037	24,295,231	26,032,141	27,218,673	25,099,098	26,994,955	
15,408,460	15,209,463	14,430,666	13,356,427	14,550,820	17,221,574	
			888	796	3	
2,146,869	3,676,644	3,434,460	4,209,175	6,494,938	3,676,278	
-	449,283	-	-	-	-	
<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>52,184,731</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>	<u>\$ 72,204,293</u>	

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

	Fiscal Year			
	2009	2010	2011	2012
Net revenues (expenses):				
Governmental activities	\$ (48,462,308)	\$ (53,945,640)	\$ (50,059,034)	\$ (40,317,767)
Business-type activities	10,143,844	7,946,022	1,957,397	6,605,696
Total net revenues (expenses)	<u>\$ (38,318,464)</u>	<u>\$ (45,999,618)</u>	<u>\$ (48,101,637)</u>	<u>\$ (33,712,071)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,172,637	\$ 6,923,955	\$ 6,736,251	\$ 6,814,419
Redevelopment tax increment	17,241,026	17,224,163	16,166,274	7,153,936
Sales taxes	9,445,467	8,631,248	8,843,821	9,383,601
Franchise tax	3,089,600	3,132,790	3,202,734	3,063,429
Intergovernmental, unrestricted	8,061,316	6,159,837	6,046,647	6,117,382
Other taxes	2,792,427	2,793,543	3,062,970	3,251,193
Unrestricted investment earnings	2,185,882	796,641	332,785	436,659
Gain on disposal of assets		-	-	-
Miscellaneous revenue	680,896	2,039,729	3,351,769	3,455,064
Transfers	(1,042,655)	221,545	(50,350)	39,568,592
Pension Unfunded Liability Paydown				
Successor Agency Bond Proceeds				
Total governmental activities	<u>49,626,596</u>	<u>47,923,451</u>	<u>47,692,901</u>	<u>79,244,275</u>
Business-type activities:				
Taxes:				
Unrestricted investment earnings	\$ 772,842	\$ 521,229	\$ 280,342	\$ 159,409
Gain on disposal of assets		-	-	-
Miscellaneous revenue	-	(7,685)	-	-
Transfers	1,042,655	(221,545)	50,350	(39,100)
Total business-type activities	<u>1,815,497</u>	<u>291,999</u>	<u>330,692</u>	<u>120,309</u>
Total primary government	<u>\$ 51,442,093</u>	<u>\$ 48,215,450</u>	<u>\$ 48,023,593</u>	<u>\$ 79,364,584</u>
Changes in net position:				
Governmental activities	\$ 1,164,288	\$ (6,022,189)	\$ (2,366,133)	\$ 38,926,508
Business-type activities	11,959,341	8,238,021	2,288,089	6,726,005
Total primary government	<u>\$ 13,123,629</u>	<u>\$ 2,215,832</u>	<u>\$ (78,044)</u>	<u>\$ 45,652,513</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ (22,965,339)	\$ (32,025,922)	\$ (25,430,417)	\$ (32,446,974)	\$ (38,037,280)	\$ (37,056,842)
9,901,711	8,781,001	7,710,067	9,458,447	5,570,433	14,454,988
<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>	<u>\$ (22,601,854)</u>
\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,583,057	\$ 9,961,220	\$ 10,120,512
-	-	-	-	-	-
9,904,433	11,459,527	12,393,784	12,836,372	12,346,472	13,412,360
3,651,287	4,088,228	4,200,929	4,386,505	4,678,179	4,741,131
6,971,230	6,918,391	8,060,611	7,826,858	8,093,750	8,746,222
3,710,336	4,045,534	4,413,036	4,973,753	5,630,225	5,577,756
316,101	241,751	140,208	642,914	296,135	641,094
-	-	4,684	-	13,050	-
1,694,223	3,562,242	4,897,416	2,783,899	3,420,154	3,058,231
(90,000)	(746,420)	(610,580)	(754,473)	(479,403)	273,382
				5,547,823	(7,490,284)
					4,736,219
<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>	<u>43,816,623</u>
\$ 75,261	\$ 190,603	\$ 113,214	\$ 338,933	\$ 285,078	\$ 719,743
-	3,000	6,720	825	500	-
-	-	-	-	-	-
90,000	746,420	610,580	754,473	479,403	(273,382)
<u>165,261</u>	<u>940,023</u>	<u>730,514</u>	<u>1,094,231</u>	<u>764,981</u>	<u>446,361</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>	<u>\$ 44,262,984</u>
\$ 11,856,682	\$ 5,500,351	\$ 16,585,960	\$ 9,831,911	\$ 11,470,325	\$ 6,759,781
10,066,972	9,721,024	8,440,581	10,552,678	6,335,414	14,901,349
<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>	<u>\$ 21,661,130</u>

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund:				
Reserved	\$ 252,265	\$ 881,458		
Unreserved, designated	54,582	-		
Unreserved	1,732,418	926,720		
Total general fund	<u>2,039,265</u>	<u>1,808,178</u>		
All Other Governmental Funds:				
Reserved	57,098,058	56,141,521		
Unreserved, designated for:				
Special revenue funds	165,151	21,753		
Capital project funds	-	-		
Unreserved, reported in:				
Special revenue funds	15,182,712	21,369,514		
Debt service funds	(36,727)	-		
Capital project funds	8,548,759	(2,802,574)		
Permanent trust	-	23,177		
Permanent funds	22,982	-		
Total all other governmental funds	<u>80,980,935</u>	<u>74,753,391</u>		
Total governmental fund balances	<u>\$ 83,020,200</u>	<u>\$ 76,561,569</u>		
General Fund:				
Nonspendable		\$ 64,144	\$ 81,024	
Committed		397,275	1,179,964	
Assigned		-	-	
Unassigned		-	-	
Total general fund		<u>461,419</u>	<u>1,260,988</u>	
All Other Governmental Funds:				
Nonspendable		27,034	1,378,920	
Restricted		68,478,306	28,697,753	
Committed		14,919,647	16,732,210	
Assigned		-	-	
Unassigned		-	-	
Total all other governmental fund balances		<u>83,424,987</u>	<u>46,808,883</u>	
Total governmental fund balances		<u>\$ 83,886,406</u>	<u>\$ 48,069,871</u>	

Fiscal Year					
2013	2014	2015	2016	2017	2018

\$ 95,544	\$ 83,177	\$ 91,451	\$ 87,958	\$ 102,778	\$ 114,598
2,041,359	-	2,037,806	3,277,768	4,230,191	4,426,112
254,236	4,081,779	4,757,796	4,866,554	5,088,820	5,422,325
1,703,571	1,633,298	1,872,873	1,998,762	2,040,912	3,162,821
<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>	<u>\$ 13,125,856</u>

23,665	16,000	23,770	23,852	24,036	24,333
27,542,010	57,556,197	57,639,586	90,030,630	108,776,998	112,241,884
26,156,633	1,391,787	-	1,331,352	969,777	3,125,166
-	-	-	-	-	-
(81,888)	-	(1,843,525)	-	-	-
<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>	<u>115,391,383</u>

<u>\$ 57,735,130</u>	<u>\$ 64,762,238</u>	<u>\$ 64,579,757</u>	<u>\$ 101,616,876</u>	<u>\$ 121,233,512</u>	<u>\$ 128,517,239</u>
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Schedule 4
City of Petaluma, CA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes (see schedule 5)	\$ 39,739,098	\$ 38,705,700	\$ 38,012,050	\$ 29,666,577
Licenses, permits and fees	1,912,580	1,274,934	2,207,999	4,921,033
Fines, forfeitures and penalties	799,544	789,895	909,973	927,900
Use of money and property	2,215,231	1,019,686	671,185	736,888
Intergovernmental	12,447,440	11,435,893	9,013,452	12,566,803
Charges for current services	4,784,440	4,373,632	4,808,475	5,048,086
Other	876,041	2,466,222	1,764,517	1,100,595
Total revenues	<u>62,774,374</u>	<u>60,065,962</u>	<u>57,387,651</u>	<u>54,967,882</u>
Expenditures				
Current:				
General government	3,875,414	3,667,640	3,538,262	3,079,373
Community development	14,877,627	17,542,710	13,913,519	6,655,687
Police	15,104,761	14,965,311	15,029,140	14,906,572
Fire	7,790,262	9,288,308	9,979,449	10,442,244
Parks and recreation	4,574,962	2,280,237	1,845,714	1,739,081
Public works	5,521,183	7,198,568	6,574,553	6,550,016
Capital outlay	4,375,770	7,071,745	6,010,308	4,809,382
Debt service				
Principal	1,312,000	1,355,000	1,629,814	113,958
Interest	3,359,588	3,289,018	3,315,833	1,877,695
Cost of issuance	-	-	-	-
Total expenditures	<u>60,791,567</u>	<u>66,658,537</u>	<u>61,836,592</u>	<u>50,174,008</u>
Excess of revenues over (under) expenditures	<u>1,982,807</u>	<u>(6,592,575)</u>	<u>(4,448,941)</u>	<u>4,793,874</u>
Other Financing Sources (Uses):				
Debt issuance	-	-	11,561,444	-
Premium paid	-	-	-	-
Payment to escrow agent	-	-	-	-
Proceeds from the sale of assets	1,669	-	4,504	-
Contributions from enterprise funds	-	-	207,830	-
Transfers in	16,622,618	15,946,693	21,418,966	13,041,470
Transfers out	(17,368,889)	(15,812,749)	(21,418,966)	(12,951,470)
Total other financing sources (uses)	<u>(744,602)</u>	<u>133,944</u>	<u>11,773,778</u>	<u>90,000</u>
Special Item				
Successor Agency Bond Proceeds	<u>1,238,205</u>	<u>(6,458,631)</u>	<u>7,324,837</u>	<u>4,883,874</u>
Debt service as a percentage of noncapital expenditures (1)	8.28%	7.79%	8.86%	4.39%

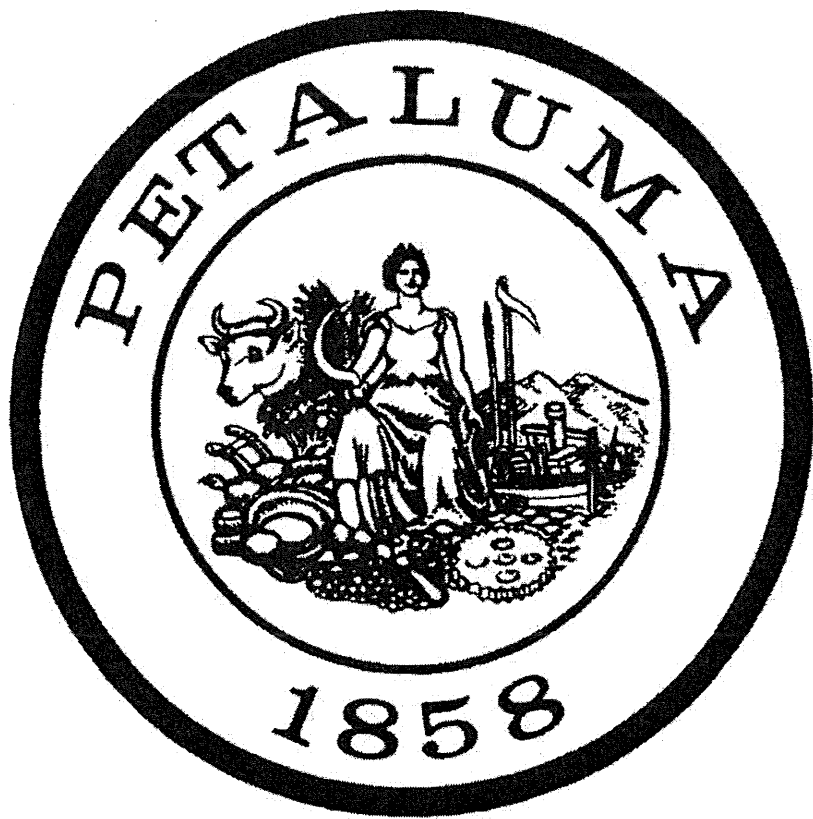
(1) Paragraph 12b requires that the interest and principal components of debt service expenditures be presented separately and that total debt service be shown as a percentage of total noncapital expenditures. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 25,930,467	\$ 27,550,308	\$ 29,524,036	\$ 31,530,249	\$ 32,616,096	\$ 33,851,759
13,467,082	5,768,076	5,405,398	6,678,465	5,802,314	6,946,493
904,110	892,444	592,257	556,508	739,272	815,913
684,382	665,222	708,536	986,419	2,247,879	2,370,910
15,223,097	11,680,110	19,225,393	11,289,946	10,964,409	13,172,378
5,292,940	5,524,587	6,236,573	7,475,695	7,520,475	8,586,203
817,149	2,319,182	4,650,482	2,165,019	723,345	482,512
62,319,227	54,399,929	66,342,675	60,682,301	60,613,790	66,226,168
2,982,115	3,504,750	4,565,381	5,319,069	5,900,460	6,309,124
7,253,174	3,018,073	2,345,822	2,506,730	2,437,844	2,786,591
15,268,849	15,718,865	15,672,647	16,858,379	17,742,374	17,912,921
10,734,962	11,524,404	12,262,326	12,748,714	13,915,726	14,941,695
2,141,679	2,504,147	8,169,900	2,949,395	2,594,334	2,535,257
12,482,214	7,552,488	18,737,202	7,838,030	10,729,275	17,239,449
1,595,828	2,733,981	3,987,980	334,381	280,032	1,172,005
134,264	-	-	-	-	-
2,352	-	-	-	-	-
-	-	-	-	-	-
52,595,437	46,556,708	65,741,258	48,554,698	53,600,045	62,897,042
9,723,790	7,843,221	601,417	12,127,603	7,013,745	3,329,126
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,469	40,307	4,684	7,607	13,050	-
-	-	-	-	-	-
8,822,043	5,759,605	8,752,964	8,378,259	7,454,274	14,685,728
(8,912,043)	(6,616,025)	(9,541,544)	(9,732,732)	(8,533,677)	(15,467,346)
(58,531)	(816,113)	(783,896)	(1,346,866)	(1,066,353)	(781,618)
9,665,259	7,027,108	(182,479)	10,780,737	5,547,823	4,736,219
				11,495,215	7,283,727
0.27%	0.00%	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			
	2009	2010	2011	2012
Property	\$ 24,413,663	\$ 24,148,118	\$ 22,929,525	\$ 13,968,355
Sales and Use	9,445,467	8,631,248	8,843,821	9,383,601
Occupancy	1,300,892	1,165,607	1,341,692	1,484,818
Franchise	3,089,600	3,132,790	3,202,734	3,063,428
Property Transfer	737,354	845,268	834,527	826,506
Other	752,122	782,669	886,751	939,869
Total taxes	\$ 39,739,098	\$ 38,705,700	\$ 38,039,050	\$ 29,666,577

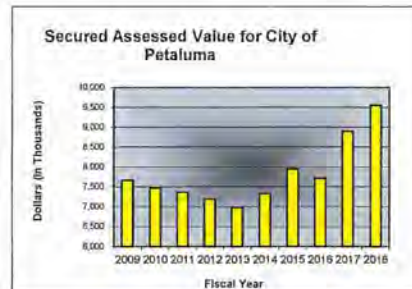
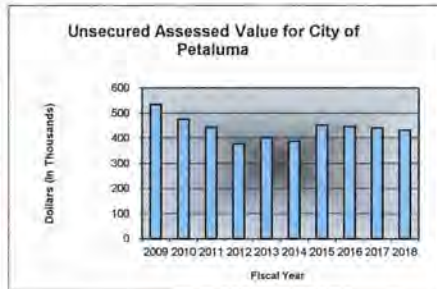
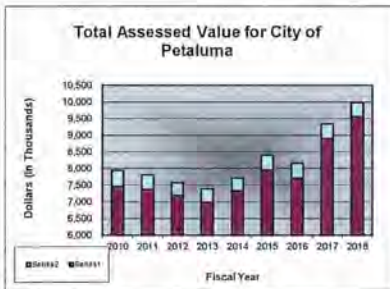
Fiscal Year							
2013	2014	2015	2016	2017	2018	% Change 2009-2018	
\$ 8,664,411	\$ 7,957,020	\$ 8,516,289	\$ 9,333,619	\$ 9,961,220	\$ 10,120,513	-58.55%	
9,904,433	11,459,527	12,393,784	12,836,372	12,346,472	13,412,360	42.00%	
1,680,783	1,919,729	2,068,949	2,490,524	2,651,226	3,072,242	136.16%	
3,651,287	4,088,228	4,200,929	4,386,505	4,678,180	4,741,131	53.45%	
984,045	965,868	1,173,223	1,245,039	1,769,698	1,237,310	67.80%	
1,045,508	1,159,937	1,170,864	1,238,190	1,209,301	1,268,204	68.62%	
\$ 25,930,467	\$ 27,550,308	\$ 29,524,038	\$ 31,530,250	\$ 32,616,097	\$ 33,851,761		



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

City							Total Direct Tax Rate (1)
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)		
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
2018	7,562,693,038	138,359,729	(217,750,163)	7,483,302,604	9,731,780,604		1.300

Redevelopment Agency							Total Direct Tax Rate (1)
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)		
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
2018	2,075,301,464	277,372,858	(146,241,888)	2,206,432,434	2,869,390,362		1.300



- (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)

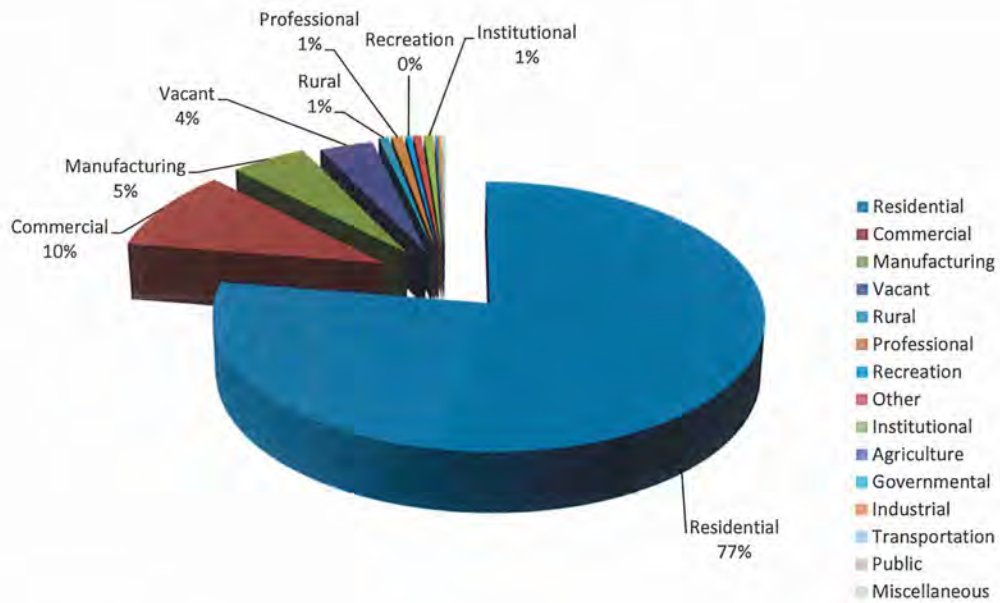
Category	Fiscal Year			
	2009	2010	2011	2012
Residential	\$ 5,796,159	\$ 5,555,350	\$ 5,575,896	\$ 5,551,197
Commercial	816,894	841,014	838,152	751,102
Manufacturing	509,564	524,252	502,140	478,954
Vacant	259,769	278,095	181,087	149,555
Rural	34,949	36,061	39,886	38,536
Professional	69,365	70,073	64,446	60,875
Recreation	34,405	39,235	46,025	45,608
Other	29,622	30,618	30,443	29,293
Institutional	39,249	37,717	33,414	35,365
Agriculture	21,628	27,496	27,431	27,640
Governmental	3,725	3,799	3,791	3,819
Industrial	14,148	14,319	14,234	14,341
Transportation	8,993	9,349	9,468	5,024
Public	1,392	1,419	1,416	1,427
Miscellaneous	1,143	1,164	1,160	1,169
Gross Secured Value	\$ 7,641,005	\$ 7,469,961	\$ 7,368,989	\$ 7,193,905
Unsecured Value	\$ 534,371	\$ 476,185	\$ 443,741	\$ 376,976
Exemptions	257,208	206,217	204,552	187,581
Net Taxable Value	\$ 7,918,168	\$ 7,739,929	\$ 7,608,178	\$ 7,383,300

Source: Sonoma County Assessor data , MuniServices, LLC

							Fiscal Year					
2013		2014		2015		2016		2017		2018		
\$	5,398,541	\$	5,693,569	\$	6,219,648	\$	6,615,390	\$	7,034,503	\$	7,473,070	
	743,611		762,317		821,853		858,577		944,370		974,194	
	444,375		431,460		439,847		450,611		484,841		492,180	
	151,203		181,976		191,734		212,309		287,083		350,108	
	38,296		39,054		39,631		42,465		55,342		63,334	
	62,193		65,564		66,504		67,539		69,649		74,363	
	44,902		44,188		40,044		36,017		38,315		38,845	
	29,485		27,854		51,706		53,043		53,678		54,709	
	35,782		45,531		38,362		41,285		60,718		61,757	
	6,994		7,039		6,358		5,940		9,904		10,917	
	3,895		3,992		3,991		5,500		5,584		5,696	
	14,626		14,566		14,631		15,901		26,366		18,035	
	8,201		8,222		8,244		8,384		8,713		8,738	
	1,455		1,484		1,491		1,521		1,544		1,575	
	1,192		1,216		4,864		5,246		9,386		10,474	
\$	6,984,751	\$	7,328,032	\$	7,948,908	\$	8,419,728	\$	9,089,996	\$	9,637,995	
\$	402,532	\$	388,180	\$	452,846	\$	448,625	\$	463,647	\$	415,732	
	202,177		210,589		224,549		226,760		365,714		363,992	
\$	7,185,106	\$	7,505,623	\$	8,177,205	\$	8,641,593	\$	9,187,929	\$	9,689,735	

Schedule 8
 City of Petaluma, CA
 Assessed Value of Taxable Property by Use Code, Citywide
 2017-2018 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Basic City and County Levy (1):										
Bay Area Quality Mgmt	0.0000	0.0019	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	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0186	0.0186	0.0186
County of Sonoma	0.8357	0.2785	0.2785	0.2785	0.2785	0.2785	0.2785	0.2784	0.2784	0.2784
Gen #1 SOCO Water Agency	0.0000	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075	0.0075
MRN/SNMA MOSO & Vector	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Petaluma AWUF	0.0000	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110	0.1110
Petaluma Schools	0.0000	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973	0.3973
South SO RES CN Land	0.0000	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002
Spring Lake Park SCWA	0.0000	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
ZN ZA Petaluma Basin	0.0000	0.0158	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 Elementary school bonds	0.0455	0.0435	0.0435	0.0465	0.0465	0.0505	0.0620	0.0530	0.0410	0.0310
Petaluma High school bonds	0.0305	0.0305	0.0305	0.0342	0.0342	0.0360	0.0650	0.0590	0.0460	0.0620
Sonoma County Junior College bonds	0.0250	0.0250	0.0210	0.0210	0.0210	0.0188	0.0180	0.0160	0.0400	0.0370
Total Override Assessments:	0.1080	0.1060	0.1020	0.1087	0.1087	0.1123	0.1520	0.1350	0.1340	0.1370
Total Direct and Overlapping Rates:	1.1080	1.1060	1.1020	1.1087	1.1087	1.1123	1.1520	1.1350	1.1340	1.1370

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			
	2018		2009	
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Enclave Apts Property Owner Ll	\$ 144,481,671	1	1.49%	0.00%
Sequoia Equities Azure Lp	114,281,404	2	1.18%	0.00%
Sscop Properties LLC	61,142,261	3	0.63%	0.00%
Lagunitas Brewing Company	52,979,079	4	0.55%	0.00%
Mgp Viii Properties LLC	44,466,528	5	0.46%	0.00%
Regency Petaluma LLC	42,964,806	6	0.44%	26,778,642 0.34%
Tsa Skh Investors LLC	34,415,672	7	0.36%	0.00%
Mncvad Ind Petaluma Ca LLC	33,905,080	8	0.35%	0.00%
Chelsea Gca Realty Partnership	33,835,896	9	0.35%	29,842,919 0.38%
Pacific Castle Redwood LLC	33,710,490	10	0.35%	0.00%
Target Corp	32,203,028	11	0.33%	0.00%
Palo Alto Bayshore Investors L	29,996,235	12	0.31%	0.00%
Clover Stornetta Farms Inc.	28,986,230	13	0.30%	0.00%
Novak Property LLC	28,647,684	14	0.30%	0.00%
Labcon North America	27,623,787	15	0.29%	0.00%
Nsa Investments LLC	27,403,562	16	0.28%	0.00%
Sonoma Hotel Partners Lp	26,597,967	17	0.27%	0.00%
Syers Properties I Lp	26,057,209	18	0.27%	19,519,645 0.25%
Washington Square Assoc LLC	25,756,661	19	0.27%	22,788,207 0.29%
Addison Ranch Apts LLC	25,071,845	20	0.26%	0.00%
Haven At Petaluma LLC	24,669,685	21	0.25%	0.00%
Quarry Heights LLC	22,545,366	22	0.23%	38,846,700 0.49%
Vons Companies Inc.	21,640,914	23	0.22%	0.00%
Redwood Business Center 1 LLC	20,935,746	24	0.22%	0.00%
Molecular Bio Products Inc.	17,478,980	25	0.18%	0.00%
Ca-Redwood Business Park Devel				94,065,170 1.19%
Rnm Lakeville Lp				72,780,009 0.92%
Sequoia Equities Cypress Poin				51,771,029 0.65%
Cisco Technology Inc				50,018,177 0.63%
Petaluma Theatre District LLC				49,603,565 0.63%
Cerent Corp				47,675,160 0.60%
Fibex Systems Inc.				41,146,460 0.52%
Crp Holdings A-1 LLC				33,552,900 0.42%
Eqr Lakeville Resort General P				33,012,774 0.42%
Redwood Gateway LLC & Gateway				29,785,576 0.38%
Azure At Lakeville Square Llc				28,660,165 0.36%
Tellabs Petaluma Inc.				26,812,010 0.34%
Lba Realty Fund Ii - Wbp Iii L				25,697,880 0.32%
Petaluma Marina Investors LLC				25,671,844 0.32%
Minnesota Mining & Manufacturi				25,084,732 0.32%
Savoy Corporation				22,112,107 0.28%
Marina Office Park Associates				19,735,693 0.25%
Parkway Petaluma LLC				19,107,806 0.24%
North Bay Construction Inc				17,178,085 0.22%
Golden Eagle Delaware LLC				16,646,400 0.21%
Top 25 Taxpayers	981,797,786		10.13%	851,247,255 10.96%
All Other Taxpayers	8,707,937,252		89.87%	7,066,920,526 89.25%
Total Taxable Assessed Values	\$ 9,689,735,038		100.00%	\$ 7,918,167,781 100%

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
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%
2018	9,972,979	9,972,979	100.00%	-	9,972,979	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
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	-	-		-
2018	-	-		-

Business-type Activities					
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Total Business-Type Activities
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
2018	29,827,464	6,390,244	3,730,000	80,031,552	119,979,260

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2018	\$ 119,979,260	5%	\$ 1,913

Note: capital lease is immaterial

Schedule 13
City of Petaluma, CA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

2017-18 Assessed Valuation:	\$	9,794,302,139	(includes aircraft valuations)
Redevelopment Incremental Valuation:		<u>(1,834,535,346)</u>	
Adjusted Assessed Valuation:	\$	7,959,766,793	

	Total Debt 6/30/2018	% Applicable	City's Share of Debt 6/30/2018
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College	\$ 252,970,000	11.29%	\$ 28,547,665
Petaluma Joint Union High School District	58,082,116	77.06%	44,759,821
Old Adobe Union School District	24,982,286	89.45%	22,346,655
Cinnabar School District	2,400,000	42.68%	1,024,416
Petaluma City School District	20,960,000	84.80%	17,773,032
Wilmar Union School District	3,877,436	13.37%	518,491
Waugh School District Facilities Improvement District #1	2,000,000	88.59%	1,771,720
Waugh School District Community Facilities District #1	4,195,000	100.00%	4,195,000
City of Petaluma 1915 Act Bonds	1,378,800	100.00%	1,378,800
California Statewide Community Development Authority 1915 Act Bonds	4,989,960	100.00%	4,989,960
Total Overlapping Tax and Assessment Debt			<u>\$ 127,305,560</u>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County General Fund Obligations	\$ 15,825,000	11.37%	\$ 1,799,777
Sonoma County Pension Obligations	379,925,000	11.37%	43,208,870
Sonoma County Office of Education COP	4,963,489	11.37%	564,498
Sonoma County Joint Community College GF Obligation	1,120,000	11.29%	126,392
Petaluma Joint Union High School District COP	5,335,000	77.06%	4,111,311
Cinnabar School District COP	1,139,000	42.68%	486,171
Total Direct and Overlapping General Fund Debt:			<u>\$ 50,297,019</u>

OVERLAPPING TAX INCREMENT DEBT	\$ 67,405,000	98.82%	\$ 66,609,863
Total Direct Debt			-
Total Overlapping Debt			<u>242,358,563</u>
Combined Total Debt			<u><u>\$ 242,358,563</u></u>

Source:

MuniServices, LLC
non-bonded capital lease obligations.

Ratios to adjust Assessment Valuation:

Total Overlapping Tax and Assessment Debt 1.30%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$3,730,000) 0.04%

Combined Total Debt 2.51%

State School Building Aid Repayment as of 6/30/2018: \$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
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	-	-	-	-	-
2018	-	-	-	-	-

*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
2018	17,339,375	12,269,979	5,069,396	337,000	211,594	9.24

2017 Waste Water Revenue Bonds						
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage***
				Principal	Interest	
2018	\$ 25,543,802	\$ 8,368,876	\$ 17,174,926	\$ -	\$ 706,891	24.30

* 115% required

*** 125% 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 %
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%
2018	62,708	2,508,230	39,999	41.6	7,728	2.30%

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					
	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	870	1	2.60%	1,415	1	4.37%
Petaluma Poultry Processors	580	2	1.73%	400	4	1.23%
Petaluma Valley Hospital	525	3	1.57%	557	2	1.72%
Enphase Energy Inc	379	4	1.13%			0.00%
Lagunita's Brewing Company*	370	5	1.10%			0.00%
City of Petaluma	358	6	1.07%	287	6	0.89%
Old Adobe Union School District*	289	7	0.86%	229	7	0.71%
Santa Rosa Junior College	286	8	0.85%	300	5	0.93%
Clover Stormetta Farms	256	9	0.76%	220	9	0.68%
Hansel Auto (includes Honda, Toyota, Henry Curtis Ford, and Mgt)**	252	10	0.75%			0.00%
United States Postal Service				520	3	1.60%
Calix Networks Inc.				225	8	0.69%
Safeway Stores				200	10	0.62%
Total Principal Employers	4,165		12.43%	4,356		13.44%
Total City Employment (1)	33,500			32,400		

Source: MuniServices, LLC

Notes:

Results based on direct correspondence with city's local businesses.

*Includes both FT & PT Employees

** Includes 3 locations within the city

(1) Total City Labor Force 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				
	2009	2010	2011	2012	2013
Governmental					
General government (total of next 8)	44.7	44.7	38.8	30.1	28.7
Administrative Services (Finance)	11.5	11.6	8.9	6.05	6.05
Internal Services	15.2	15.2	13.2	10.7	10.7
Animal Services	9.2	9.0	8.0	6.0	5.0
City Attorney	0.5	0.5	0.5	0.5	0.0
City Clerk	2.0	2.0	2.0	2.0	2.0
City Manager	3.8	3.8	3.6	3.3	3.3
Human Resources	2.6	2.6	2.6	1.6	1.6
Community development	2.0	3.6	3.0	5.5	1.7
Fire	47.0	58.3	58.0	57.0	57.0
Police	111.0	111.8	99.5	83.1	81.5
Parks and recreation	45.3	19.8	7.3	5.0	5.0
Public works	31.0	49.0	51.4	35.7	38.5
Business Activities					
Airport	2.7	3.1	1.6	1.6	1.0
Ambulance	11.0	0.0	0.0	0.0	0.0
Development Services	2.0	2.0	3.0	4.0	4.0
Marina	0.6	0.6	0.0	0.0	0.0
Transit	2.0	1.8	2.0	1.0	1.0
Water	24.0	25.7	28.4	29.6	29.6
Waste water	31.3	30.5	31.5	29.6	29.6
Internal Service					
Employee benefits	1	1	1	0.4	0.7
General services	3	3	2	2	2
Information technology	7	7	7	7	7
Risk management	4	4	3	0	0
Workers' compensation	1	1	1	1	1
Total	355	351	324	282	278

Source: City budget, finance department

Fiscal Year				
2014	2015	2016	2017	2018
26.7	35.0	35.6	36.6	38.6
6.1	13.0	13.0	14.0	15.0
10.7	9.0	9.0	9.0	10.0
0.0	0.0	0.0	0.0	0.0
3.0	4.0	4.0	4.0	4.0
2.0	2.0	2.0	2.0	2.0
3.3	4.0	4.0	4.0	4.0
1.6	3.0	3.6	3.6	3.6
3.7	2.0	2.0	2.0	2.0
57.0	58.0	58.0	58.0	58.0
82.5	84.5	84.5	89.7	91.7
6.0	6.0	6.0	9.0	8.4
36.5	35.2	36.2	39.6	41.0
1.0	1.0	1.0	1.0	2.0
0.0	0.0	0.0	0.0	0.0
5.0	6.0	6.0	6.0	7.0
0.0	0.0	0.0	0.0	0.0
1.0	1.0	1.0	1.0	2.5
30.1	29.9	30.4	30.9	30.0
30.1	29.9	30.4	31.0	30.0
0.7	0.0	0.0	0.0	0.0
2	2	2	2	2
7	7	7	7	7
0	0	0	0	1
1	0	0	0	0
280	289	291	305	311

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

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Community development				
Commercial building permits issued	201	192	100	241
Residential building permits issued	666	725	1,000	821
Inspections performed	2,846	3,288	4,315	4,614
Police				
Number of police calls	57,396	53,209	54,429	50,667
Parking citations	6,769	5,825	5,564	7,118
Traffic citations	6,769	7,181	5,544	7,667
Administrative citations				
Fire				
Ambulance runs	3,624	3,569	3,508	3,612
Fire calls	1,551	1,478	1,456	1,557
Inspections	2,164	1,737	1,898	2,014
Public works				
Street miles resurfaced/sealed	0.85	2.44	4.33	0.75
Parks and recreation				
Historical library & museum visitors	7,184	12,521	11,473	8,801
Recreation class attendance	4,602	3,248	3,547	3,214
Special event attendance	13,000	12,000	12,700	12,900
Airport				
Airport movements (1)	26,000	26,000	26,000	26,000
Annual fuel consumption (gallons)	170,500	172,110	172,749	177,286
Water				
Annual water purchased in billions of gallons	2.8	2.2	2.4	2.7
Utility accounts	19,434	20,214	19,839	19,995
Wastewater				
Average dry weather flows of sewage	4 mgd	4.3 mgd	4.6 mgd	4.7 mgd
Transit				
Number of bus routes (2)	3	3	6	6
Annual ridership	167,927	181,556	229,447	306,017

Sources:

Various city department reports, annual budget narrative

(1) Beginning in FY2018, Airport movements based on FAA Terminal Area Forecast for Petaluma Municipal Airport, prior yrs take-offs only.

(2) Beginning in FY2018, Includes both Transit and Paratransit routes, previous years only Transit routes

Fiscal Year					
2013	2014	2015	2016	2017	2018
249	318	507	255	367	251
1,142	1,172	1,023	1,609	1,549	1,874
6,344	4,379	3,470	4,850	6,185	6,370
49,496	52,738	55,121	56,887	57,616	61,083
9,081	8,073	3,522	6,723	8,248	8,677
4,742	4,947	2,119	3,966	4,041	5,558
			35	120	118
3,614	3,817	3,963	4,204	4,193	4,651
1,606	1,816	1,863	2,086	2,250	2,326
2,408	2,458	2,723	2,425	2,656	2,288
1.5	1.44	1.7	1.08	2.74	3.86
7,760	6,269	7,251	10,192	10,612	11,150
3,271	3,522	2,499	2,339	2,364	2,413
10,000	2,000	3,400	4,700	4,850	4,850
26,000	26,000	26,000	26,000	26,000	53,200
167,700	138,000	170,885	192,256	175,629	200,953
3.1	3.0	2.5	3.	2.8	2.7
20,152	20,230	20,280	20,322	20,442	20,497
4.7 mgd	4.3 mgd	4.3 mgd	4.3 mgd	4.3 mgd	4.3 mgd
6	6	6	7	7	14
339,460	384,967	400,407	370,674	414,089	344,665

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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Stations	1	1	1	1	1
Zone offices	1	2	2	2	2
Patrol vehicles, marked and unmarked	53	56	53	55	55
Fire					
Fire stations	3	3	3	3	3
Ambulances	4	4	4	4	4
Public works					
Streets (miles)	185	185	185	185	185
Highways (miles)	0.80	0.80	0.80	0.80	0.80
Streetlights	6,000	6,000	4,700	5,129	5,129
Traffic Signals	55	55	50	55	55
Park and recreation					
Acreage	299	299	299	299	299
Parks	44	44	44	44	44
Community centers	4	4	4	4	4
Recreation facilities	4	4	4	4	4
Ball/soccer fields	48	48	48	48	48
Tennis court	11	11	11	11	11
Turning basin public dock footage	995	995	995	995	995
Community swimming pools	2	2	2	2	2
Library	1	1	1	1	1
Water					
Water mains (miles)	278	278	278	255	255
Fire hydrants	2,493	2,490	2,492	2,494	2,494
Aqueduct stations	8	8	8	8	8
Wells	18	16	15	15	13
Valves	7,227	7,251	7,310	7,324	7,324
Reservoirs, finished water (total capacity - 13.1 mg)	11	13.1	13.1	13.1	11.1
Wastewater					
Booster stations (35 pumps)	11	11	12	12	12
Sanitary sewers (miles)	195	195	195	195	195
Storm sewers (miles)	166	166	166	122	122
Treatment capacity (millions of gallons)	1,777	1,960	2,445	2,445	2,445
Transit					
Buses	10	10	10	10	10
Paratransit vans (2)					

Sources:

Various city department reports, annual budget narrative
(2) Additional information added FY2018

Fiscal Year				
2014	2015	2016	2017	2018

1	1	1	1	1
2	2	2	2	2
55	55	55	55	53
3	3	3	3	3
4	4	4	3	3
185	185	185	185	185
0.80	0.80	0.80	0.80	0.80
4,942	5,392	5,392	5,065	5,111
51	51	51	51	51
324	324	324	324	460
45	45	45	45	46
4	4	4	4	4
4	4	4	4	4
51	51	51	51	51
11	11	11	11	11
995	995	995	995	995
2	2	2	2	2
1	1	1	1	1
258	268	268	252	252
2565	2597	2597	2587	2562
8	8	8	8	8
13	13	13	13	11
7542	7636	7636	7681	7723
11.1	11.1	11.1	11.1	11.1
12	12	12	12	12
195.5	196.1	196.5	197	197
125	127	127	124	120
2,445	2,445	2,445	2,445	1,874
10	11	11	14	14
				9

