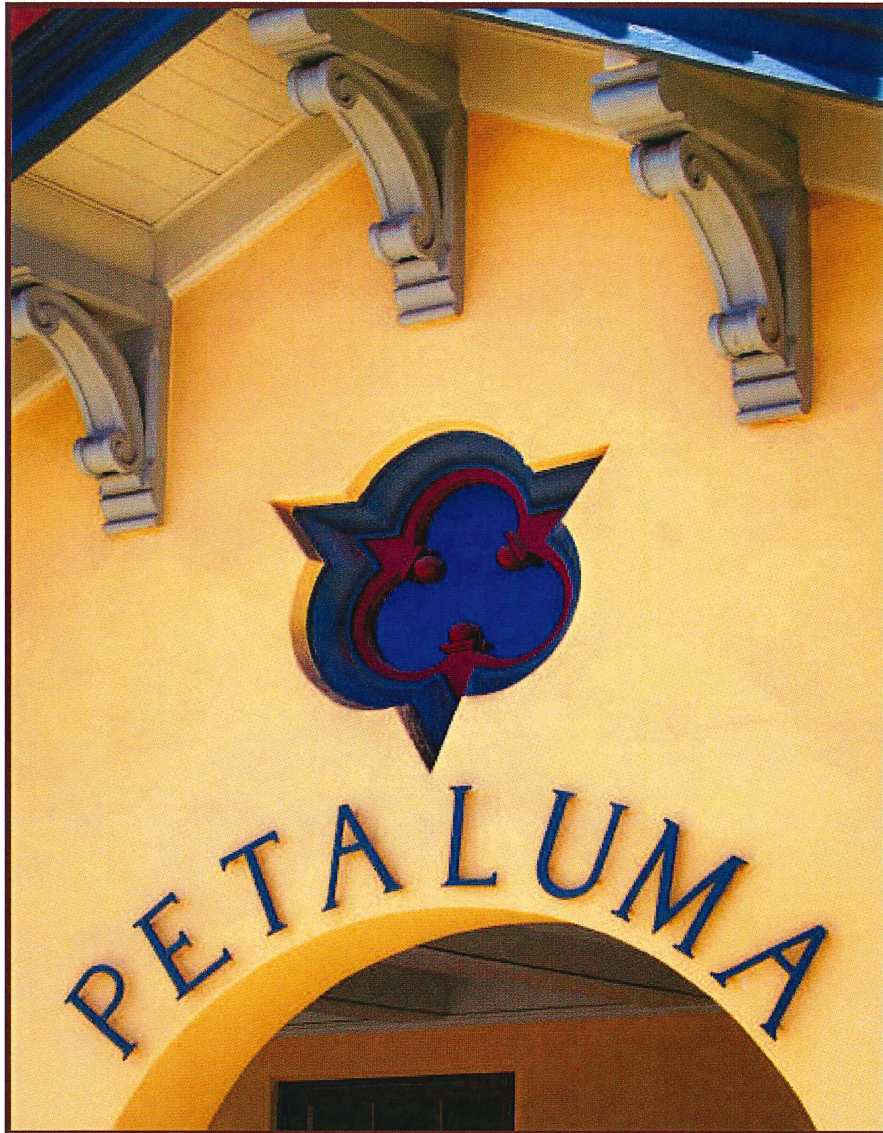


CITY OF PETALUMA  
CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR  
THE YEAR ENDED JUNE 30, 2014

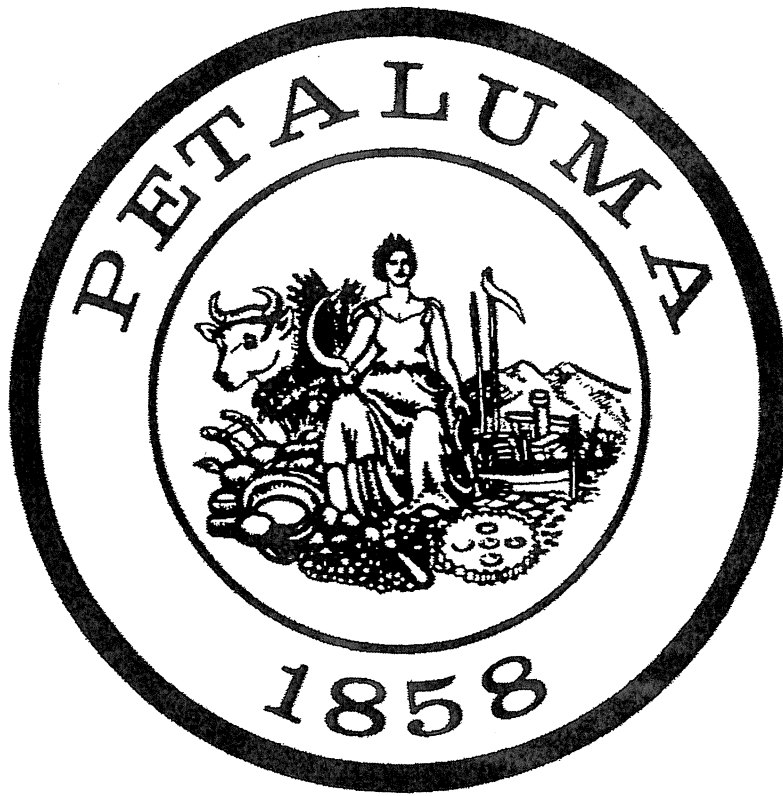
# City of Petaluma

Petaluma, California

## *Comprehensive Annual Financial Report*

*For the year ended June 30, 2014*

Prepared by the Finance Department



CITY OF PETALUMA, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2014

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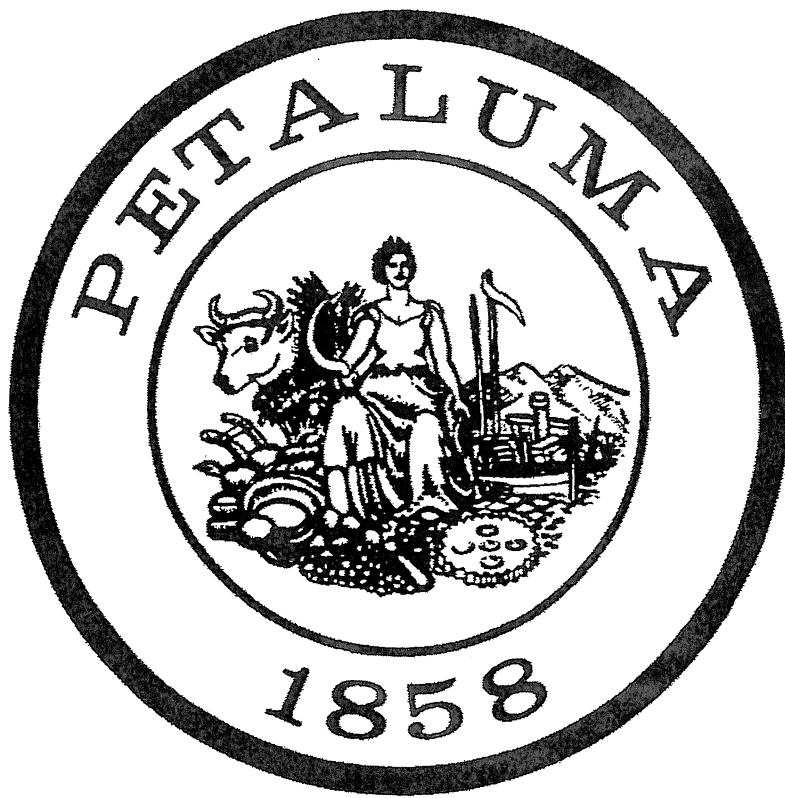
**CITY OF PETALUMA, CALIFORNIA**

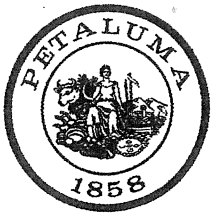
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# CITY OF PETALUMA

POST OFFICE Box 61  
PETALUMA, CA 94953-0061

David Glass  
*Mayor*

Chris Albertson  
Teresa Barrett  
Mike Harris  
Mike Healy  
Gabe Kearney  
Kathy Miller  
*Councilmembers*

December 16, 2014

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, 2014.

For the fiscal year ended June 30, 2014, the City of Petaluma continues to comply with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34. This is the eleventh fiscal year the new reporting model has been presented, which 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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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, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Petaluma's financial statements for the fiscal year ended June 30, 2014, 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 44 parks, 3 community centers, and 2 outdoor pools.

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

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

## **LONG-TERM FINANCIAL PLANNING**

In January, 2013, The City Council met to establish goals and priorities for 2013 and 2014. The first goal on Council's list was to achieve fiscal stability and maintain financial sustainability. This goal has several priorities including:

- Develop a five-year financial plan for the General Fund
- Restore reserves
- Prepare financial forecasts for Utility and Special Revenue funds
- Establish a fiscally sustainable storm water system

- Continue to seek opportunities to enhance revenue sources

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

Over the past several years significant reductions have occurred in the General Fund in order to match revenues with expenditures. During FY14, revenues exceeded expenditures by \$1.7 million. This was due mainly to several one-time revenues received. For FY15, the City Council adopted a balanced General Fund budget.

## **ECONOMY**

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

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

The County's tourism related industries have faced challenges during the recent economic turmoil, but have begun to rebound over the past two 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 rebounding. Petaluma is in alignment with the upward trend as Transient Occupancy Tax received by the city in fiscal year 2014 was \$1.9 million, a 14% increase from the prior year.

Petaluma's overall economic outlook has improved over the last year – particularly in the areas of home price stability, jobs, and real estate vacancies. Petaluma's median home price in the 94952 zip code dropped slightly from last year's \$525,000 to the October 2014 median of \$452,000 while the median price in the 94954 zip code rose slightly from \$410,000 to \$460,000. Real estate vacancies have also decreased over the past year (Q3 2013- Q3 2014) from 21.1% to 16% for office space, from 10.5% to 10% for industrial space and retail vacancies remained unchanged at just under 5%.

Some good news continues related to foreclosures, in that they are down dramatically from prior years. Assessed property valuations have also begun to rebound from significant declines over the past several years. The County Assessor has projected that assessed valuations in Petaluma will grow by 8% in 2014. When one-time amounts and successor agency residual payments are removed from revenues, General fund property taxes in fiscal year 2014 were \$7.0 million, up \$.4 million from the prior year due to assessed valuation growth.

Retail sales in Petaluma also continued to stabilize during fiscal year 2014. Total general fund sales tax received in fiscal year 2014 was \$11.4 million, an increase of \$1.5 million or 15% as compared to the prior year. The City expects retail sales to continue to rebound in 2015, and will also realize some sales tax revenue from the newly opened Deer Creek Retail Center. Total sales tax revenue in 2015 is estimated to be approximately \$12.4 million, an increase of 8% year over year.

To address the decline in revenues over the past several years, the City offered the PERS early retirement incentive again to all eligible employees during FY 2012, and also initiated a layoff process. As a result, several position vacancies remained unfilled in FY 2014, generating significant budget savings. Many of those positions will continue to remain unfilled in FY 2015.

In summary, we remain cautiously optimistic about Sonoma County's short-term outlook. Retail sales and tourism have stabilized and are continuing to rebound. Property values are also starting to rise. Recent economic indicators show that the recovery should continue at a gradual pace into 2015. The City has adopted a balanced budget for the upcoming fiscal year and is using a long term forecasting process as a tool to close the structural deficit and rebuild reserves over the next several years.

## **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 \$123.9 million. Total annual accrued investment earnings were \$.5 million.

Debt Administration. As of June 30, 2014, 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. Wastewater revenue refunding bonds were also issued during fiscal year 2011. Water revenue refunding bonds were issued in October of 2012.

Risk Management. The City uses a combination of insured and partially self-insured programs to finance its property and casualty risk. The City is self-insured with a \$750,000 Self Insured Retention (SIR) for workers' compensation insurance and has a \$500,000 SIR for liability coverage up to \$40,000,000. 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, 2013.

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 leader Corey Garberolio, along with Scott Catania, Sue Castellucci, and all other contributors. I would also like to thank the Mayor and City Council for their confidence and support for maintaining the highest standards of professionalism in the management of the City of Petaluma's finances.

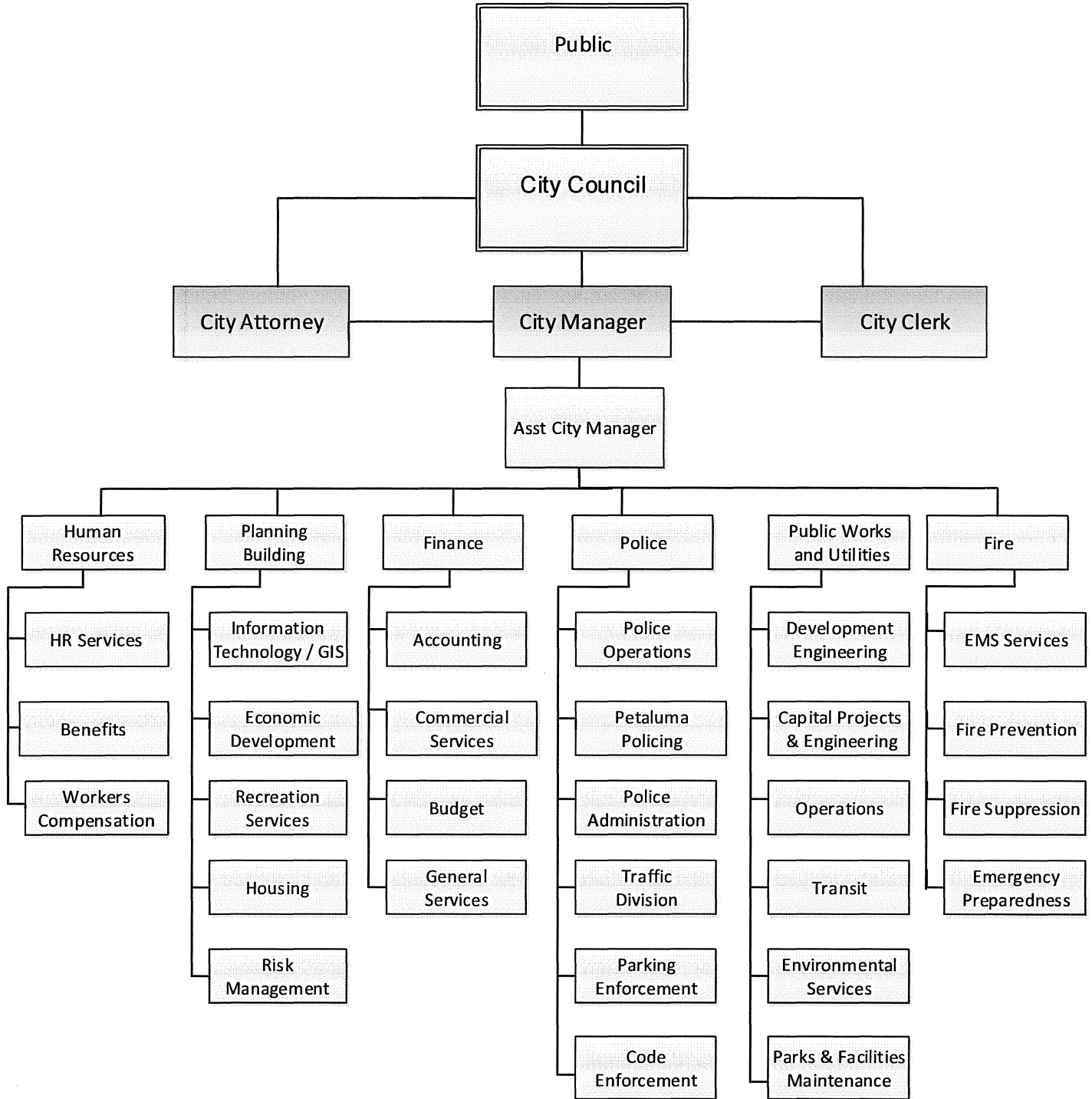
Respectfully submitted,



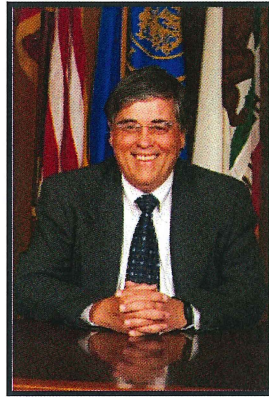
William Mushallo  
Finance Director

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

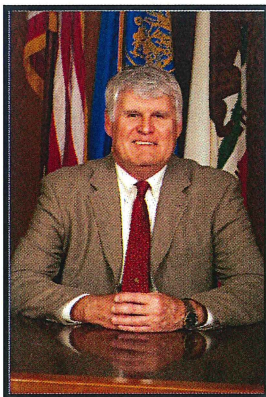
Fiscal Year 13/14



CITY OF PETALUMA PRINCIPAL OFFICIALS  
Elected Officials



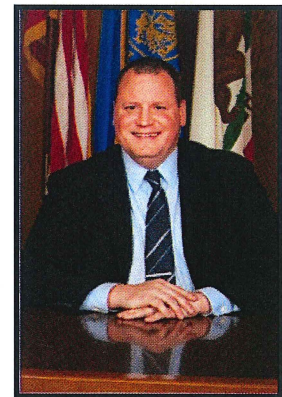
DAVID GLASS  
Mayor



CHRIS ALBERTSON  
Councilmember



TERESA BARRETT  
Councilmember



MIKE HARRIS  
Councilmember



MIKE HEALY  
Councilmember



GABE KEARNEY  
Councilmember



KATHY MILLER  
Councilmember



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Petaluma  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petaluma as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of 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 any adjustments that might result from the outcome of the uncertainty.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary information for the General Fund and major Special Revenue Funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, 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 1, 2014



# 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, 2014.

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 i-v of this report.

## **Financial Highlights**

### **Government Wide Financial Statements**

- The assets of the City of Petaluma exceeded its liabilities at the close of the fiscal year by \$417 million (Net Position). Of this amount, \$282 million was invested in capital assets, net of related debt; \$59.4 million was restricted for capital projects, debt service, non-expendable trusts and special projects; and \$75.9 million was unrestricted. This included all City funds.
- The City's total Net Position increased from the prior year by \$15.2 million, a \$5.5 million increase in Governmental Activity Net Position and a \$9.7 million increase in Business-Type Activity Net Position. The increase in Governmental Activity Net Position was comprised of an increase in ending fund balances in both the Impact Fee and City Capital Project funds. The Impact Fee fund revenues collected during FY 14 were up due to increased development activity. The City Capital Project funds had less expenditures in FY 14 resulting in an increase in fund balance.

### **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 \$64.8 million; an increase of \$7.0 million from the prior year. The 2014 fund balance was comprised of \$.1 million non-spendable reserves; \$57.6 million restricted reserves, \$1.4 million committed reserves, \$4.1 million assigned reserves and \$1.6 million of unassigned reserves.
- At the end of the fiscal year, the total fund balance for the General Fund was \$5.8 million, approximately a \$1.8 million increase from the prior year. This was due to several one-time revenues received during the year. Of this amount, \$4.2 million is designated for specific uses.

## **Overview of the Financial Statements**

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

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

## **Overview of the Financial Statements, continued**

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

The Statement of Activities and Changes in Net Position presents the change in the government's net position during the current fiscal year. All changes in net position are reported when the underlying event, giving rise to the change, occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish the two functions of the City. The first is activities which are principally supported by taxes and intergovernmental revenues (governmental activities). The second is activities that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government, community development, police, fire, recreation, and public works. The business-type activities of the City include: airport, ambulance, development services, marina, transit, waste water and water utilities.

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

**Governmental Funds** – Governmental funds account for basically the same functions as reported as government activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds in the Governmental Fund Financial Statements with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact 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

## **Overview of the Financial Statements, continued**

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

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

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

Other Information – In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information. The first type of information presented is the budgetary information. The budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with the legal provisions of the 2014 appropriation ordinance. The second type of information included relates to the City's progress in funding its obligation to provide pension benefits to its employees.

## Government-Wide Financial Statement Analysis

Statement of Net Position– As noted earlier, net position is an indicator of a government’s financial position. The City of Petaluma’s net position (the amount by which total assets exceed total liabilities) equaled \$417 million at the close of the fiscal year.

The largest portion of the City’s net position (68%) reflect 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 (14%) represents resources that are subject to external restrictions. The remaining balance (18%), the unrestricted net position, may be used to meet the government’s ongoing obligations to citizens and creditors, subject to restrictions of various funding sources, as applicable.

As stated earlier, net position increased by \$15.2 million during the fiscal year. The general government capital assets decreased by \$2.9 million and the business activity capital assets increased \$2.5 million (see disclosures for details). Net position invested in capital assets, net of related debt decreased by \$.4 million; restricted net position increased by \$3.9 million and unrestricted net position increased by \$11.7 million.

<b>Summary Statement of Net Position</b>			
<b>Total Primary Government</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Total Activities 2014</b>	<b>Total Activities 2013</b>	<b>Total Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 160,067	\$ 149,325	\$ 10,742
Capital Assets, net of depreciation	<u>426,911</u>	<u>429,422</u>	<u>(2,511)</u>
<b>Total assets</b>	<u>586,978</u>	<u>578,747</u>	<u>8,231</u>
<b>Liabilities:</b>			
Current Liabilities	19,288	19,464	(176)
Non-Current Liabilities	<u>150,752</u>	<u>157,567</u>	<u>(6,815)</u>
<b>Total liabilities</b>	<u>170,040</u>	<u>177,031</u>	<u>(6,991)</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	281,586	281,955	(369)
Restricted	59,414	55,512	3,902
Unrestricted	<u>75,938</u>	<u>64,249</u>	<u>11,689</u>
<b>Total Net Position</b>	<u>\$ 416,938</u>	<u>\$ 401,716</u>	<u>\$ 15,222</u>

**Government-Wide Financial Statement Analysis, continued**

Governmental Activities – Governmental activities contributed \$265 million to the City’s net position, an increase of \$5.5 million over the prior year.

<b>Summary of Net Position</b>			
<b>Governmental Activities</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Governmental Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 104,951	\$ 97,315	\$ 7,636
Capital Assets, net of depreciation	<u>179,955</u>	<u>182,884</u>	<u>(2,929)</u>
<b>Total assets</b>	<u>284,906</u>	<u>280,199</u>	<u>4,707</u>
<b>Liabilities:</b>			
Current Liabilities	7,745	8,161	(416)
Non-Current Liabilities	<u>11,909</u>	<u>12,276</u>	<u>(367)</u>
<b>Total liabilities</b>	<u>19,654</u>	<u>20,437</u>	<u>(783)</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	179,955	182,884	(2,929)
Restricted	56,708	52,805	3,903
Unrestricted	<u>28,589</u>	<u>24,073</u>	<u>4,516</u>
<b>Total Net Position</b>	<u>\$ 265,252</u>	<u>\$ 259,762</u>	<u>\$ 5,490</u>

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

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



## **Government-Wide Financial Statement Analysis, continued**

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

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

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

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

### Governmental Activities Changes:

- Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. Program revenues reduce the net cost of the function to be financed from the government's general revenues. As reflected in the chart on the next page, governmental program revenues came from charges for services (which includes license and permits, plan checking fees, developer fees and several other revenues), operating grants and contributions category (including restricted revenues such as Federal/State and HOME grants) and from Capital grants and contributions (including developer contributions and donations). Total program revenues from Governmental Activities were \$16.1 million in fiscal year 2014, a decrease of \$15.9 million compared to prior year. During fiscal year 2013 approximately \$5.4 million more impact fees were collected mainly due to the Regency and Deer Creek developments as well as approximately \$5.6 million more of SCIP (State Capital Infrastructure Program) funds were drawn down and received.
- General property taxes decreased by \$.7 million due to several one-time receipts that occurred during the previous year.
- Sales taxes were up due to receipts collected from the newly constructed Regency retail center.
- Miscellaneous revenues were up significantly due mainly to an increase in developer contributions. This increase is also reflected in higher Public Works expenses year over year.
- There is no Redevelopment Agency tax increment received due to the dissolution of the Petaluma Redevelopment Agency on January 31, 2012.
- Property transfer tax and motor vehicle in-lieu tax are reported as Intergovernmental, unrestricted taxes in 2013.
- Community Development expenses are significantly lower due to a drawdown of Logan Place funds during the prior year.
- Recreation expenses were up due to increased capital expenditures.
- Other departmental expenses were lower across the board due to an Internal Service Fund accrual reversal of amounts from the prior year.

**Government-Wide Financial Statement Analysis, continued**

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

<b>Summary of Statement of Activities and Changes in Net Position</b>			
<b>Governmental Activities</b>			
<b>For the Years Ended June 30, 2014 and 2013</b>			
<b>(In thousands)</b>			
	<b>Governmental Activities 2014</b>	<b>Governmental Activities 2013</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
<b>Program Revenues</b>			
Charges for service	\$ 11,320	\$ 23,449	-51.7%
Operating grants and contributions	1,200	1,148	4.5%
Capital grants and contributions	<u>3,646</u>	<u>7,518</u>	-51.5%
Total program revenue	<u>16,166</u>	<u>32,115</u>	-49.7%
<b>General Revenues:</b>			
<b>Taxes:</b>			
Property Tax	7,957	8,665	-8.2%
Redevelopment Tax Increment	-	-	0.0%
Sales Tax	11,459	9,905	15.7%
Franchise Tax	4,088	3,651	12.0%
Intergovernmental/Unrestricted	6,918	6,971	-0.8%
Other Taxes	<u>4,046</u>	<u>3,710</u>	9.1%
Total Taxes	34,468	32,902	4.8%
Unrestricted Investment Earnings	242	316	-23.4%
Miscellaneous Revenue	<u>3,563</u>	<u>1,726</u>	106.4%
Total Revenue	<u>54,439</u>	<u>67,059</u>	-18.8%
<b>Expenses:</b>			
General government	4,532	5,270	-14.0%
Community development	4,483	9,825	-54.4%
Police	15,596	16,331	-4.5%
Fire	11,141	11,412	-2.4%
Recreation	3,208	2,792	14.9%
Public works	9,243	9,449	-2.2%
Interest on long-term debt	<u>-</u>	<u>1</u>	-100.0%
Total Expenses	<u>48,203</u>	<u>55,080</u>	-12.5%
<b>Revenues Over (Under) Expenses</b>	6,236	11,979	-47.9%
Assets transferred to/liabilities assumed by Successor Agency	-	-	0.0%
Transfers	<u>(746)</u>	<u>(90)</u>	728.9%
<b>Change in Net Position</b>	5,490	11,889	-53.8%
Net position-beginning of year as restated	<u>259,762</u>	<u>247,905</u>	4.8%
Net position-end of year	<u>\$ 265,252</u>	<u>\$ 259,794</u>	2.1%

**Government-Wide Financial Statement Analysis, continued**

Business-Type Activities – Business-type activities net position contributed \$151.7 million to the City’s net position, an increase of \$9.7 million over the prior year. All business-type activities are intended to be fully supported by the fees they charge (including subsidies received for operations, as is the case with the Transit operation).

<b>Summary of Statement of Net Position</b>			
<b>Business-type Activities</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Business-type Activities 2014</b>	<b>Business-type Activities 2013</b>	<b>Business-type Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 55,116	\$ 52,010	\$ 3,106
Capital Assets, net of depreciation	<u>246,956</u>	<u>246,538</u>	<u>418</u>
<b>Total assets</b>	<u><b>302,072</b></u>	<u><b>298,548</b></u>	<u><b>3,524</b></u>
<b>Liabilities:</b>			
Current Liabilities	11,544	11,304	240
Non-Current Liabilities	<u>138,843</u>	<u>145,291</u>	<u>(6,448)</u>
<b>Total liabilities</b>	<u><b>150,387</b></u>	<u><b>156,595</b></u>	<u><b>(6,208)</b></u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	101,630	99,071	2,559
Restricted	2,706	2,706	-
Unrestricted	<u>47,349</u>	<u>40,176</u>	<u>7,173</u>
<b>Total Net Position</b>	<u><b>\$ 151,685</b></u>	<u><b>\$ 141,953</b></u>	<u><b>\$ 9,732</b></u>

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

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

**Business-type Activities Changes:**

- Airport expenses decreased slightly while revenues remained unchanged.
- Development Services overall net position increased by \$.2 million in fiscal year 2014. This is due to an improvement in the economy and an increase in development activities.
- Wastewater utility expenses and revenue both slightly decreased.
- Water utility expenses increased while revenues slightly decreased.
- Storm utility expenses increased compared to 2013 due to increased legal costs.

**Government-Wide Financial Statement Analysis, continued**

The charts that follow show the program revenues, general revenues, and expenses by function for all business-type activities.

<b>Summary of Statement and Changes in Net Position</b>			
<b>Business-type Activities</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Business-type Activities 2014</b>	<b>Business-type Activities 2013</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program Revenues			
Charges for Service	\$ 43,406	\$ 44,766	-3.0%
Operating Grants and Contributions	3,677	2,147	0.0%
Capital Grants and Contributions	449	-	100.0%
Total Program Revenue	<u>47,532</u>	<u>46,913</u>	1.3%
General Revenues			
Unrestricted Investment Earnings	191	75	154.7%
Miscellaneous Revenue	3	-	-
Total Revenue	<u>47,726</u>	<u>46,988</u>	1.6%
<b>Expenses:</b>			
Business Type Activities			
Airport	1,810	2,035	-11.1%
Development Services	1,301	1,198	8.6%
Marina	499	527	-5.3%
Transit	3,066	2,556	20.0%
Wastewater	18,194	17,925	1.5%
Water Utility	13,307	12,403	7.3%
Storm Water	564	367	53.7%
Total Expenses	<u>38,741</u>	<u>37,011</u>	4.7%
<b>Revenues Over (Under) Expenses</b>	8,985	9,976	-9.9%
Transfers	746	90	728.9%
<b>Changes in Net Position</b>	<u>9,731</u>	<u>10,066</u>	-3.3%
Net Position - Beginning of year as restated	<u>141,954</u>	<u>131,887</u>	7.6%
Net Position - End of Year	<u>\$ 151,685</u>	<u>\$ 141,953</u>	6.9%

## **Fund Financial Statements Analysis**

### **Governmental Major Funds**

#### **General Fund**

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

#### **HOME/Begin Special Revenue Fund**

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

#### **Impact Fee Special Revenue Funds**

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

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

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

#### **City Capital Project Funds**

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

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

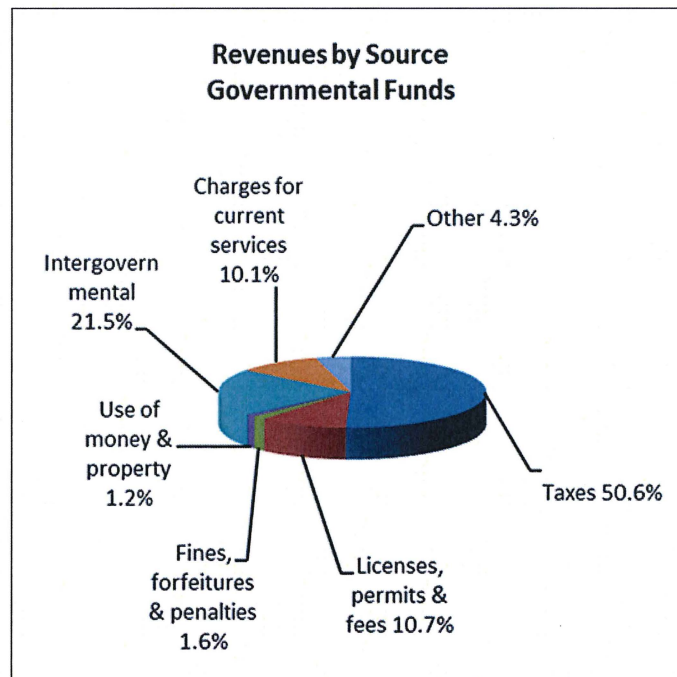
**Fund Financial Statements Analysis, continued**

**Redevelopment Special Revenue Funds and Redevelopment Capital Project Fund**

The City’s Redevelopment Agency (RDA), Petaluma Community Development Commission (PCDC), was activated on December 1, 1975 and adopted the Redevelopment Plan for the Central Business District Project Area (CBD) on September 27, 1976. Pursuant to ABx 1 26 (“AB 26”), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Redevelopment agency of the City of Petaluma (Petaluma Community Development Commission) was dissolved on January 31, 2012. The former PCDC is now administered under the name Petaluma Community Development Successor Agency. The Government-Wide Financial Statements for fiscal year 2011-12 includes activities of the former PCDC for the seven months ended January 31, 2012. On February 1, 2012 the former PCDC’s remaining assets were distributed to and liabilities were assumed by the PCDSA. Please refer to note 16 for a more detailed discussion of the activities and assets and liabilities transferred as of February 1, 2012.

**Revenues Classified by Source  
Governmental Funds  
For the Years ending June 30, 2014 and 2013  
(in millions of dollars)**

Revenue by Source	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 27.50	50.6%	\$ 25.93	41.6%	\$ 1.57	6.1%
Licenses, permits & fees	5.80	10.7%	13.47	21.6%	(7.67)	-56.9%
Fines, forfeitures & penalties	0.89	1.6%	0.90	1.4%	(0.01)	-1.1%
Use of money & property	0.66	1.2%	0.69	1.1%	(0.03)	-4.3%
Intergovernmental	11.70	21.5%	15.22	24.4%	(3.52)	-23.1%
Charges for current services	5.52	10.1%	5.29	8.5%	0.23	4.3%
Other	<u>2.32</u>	<u>4.3%</u>	<u>0.82</u>	<u>1.3%</u>	<u>1.50</u>	<u>182.9%</u>
<b>Totals</b>	<b><u>\$ 54.39</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 62.32</u></b>	<b><u>100.0%</u></b>	<b><u>\$ (7.93)</u></b>	<b><u>-12.7%</u></b>

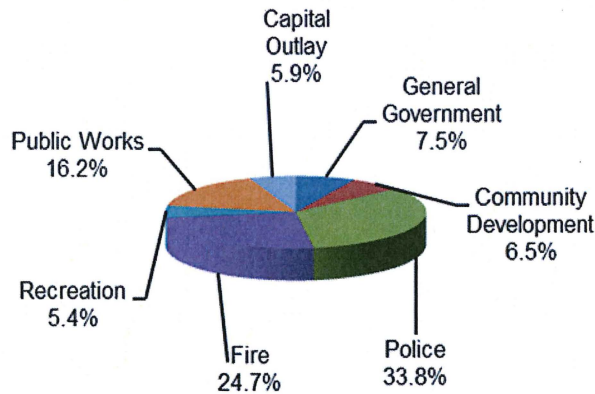


**Fund Financial Statements Analysis, continued**

**Expenditures Classified by Function  
Governmental Funds  
For the Years ending June 30, 2014 and 2013  
(in millions of dollars)**

Expenditures by Function	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
<b>Current:</b>						
General Government	\$ 3.50	7.5%	\$ 2.98	5.7%	\$ 0.52	17.4%
Community Development	3.02	6.5%	7.25	13.8%	(4.23)	-58.3%
Police	15.72	33.8%	15.27	29.0%	0.45	2.9%
Fire	11.52	24.7%	10.74	20.4%	0.78	7.3%
Recreation	2.50	5.4%	2.14	4.1%	0.36	17.0%
Public Works	7.55	16.2%	12.48	23.7%	(4.93)	-39.5%
Capital Outlay	2.73	5.9%	1.60	3.0%	1.13	70.8%
<b>Debt Service:</b>						
Principal	-	0.0%	0.13	0.2%	(0.13)	-100.0%
Interest	-	0.0%	-	0.0%	-	0.0%
<b>Totals</b>	<u>\$ 46.55</u>	<u>100.0%</u>	<u>\$ 52.59</u>	<u>100.0%</u>	<u>\$ (6.04)</u>	<u>-11.5%</u>

**Expenditures By Function  
Governmental Funds**



## **Fund Financial Statements Analysis, continued**

### **Proprietary Major Funds**

#### **Airport Fund**

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

#### **Development Services Fund**

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

#### **Marina Fund**

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

#### **Transit Fund**

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

#### **Waste Water Utility Fund**

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

#### **Water Utility Fund**

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

#### **Storm Water Fund**

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

Proprietary Fund revenues increased by approximately \$2.9 million year over year due mainly to increased charges for services in the Internal Service Funds.

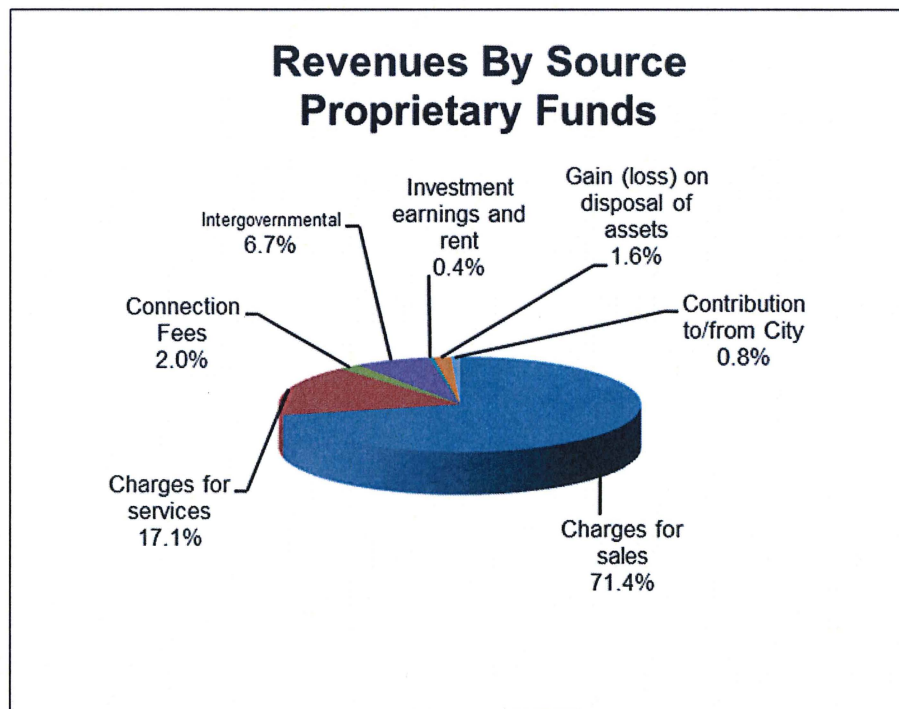
Proprietary Fund expenses were virtually flat year over year. Higher costs of services in Transit and the Internal Service Funds were offset by lower depreciation and interest costs in the Wastewater Utility.



## Fund Financial Statements Analysis, continued

**Revenues Classified by Source**  
**Proprietary Funds**  
**For the Years ending June 30, 2014 and 2013**  
**(in millions of dollars)**

Revenue by Source	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 39.03	71.4%	\$ 39.44	76.1%	\$ (0.41)	-1.0%
Charges for services	9.36	17.1%	8.14	15.7%	1.22	14.9%
Connection Fees	1.10	2.0%	1.87	3.6%	(0.77)	-41.2%
Intergovern. operating/non-operating	3.68	6.7%	2.15	4.1%	1.53	71.0%
Investment earnings and rent	0.23	0.4%	0.09	0.2%	0.15	170.6%
Transfers in	0.86	1.6%	0.13	0.3%	0.73	0.0%
Contribution to/from City/Capital	0.45	0.8%	-	0.0%	0.45	0.0%
<b>Totals</b>	<b><u>\$ 54.70</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 51.82</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 2.88</u></b>	<b><u>5.6%</u></b>

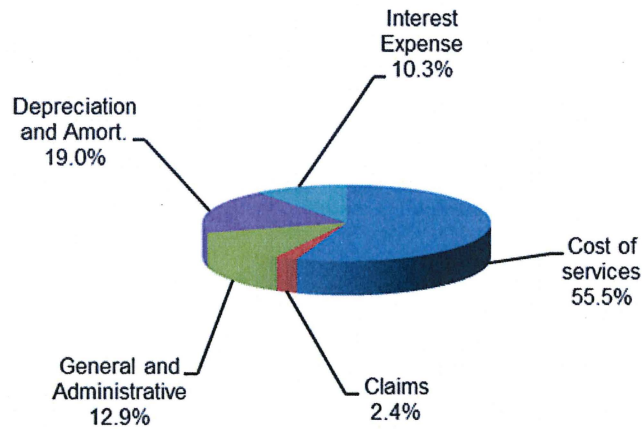


## Fund Financial Statements Analysis, continued

**Expenditures Classified by Function  
Proprietary Funds  
For the Years ending June 30, 2014 and 2013  
(in millions of dollars)**

	FY 2014		FY 2013		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 24.53	55.5%	\$ 23.36	53.0%	\$ 1.17	5.0%
Claims	1.06	2.4%	0.84	1.9%	0.22	25.7%
General and administrative	5.69	12.9%	5.14	11.7%	0.55	10.6%
Depreciation and amortization	8.40	19.0%	9.10	20.6%	(0.70)	-7.7%
Interest expense	4.56	10.3%	5.26	11.9%	(0.71)	-13.4%
Transfers Out	-	0.0%	0.38	0.9%	(0.38)	0.0%
<b>Totals</b>	<u>\$ 44.22</u>	<u>100.0%</u>	<u>\$ 44.08</u>	<u>100.0%</u>	<u>\$ 0.14</u>	<u>0.3%</u>

**Expenditures Classified by Function  
Proprietary Funds**



## **Financial Analysis of the Governmental Funds**

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

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

At the end of the current fiscal year, the City of Petaluma Governmental Funds reported combined ending fund balances of \$64.8 million, an increase of \$7.0 million from the prior year. Total non-spendable reserves are \$.1 million, restricted and committed reserves are \$57.6 million and \$1.4 million respectively. Assigned and unassigned are \$4.1 million and \$1.6 million respectively.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$5.8 million. This is made up of \$.1 million in non-spendable fund balance, \$4.1 million in assigned and \$1.6 million in unassigned fund balance. Total General Fund balance represents 15% of General Fund expenditures.

The General Fund’s fund balance increased by \$.1.7 million during the current fiscal year. This increase is primarily due to one- time revenue received which includes the redistribution of property taxes related to the former Redevelopment Agency.

The net change in fund balance in the Impact Fee Special Revenue Fund was a positive \$3.0 million due to revenues received from the two new business developments, Regency and Deer Creek. The ending fund balance totaled \$27.8 million.

**Financial Analysis of the Governmental Funds, continued**

<b>Summary of Statement of Net Position</b>			
<b>Governmental Funds</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Governmental Funds 2014</b>	<b>Governmental Funds 2013</b>	<b>Governmental Funds Change</b>
<b>Assets:</b>			
Total assets	93,921	86,578	7,343
<b>Liabilities:</b>			
Total liabilities	3,595	4,473	(878)
<b>Deferred Outflows of Resources:</b>			
Unearned revenue	325	340	(15)
Unavailable revenue	25,239	24,030	1,209
Total Deferred outflows	25,564	24,370	1,194
<b>Net Position:</b>			
Nonspendables	99	119	(20)
Restricted	57,556	52,364	5,192
Committed	1,392	3,376	(1,984)
Assigned	4,082	254	3,828
Unassigned	1,633	1,622	11
Total fund balance	64,762	57,735	7,027
Total liabilities and fund balances	<u>\$ 93,921</u>	<u>\$ 86,578</u>	<u>\$ 7,343</u>

## Financial Analysis of the Proprietary Funds

**Proprietary Funds** – Total net position for the Proprietary Funds increased by \$10.4 million year over year. Enterprise Funds activity showed total net assets for the Transit and Wastewater funds up \$1.2 and \$6.3 million respectively. Development Services had total net assets of \$.4 million, an improvement of \$.2 million over the prior year. The Water Fund had total net assets of \$39.4 million, representing an increase of \$1.8 million from prior year. The Storm Water net change in net assets amounted to a negative \$.1 million. This fund is currently operating under a loan from Storm Drainage Impact Fees until a new revenue source is designated.

Internal Service Funds activity included an increase in net position of \$.9 million, mainly due to decreased insurance claims compared to the prior year.

<b>Summary of Statement of Net Position</b>			
<b>Proprietary Funds</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in thousands)</b>			
	<b>Proprietary Funds 2014</b>	<b>Proprietary Funds 2013</b>	<b>Proprietary Funds Change</b>
<b>Assets:</b>			
Current assets	\$ 67,393	\$ 63,895	\$ 3,498
Non-current assets	<u>248,137</u>	<u>248,182</u>	<u>(45)</u>
Total assets	<u><u>315,530</u></u>	<u><u>312,077</u></u>	<u><u>3,453</u></u>
<b>Liabilities:</b>			
Current liabilities	14,027	13,935	92
Non-current liabilities	<u>144,347</u>	<u>151,459</u>	<u>(7,112)</u>
Total liabilities	<u><u>158,374</u></u>	<u><u>165,394</u></u>	<u><u>(7,020)</u></u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	102,774	100,335	2,439
Restricted for debt service	2,706	2,706	-
Unrestricted	<u>51,677</u>	<u>43,642</u>	<u>8,035</u>
Total Net Position	<u><u>\$ 157,157</u></u>	<u><u>\$ 146,683</u></u>	<u><u>\$ 10,474</u></u>

## General Fund Budgetary Highlights

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

The General Fund total revenues were above the adopted budget estimates by \$3.5 million or 10%, due mainly to one-time tax revenues, higher intergovernmental revenues, increased charges for services, and developer contributions for capital improvements that were offset by corresponding expenditures. All other revenue categories were very close to budgeted amounts.

The General Fund total expenditures were over budget by \$1.0 million or 3% due mainly to developer contributions for infrastructure improvements. These amounts were directly offset by corresponding revenues.

## Capital Asset and Debt Administration

Capital Assets – The City of Petaluma’s investment in capital assets for its Governmental and Business-Type Activities as of June 30, 2014, equals \$426.9 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment, and infrastructure. Detailed information about the City’s capital assets is contained in Note 5.

The total decrease in the City’s investment in capital assets, net of depreciation, for the current fiscal year was \$2.7 million or a .65% decrease (this represents a decrease of \$3.1 million in Governmental Activities and an increase of \$.4 million for Business-type Activities).

Capital asset balances as of June 30, 2014 and 2013 were:

<b>Capital Assets</b>						
<b>(net of depreciation, in millions)</b>						
<b>as of June 30, 2014 and 2013</b>						
	Governmental		Increase (Decrease) % Change	Business-type		Increase (Decrease) % Change
	Activities			Activities		
	<b>2014</b>	<b>2013</b>		<b>2014</b>	<b>2013</b>	
Land	\$ 37.6	\$ 37.0	2%	\$ 10.7	\$ 10.7	0%
Const in Proc	23.1	24.7	-6%	13.4	9.8	36%
Bldg and Improv	9.7	10.2	-5%	16.6	17.3	-4%
Vehicle and Equip	2.8	3.0	-8%	3.5	3.5	0%
Infrastructure	106.7	108.1	-1%	202.7	205.2	-1%
<b>Totals</b>	<b><u>\$ 179.9</u></b>	<b><u>\$ 183.0</u></b>	<b><u>-2%</u></b>	<b><u>\$ 246.9</u></b>	<b><u>\$ 246.5</u></b>	<b><u>0%</u></b>

## **Capital Asset and Debt Administration, continued**

Long Term Debt – At the end of the current fiscal year, the City has no long term debt obligation. The Waste Water Fund had \$104.3 million outstanding in a State Water Resource Control Board loan for the Ellis Creek Recycling Plant and \$22.5 million in outstanding revenue bonds. The Water Utility had \$7.15 million in outstanding revenue bonds. There were certificates of participation and a Department of Transportation loan totaling \$5.45 million outstanding for the Airport fund. Finally, the Marina Fund had a State loan outstanding in the amount of \$6.1 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$1.0 billion. At June 30, 2014, 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.

**Capital Asset and Debt Administration, continued**

<b>Governmental Activities Long-Term Debt</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in millions)</b>			
	Balance June 30, 2014	Balance June 30, 2013	Increase (Decrease)
Compensated Absences	\$ 3,009	3,548	(539)
<b>Total</b>	<b>\$ 3,009</b>	<b>\$ 3,548</b>	<b>\$ (539)</b>

<b>Business-Type Activities Long-Term Debt</b>			
<b>As of June 30, 2014 and 2013</b>			
<b>(in millions)</b>			
	Balance June 30, 2014	Balance June 30, 2013	Increase (Decrease)
Airport loan-CA Dept Transportation	\$ 796	\$ 881	\$ (85)
Airport 2003 Certificates of Participation	4,650	4,860	(210)
2003 COP unamortized bond premium	47	51	(4)
2011 Wastewater Revenue Bonds	22,465	22,465	-
2011 Wastewater unamortized bond discount	(198)	(208)	10
WW-CA SWRCB loan	104,332	110,055	(5,723)
2012 Water Revenue Refunding Bonds	7,150	7,529	(379)
Marina loan-CA Dept of Boating & Waterways	6,084	5,970	114
Compensated Absences	401	400	1
<b>Total</b>	<b>\$ 145,727</b>	<b>\$ 152,003</b>	<b>\$ (6,276)</b>



## **Economic Factors and Next Year's Budget**

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

The City has a diverse economic base that includes residential, retail, and commercial assets. Revenues from these sectors from property taxes have stabilized after several years of declines. Revenues from sales taxes are anticipated to increase slightly next fiscal year due to the development of the Regency and Deer Creek retail centers. A rebound in tourism, significant decline in foreclosure activity, and reductions in commercial vacancy rates should all contribute to financial recovery in upcoming years.

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

The City Council held public meetings and adopted a balanced budget for FY 2014-15.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Petaluma's finances for all those with an interest in the government's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bill Mushallo, Finance Director, located at 11 English Street, Petaluma, CA 94952. He may be also contacted by phone at 707-778-4323 or by email at [bmushallo@ci.petaluma.ca.us](mailto:bmushallo@ci.petaluma.ca.us). The City's website is [www.cityofpetaluma.net](http://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, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$50,012,676	\$48,405,368	\$98,418,044
Restricted cash and investments (Note 2)		2,705,842	2,705,842
Receivables:			
Accounts, net	1,585,400	3,141,631	4,727,031
Interest	83,745		83,745
Intergovernmental	3,007,193	455,426	3,462,619
Internal balances (Note 3D)	174,804	(174,804)	
Inventories (Note 1F)	21,574	571,728	593,302
Deposits and prepaid items	920,625		920,625
Non-current deposits	270,640		270,640
Loans receivable (Note 4)	39,298,320		39,298,320
Interest receivable related to loans receivable (Note 4)	9,586,330		9,586,330
Capital assets (Note 5):			
Non-depreciable	60,712,938	24,107,219	84,820,157
Depreciable, net	119,242,353	222,849,011	342,091,364
<b>Total Assets</b>	<b>284,916,598</b>	<b>302,061,421</b>	<b>586,978,019</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,883,573	2,638,391	6,521,964
Wages payable	460,965		460,965
Interest payable		1,018,875	1,018,875
Unearned revenue	325,209	110,123	435,332
Refundable deposits	321,309	788,785	1,110,094
Claims payable (Note 12):			
Due within one year	2,120,498		2,120,498
Due in more than one year	4,615,325		4,615,325
Compensated absences (Note 1G):			
Due within one year	632,844	103,750	736,594
Due in more than one year	3,009,354	401,076	3,410,430
Net OPEB liability, due in more than one year (Note 10)	4,284,617		4,284,617
Long-term debt (Note 6):			
Due within one year		6,883,287	6,883,287
Due in more than one year		138,442,475	138,442,475
<b>Total Liabilities</b>	<b>19,653,694</b>	<b>150,386,762</b>	<b>170,040,456</b>
<b>NET POSITION (Note 8)</b>			
Net investment in capital assets	179,955,291	101,630,468	281,585,759
Restricted for:			
Special projects:			
CDBG	94,553		94,553
HOME/ BEGIN	415,312		415,312
Redevelopment low/ moderate income housing	22,609,878		22,609,878
Impact fees	27,784,202		27,784,202
Grants	1,694,229		1,694,229
Gas tax	944,697		944,697
Public safety	665,977		665,977
Landscape Assessment Districts	390,969		390,969
Street maintenance	1,438,326		1,438,326
Transient Occupancy Tax	646,130		646,130
Debt service		2,705,842	2,705,842
Permanent:			
Nonexpendable	23,755		23,755
<b>Total Restricted</b>	<b>56,708,028</b>	<b>2,705,842</b>	<b>59,413,870</b>
Unrestricted	28,599,585	47,338,349	75,937,934
<b>Total Net Position</b>	<b>\$265,262,904</b>	<b>\$151,674,659</b>	<b>\$416,937,563</b>

See accompanying notes to financial statements

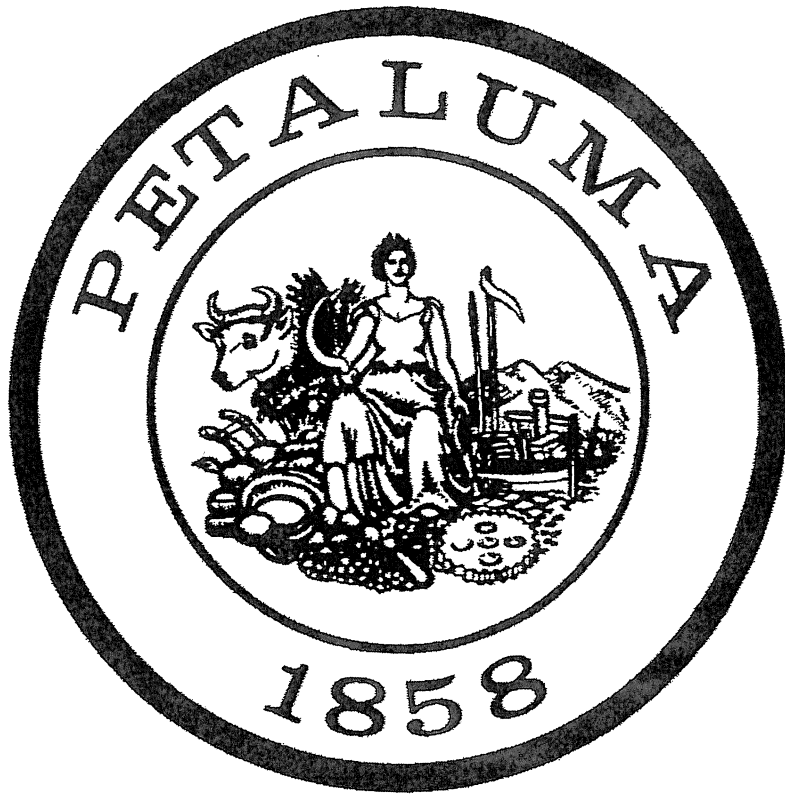
CITY OF PETALUMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Total
			Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$5,557,915	(\$1,025,513)	\$1,957,958		\$1,957,958
Community development	4,427,499	56,100	2,201,532	\$495,165	\$1,654,786
Police	15,594,733	2,100	232,352	698,908	931,260
Fire	11,143,797	400	2,421,869	6,517	2,428,386
Parks and recreation	3,181,968	21,260	1,144,415		1,144,415
Public works	9,146,857	86,349	3,362,076		1,991,965
<b>Total Governmental Activities</b>	<b>49,052,769</b>	<b>(859,304)</b>	<b>11,320,202</b>	<b>1,200,590</b>	<b>3,646,751</b>
<b>Business-type Activities:</b>					
Airport	1,731,830	77,900	1,821,942	71,651	1,893,593
Development services	1,248,470	52,800	1,531,052		1,531,052
Marina	467,323	32,400	255,972	64,975	320,947
Transit	2,973,974	91,550	292,501	3,540,018	449,283
Wastewater utility	17,866,754	336,125	24,295,231		24,295,231
Water utility	13,046,584	261,904	15,209,463		15,209,463
Storm water	556,848	6,625			
<b>Total Business-type Activities</b>	<b>37,891,783</b>	<b>859,304</b>	<b>43,406,161</b>	<b>3,676,644</b>	<b>449,283</b>
<b>Total</b>	<b>\$86,944,552</b>		<b>\$54,726,363</b>	<b>\$4,877,234</b>	<b>\$4,096,034</b>
<b>General revenues:</b>					
Taxes:					
Property taxes					
Sales taxes					
Franchise tax					
Intergovernmental, unrestricted					
Other taxes					
Unrestricted investment earnings					
Gain on disposal of assets					
Miscellaneous					
Transfers (Note 3D)					
<b>Total general revenues and transfers</b>					
Change in Net Position					
Net Position-Beginning					
Net Position-Ending					

See accompanying notes to financial statements

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$2,574,444)		(\$2,574,444)
(132,116)		(132,116)
(14,665,573)		(14,665,573)
(8,715,811)		(8,715,811)
(2,058,813)		(2,058,813)
(3,879,165)		(3,879,165)
<u>(32,025,922)</u>		<u>(32,025,922)</u>
	\$83,863	83,863
	229,782	229,782
	(178,776)	(178,776)
	1,216,278	1,216,278
	6,092,352	6,092,352
	1,900,975	1,900,975
	(563,473)	(563,473)
	<u>8,781,001</u>	<u>8,781,001</u>
<u>(32,025,922)</u>	<u>8,781,001</u>	<u>(23,244,921)</u>
7,957,020		7,957,020
11,459,527		11,459,527
4,088,228		4,088,228
6,918,391		6,918,391
4,045,534		4,045,534
241,751	190,603	432,354
	3,000	3,000
3,562,242		3,562,242
(746,420)	746,420	
<u>37,526,273</u>	<u>940,023</u>	<u>38,466,296</u>
5,500,351	9,721,024	15,221,375
<u>259,762,553</u>	<u>141,953,635</u>	<u>401,716,188</u>
<u>\$265,262,904</u>	<u>\$151,674,659</u>	<u>\$416,937,563</u>



<b>FUND FINANCIAL STATEMENTS</b>
----------------------------------

The funds described below were determined to be Major Funds by the City in fiscal 2014. 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 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 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.

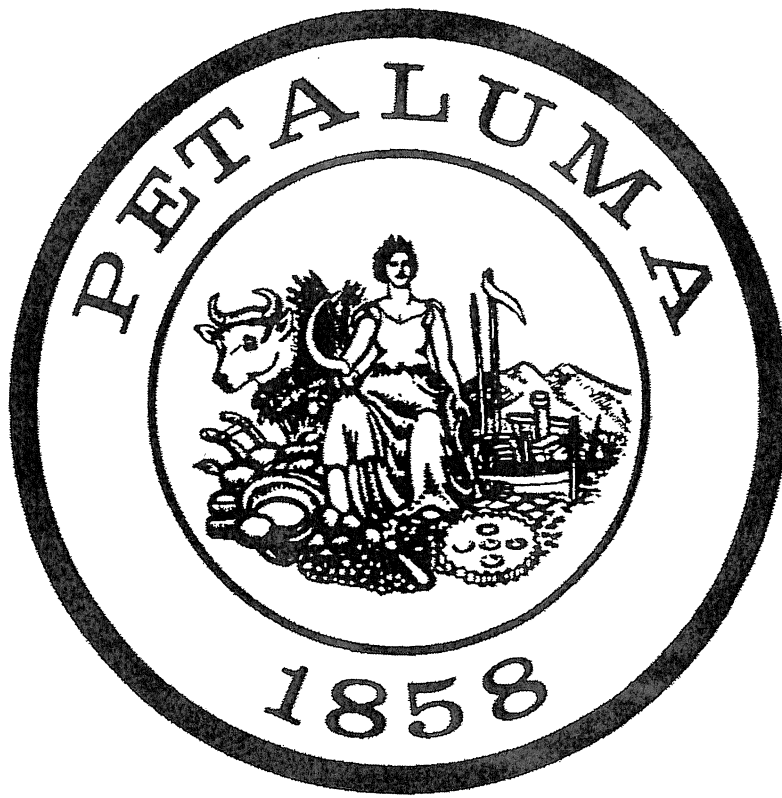


CITY OF PETALUMA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	General	HOME/ Begin Special Revenue	Impact Fees Special Revenue
<b>ASSETS</b>			
Cash and investments (Note 2)	\$5,343,287	\$390,312	\$25,105,680
Receivables:			
Accounts, net	927,929		
Interest	77,332		
Intergovernmental	2,159,110	25,000	154
Due from other funds (Note 3A)	14,023		
Inventories	12,514		
Deposits and prepaid items	1,423		
Noncurrent deposits			270,640
Loans receivable (Note 4)	49,375	14,739,290	1,357,184
Interest receivable related to loans receivable (Note 4)	19,865	4,221,413	305,833
Advances to other funds (Note 3B)			1,234,230
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$8,604,858</u>	<u>\$19,376,015</u>	<u>\$28,273,721</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$1,712,371		\$84,238
Wages payable	460,965		
Unearned revenue	325,209		
Refundable deposits	258,684		
Advances from other funds (Note 3B)			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>2,757,229</u>	<u>                    </u>	<u>84,238</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	49,375	\$18,960,703	405,281
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>49,375</u>	<u>18,960,703</u>	<u>405,281</u>
<b>FUND BALANCES (Note 8):</b>			
Fund balance			
Nonspendable	83,177		
Restricted		415,312	27,784,202
Committed			
Assigned	4,081,779		
Unassigned	1,633,298		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>5,798,254</u>	<u>415,312</u>	<u>27,784,202</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,604,858</u>	<u>\$19,376,015</u>	<u>\$28,273,721</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>
\$302,751	\$1,651,334	\$6,253,291	\$39,046,655
	1,750	441,598	1,371,277
	429,113	393,816	77,332
			3,007,193
			14,023
	1,444		12,514
			2,867
			270,640
22,368,471		784,000	39,298,320
4,898,806		140,413	9,586,330
			1,234,230
<u>\$27,570,028</u>	<u>\$2,083,641</u>	<u>\$8,013,118</u>	<u>\$93,921,381</u>
\$1,344	\$106,670	\$325,900	\$2,230,523
			460,965
60,000	2,625		325,209
	582,559		321,309
<u>61,344</u>	<u>691,854</u>	<u>325,900</u>	<u>3,920,565</u>
4,898,806		924,413	25,238,578
4,898,806		924,413	25,238,578
22,609,878	1,391,787	16,000	99,177
		6,746,805	57,556,197
			1,391,787
			4,081,779
			1,633,298
<u>22,609,878</u>	<u>1,391,787</u>	<u>6,762,805</u>	<u>64,762,238</u>
<u>\$27,570,028</u>	<u>\$2,083,641</u>	<u>\$8,013,118</u>	<u>\$93,921,381</u>



CITY OF PETALUMA  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet \$64,762,238

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. 178,812,024

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to  
 charge the costs of certain activities, such as insurance and central services and maintenance  
 to individual governmental funds. The net current assets of the Internal Service Funds are therefore  
 included in Governmental Activities in the following line items in the Statement of Net Position 5,481,916

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. 25,238,578

LONG-TERM ASSETS AND LIABILITIES

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

Non-current payable	(1,319,222)
Non-current portion of compensated absences	(3,428,013)
Net OPEB liability	(4,284,617)
	(8,031,852)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$265,262,904

See accompanying notes to financial statements



<u>Successor Housing Special Revenue</u>	<u>City Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$3,274,839	\$27,550,308
			5,768,076
\$72,613	\$19,508	206,744	892,444
	1,982,169	17,569	665,222
24,635		5,161,700	11,680,110
	2,126	405,021	5,524,587
		419,254	2,319,182
<u>97,248</u>	<u>2,003,803</u>	<u>9,485,127</u>	<u>54,399,929</u>
			3,504,750
300,107		655,330	3,018,073
		590,481	15,718,865
	4,175	24,763	11,524,404
	695,527	368,524	2,504,147
	1,119,590	3,158,911	7,552,488
	727,253	81,730	2,733,981
<u>300,107</u>	<u>2,546,545</u>	<u>4,879,739</u>	<u>46,556,708</u>
<u>(202,859)</u>	<u>(542,742)</u>	<u>4,605,388</u>	<u>7,843,221</u>
			40,307
316,000	2,214,807	1,293,697	5,759,605
	(198,390)	(5,170,984)	(6,616,025)
<u>316,000</u>	<u>2,016,417</u>	<u>(3,877,287)</u>	<u>(816,113)</u>
113,141	1,473,675	728,101	7,027,108
22,496,737	(81,888)	6,034,704	57,735,130
<u>\$22,609,878</u>	<u>\$1,391,787</u>	<u>\$6,762,805</u>	<u>\$64,762,238</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, 2014

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 \$7,027,108

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance	4,642,225
Loss of capital assets are deducted from the fund balance	(58,288)
Depreciation expense is deducted from the fund balance	(7,392,900)
(Depreciation expense is net of internal service fund depreciation of \$346,038 which has already been allocated to serviced funds)	

ACCRUAL OF NON-CURRENT ITEMS

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

Unavailable revenue	1,208,588
Compensated absences	275,498
Net OPEB liability	(954,493)

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	752,613
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$5,500,351
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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 requirement for fiscal years 2011-2012 to 2013-2014.

### **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, 2014

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
<b>ASSETS</b>				
Current Assets:				
Cash and investments (Note 2)	\$746,250	\$1,007,695		\$139,010
Cash and investments with fiscal agents (Note 2)	459,342			
Receivables:				
Accounts, net	70,384		\$15,593	3,510
Intergovernmental	1,907		1,201	452,318
Interest				
Inventories	65,160			45,978
Deposits and prepaid items				
Total Current Assets	<u>1,343,043</u>	<u>1,007,695</u>	<u>16,794</u>	<u>640,816</u>
Non-Current Assets:				
Advance to other funds (Note 3B)				
Capital assets (Note 5):				
Nondepreciable	4,412,748		17,991	2,509,347
Depreciable	18,276,466	356,272	4,823,560	4,731,750
Less: accumulated depreciation	<u>(9,996,217)</u>	<u>(356,272)</u>	<u>(3,105,359)</u>	<u>(2,861,240)</u>
Total Non-current Assets	<u>12,692,997</u>	<u>1,007,695</u>	<u>1,736,192</u>	<u>4,379,857</u>
Total Assets	<u>14,036,040</u>	<u>1,007,695</u>	<u>1,752,986</u>	<u>5,020,673</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	87,531	123,943	21,882	385,195
Interest payable	95,029		92,257	
Unearned revenue				110,123
Due to other funds (Note 3A)			14,023	
Refundable deposits	157,397	452,674	19,934	
Claims payable, due within one year (Note 12)				
Compensated absences, due within one year (Note 1G)	4,132	7,445	115	7,370
Long-term debt, due within one year (Note 6)	<u>304,619</u>		<u>328,985</u>	
Total Current Liabilities	<u>648,708</u>	<u>584,062</u>	<u>477,196</u>	<u>502,688</u>
Non-Current liabilities:				
Claims payable, due in more than one year (Note 12)				
Compensated absences, due in more than one year (Note 1G)	7,782	46,475	1,482	4,954
Advance from other funds (Note 3B)				
Long-term debt, due in more than one year (Note 6)	<u>5,188,880</u>		<u>5,755,025</u>	
Total Non-current Liabilities	<u>5,196,662</u>	<u>46,475</u>	<u>5,756,507</u>	<u>4,954</u>
Total Liabilities	<u>5,845,370</u>	<u>630,537</u>	<u>6,233,703</u>	<u>507,642</u>
NET POSITION (NOTE 8):				
Net investment in capital assets	7,199,498		(4,347,818)	4,379,857
Restricted for debt service	459,342			
Unrestricted	<u>531,830</u>	<u>377,158</u>	<u>(132,899)</u>	<u>133,174</u>
Total Net Position	<u>\$8,190,670</u>	<u>\$377,158</u>	<u>(\$4,480,717)</u>	<u>\$4,513,031</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

Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Total	Governmental Activities- Internal Service Funds
\$28,261,173	\$3,582,357	\$14,643,014	\$23,722	\$48,403,221	\$10,968,168
2,246,500				2,705,842	
2,041,885		1,010,259		3,141,631	214,123
				455,426	
2,634		453,817	4,139	571,728	6,413
					9,060
					917,758
<u>32,552,192</u>	<u>3,582,357</u>	<u>16,107,090</u>	<u>27,861</u>	<u>55,277,848</u>	<u>12,115,522</u>
					38,559
12,926,368		4,240,765		24,107,219	
237,616,310		62,168,654		327,973,012	7,735,306
(54,603,156)		(34,226,320)		(105,148,564)	(6,567,476)
<u>195,939,522</u>		<u>32,183,099</u>		<u>246,931,667</u>	<u>1,206,389</u>
<u>228,491,714</u>	<u>3,582,357</u>	<u>48,290,189</u>	<u>27,861</u>	<u>302,209,515</u>	<u>13,321,911</u>
732,866		1,277,934	9,040	2,638,391	333,828
787,855		43,734		1,018,875	
				110,123	
				14,023	
		158,780		788,785	
					2,120,498
43,885		37,548	3,255	103,750	16,078
5,860,683		389,000		6,883,287	
<u>7,425,289</u>		<u>1,906,996</u>	<u>12,295</u>	<u>11,557,234</u>	<u>2,470,404</u>
					4,615,325
151,507		169,175	19,701	401,076	198,107
			690,230	690,230	
<u>120,737,570</u>		<u>6,761,000</u>		<u>138,442,475</u>	
<u>120,889,077</u>		<u>6,930,175</u>	<u>709,931</u>	<u>139,533,781</u>	<u>4,813,432</u>
<u>128,314,366</u>		<u>8,837,171</u>	<u>722,226</u>	<u>151,091,015</u>	<u>7,283,836</u>
69,341,269		25,033,099		101,605,905	1,167,830
2,246,500				2,705,842	
28,589,579	3,582,357	14,419,919	(694,365)	46,806,753	4,870,245
<u>\$100,177,348</u>	<u>\$3,582,357</u>	<u>\$39,453,018</u>	<u>(\$694,365)</u>	<u>151,118,500</u>	<u>\$6,038,075</u>
				529,449	
				26,710	
				<u>\$151,674,659</u>	

CITY OF PETALUMA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
<b>OPERATING REVENUES</b>				
Charges for sales	\$841,210	\$761	\$2,858	
Charges for services	980,732	1,530,291	253,114	\$292,501
Connection fee				
Total Operating Revenues	<u>1,821,942</u>	<u>1,531,052</u>	<u>255,972</u>	<u>292,501</u>
<b>OPERATING EXPENSES</b>				
Cost of services	956,219	1,111,685	153,383	2,250,947
Claims				
General and administrative	199,619	189,585	130,243	325,316
Depreciation	390,658		115,635	489,261
Total Operating Expenses	<u>1,546,496</u>	<u>1,301,270</u>	<u>399,261</u>	<u>3,065,524</u>
Operating Income (Loss)	<u>275,446</u>	<u>229,782</u>	<u>(143,289)</u>	<u>(2,773,023)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings and rent	9,748	2,174	(1,956)	(70)
Interest expense	(263,234)		(100,462)	
Intergovernmental	71,651		64,975	3,540,018
Gain or (loss) on disposal of assets				
Total Nonoperating Revenues (Expenses)	<u>(181,835)</u>	<u>2,174</u>	<u>(37,443)</u>	<u>3,539,948</u>
Income (Loss) Before Contributions and Transfers	93,611	231,956	(180,732)	766,925
Capital grants				449,283
Transfers in (Note 3C)			200,000	32,000
Net Contributions and Transfers			<u>200,000</u>	<u>481,283</u>
Change in net position	93,611	231,956	19,268	1,248,208
BEGINNING NET POSITION (DEFICITS)	<u>8,097,059</u>	<u>145,202</u>	<u>(4,499,985)</u>	<u>3,264,823</u>
ENDING NET POSITION (DEFICITS)	<u>\$8,190,670</u>	<u>\$377,158</u>	<u>(\$4,480,717)</u>	<u>\$4,513,031</u>

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

See accompanying notes to financial statements

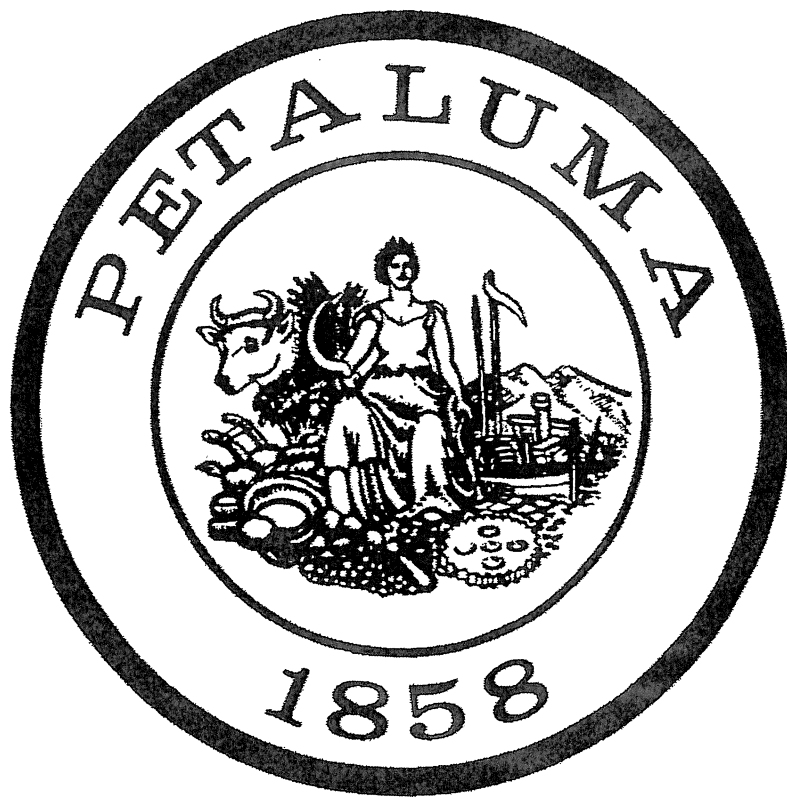
Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$23,621,336		\$14,565,441		\$39,031,606	\$6,425
73,772		144,711		3,275,121	6,073,820
600,123		499,311		1,099,434	
24,295,231		15,209,463		43,406,161	6,080,245
5,755,072		10,824,377	\$509,852	21,561,535	2,965,720
2,715,710		1,180,283	53,621	4,794,377	1,055,865
5,853,826		1,130,543		7,979,923	892,948
14,324,608		13,135,203	563,473	34,335,835	422,903
9,970,623		2,074,260	(563,473)	9,070,326	5,337,436
112,486	\$13,123	55,831	(733)	190,603	39,506
(3,924,215)		(267,042)		(4,554,953)	
3,000				3,676,644	
(3,808,729)	13,123	(211,211)	(733)	3,000	
6,161,894	13,123	1,863,049	(564,206)	(684,706)	39,506
93,580		20,840	400,000	8,385,620	782,315
93,580		20,840	400,000	449,283	
6,255,474	13,123	1,883,889	(164,206)	746,420	110,000
93,921,874	3,569,234	37,569,129	(530,159)	1,195,703	110,000
\$100,177,348	\$3,582,357	\$39,453,018	(\$694,365)	9,581,323	892,315
				5,145,760	
				\$6,038,075	
				139,701	
				\$9,721,024	

CITY OF PETALUMA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds			
	Airport	Development Services	Marina	Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$1,849,625	\$1,478,816	\$258,541	\$248,620
Cash payments to suppliers for goods and services	(959,637)	(1,071,132)	(143,519)	(2,138,326)
Cash payments to employees for services	(200,650)	(174,912)	(129,680)	(322,347)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>689,338</u>	<u>232,772</u>	<u>(14,658)</u>	<u>(2,212,053)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds			200,000	32,000
Interfund loan receipts				
Interfund loan payments			(230,370)	
Intergovernmental receipts	71,651		64,975	3,540,018
Cash Flows from (used for) Noncapital Financing Activities	<u>71,651</u>		<u>34,605</u>	<u>3,572,018</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(8,855)		(17,991)	(1,696,342)
Receipts from other governments				449,283
Proceeds from sale of capital assets				
Payments on long-term debt	(298,050)			
Interest paid	(266,901)			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(573,806)</u>		<u>(17,991)</u>	<u>(1,247,059)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	9,748	2,174	(1,956)	(70)
Cash Flows from (used for) Investing Activities	<u>9,748</u>	<u>2,174</u>	<u>(1,956)</u>	<u>(70)</u>
Net Cash Flows	196,931	234,946		112,836
Cash and investments at beginning of period	1,008,661	772,749		26,174
Cash and investments at end of period	<u>\$1,205,592</u>	<u>\$1,007,695</u>		<u>\$139,010</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$275,446	\$229,782	(\$143,289)	(\$2,773,023)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization	390,658		115,635	489,261
Change in:				
Accounts receivable	24,001		5,281	
Intergovernmental	(1,336)		(1,201)	(154,004)
Inventories	(28,544)		3,102	(7,730)
Deposits and prepaids	4,400			
Accounts payable and accrued liabilities	25,126	40,553	6,762	120,351
Wage payable				
Refundable deposits	618	(52,236)	(1,511)	
Unearned revenue				110,123
Claims payable				
Compensated absences	(1,031)	14,673	563	2,969
Cash Flows from (used for) Operating Activities	<u>\$689,338</u>	<u>\$232,772</u>	<u>(\$14,658)</u>	<u>(\$2,212,053)</u>
<b>NONCASH TRANSACTIONS:</b>				
Gain or (loss) on disposal of assets				

See accompanying notes to financial statements

Wastewater Utility	Wastewater Rate Stabilization	Water Utility	Storm Water	Totals	Governmental Activities- Internal Service Funds
\$24,742,717		\$15,185,230		\$43,763,549	\$5,881,773
(5,706,636)		(11,153,627)	(\$526,991)	(21,699,868)	(2,964,573)
(2,741,310)		(1,176,776)	(40,485)	(4,786,160)	(954,466)
					(1,829,842)
16,294,771		2,854,827	(567,476)	17,277,521	132,892
93,580		20,840	400,000	746,420	110,000
			157,021	157,021	372,652
				(230,370)	(30,337)
				3,676,644	
93,580		20,840	557,021	4,349,715	452,315
(4,439,770)		(2,312,174)		(8,475,132)	(226,173)
3,000				449,283	
(5,714,195)		(379,000)		3,000	
(3,955,503)		(269,360)		(6,391,245)	
				(4,491,764)	
(14,106,468)		(2,960,534)		(18,905,858)	(226,173)
112,486	\$13,123	55,831	(733)	190,603	33,245
112,486	13,123	55,831	(733)	190,603	33,245
2,394,369	13,123	(29,036)	(11,188)	2,911,981	392,279
28,113,304	3,569,234	14,672,050	34,910	48,197,082	10,575,889
\$30,507,673	\$3,582,357	\$14,643,014	\$23,722	\$51,109,063	\$10,968,168
\$9,970,623		\$2,074,260	(\$563,473)	\$9,070,326	\$742,809
5,853,826		1,130,543		7,979,923	422,903
7,344		(6,874)		29,752	(198,472)
439,582				283,041	
975		(187,873)	8,731	(211,339)	7,423
560		560		5,520	(133,856)
47,461		(141,377)	(25,870)	73,006	127,580
		(13,911)		(67,040)	
		(4,008)		106,115	
(25,600)		3,507	13,136	8,217	(773,977)
\$16,294,771		\$2,854,827	(\$567,476)	\$17,277,521	\$132,892
\$3,000					



<b>FIDUCIARY FUNDS</b>
------------------------

**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, 2014

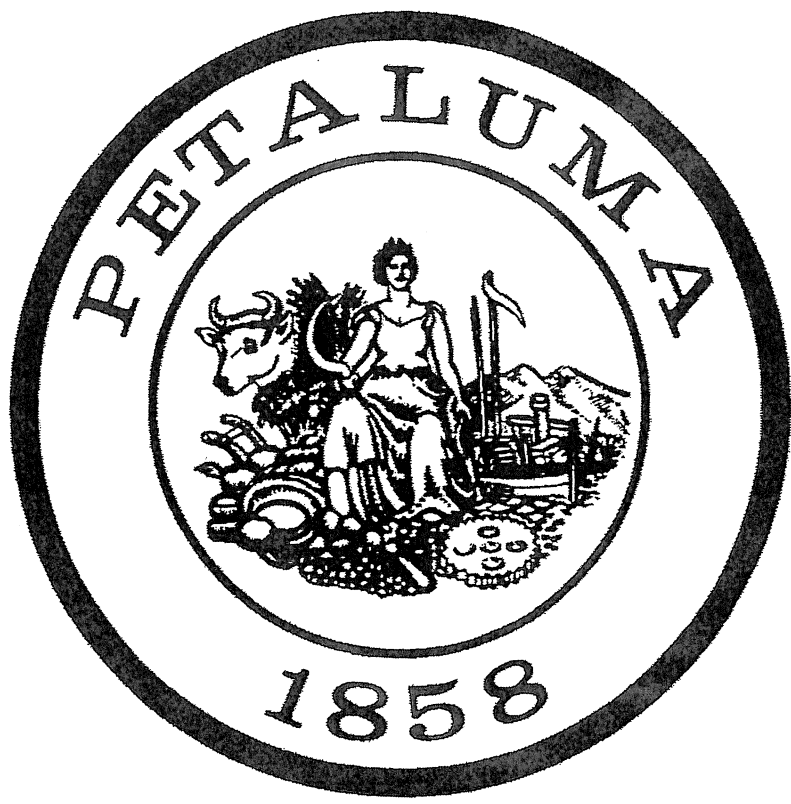
	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 2)	\$2,660,626	\$3,207,248
Restricted cash and investments (Note 2)	20,208,366	
Intergovernmental receivable		125,057
Notes receivable (Note 16B)	<u>234,744</u>	
Total Assets	<u>23,103,736</u>	<u>\$3,332,305</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	96,832	\$3,331,861
Deposits payable		444
Claims payable	128,750	
Interest payable	579,939	
Refundable deposits	1,000	
Long-term debt (Note 16C):		
Long-term debt, due within one year	2,269,000	
Long-term debt, due in more than one year	<u>73,505,646</u>	
Total Liabilities	<u>76,581,167</u>	<u>\$3,332,305</u>
 <b>NET POSITION</b>		
Held in trust for private purposes	<u>(\$53,477,431)</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, 2014

	Private Purpose Trusts
<b>ADDITIONS</b>	
Property tax	\$4,039,476
Use of money and property	8,083
Investment income	2,236
Total Additions	4,049,795
<b>DEDUCTIONS</b>	
Community development	2,023,876
Interest expense	3,568,390
Total Deductions	5,592,266
Change in Net Position	(1,542,471)
<b>NET POSITION HELD IN TRUST OR FOR PRIVATE PURPOSES</b>	
Beginning of year	(51,934,960)
End of year	(\$53,477,431)

See accompanying notes to financial statements



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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 Successor Agency to the Redevelopment Agency Private Purpose Trust Fund. 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, 2014**

**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, 2014**

**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 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 CAPITAL PROJECTS FUND**

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

**AIRPORT FUND**

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

**DEVELOPMENT SERVICES FUND**

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

**MARINA FUND**

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

**TRANSIT FUND**

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

**WASTEWATER UTILITY FUND**

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**WASTEWATER RATE STABILIZATION FUND**

This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirement for fiscal year 2011-2012 to 2013-2014.

**WATER UTILITY FUND**

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

**STORM WATER FUND**

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

**INTERNAL SERVICE FUNDS**

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

**FIDUCIARY FUNDS**

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

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

**D. *Basis of Accounting***

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2014**

**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 2013-14, General Fund incurred \$1,041,302 of expenditures in excess of its budget. The majority of the overage is due to expenditures in capital outlay. Sufficient resources were available within the fund to finance these overages.

In addition, in fiscal 2013-14, the following funds incurred expenditures in excess of its budget:

- Impact Fees Special Revenue Fund
- Community Development Block Grant Special Revenue Fund
- Grants and Donations Special Revenue Fund
- Gas Tax Special Revenue Fund
- Public Safety Special Revenue Fund
- Landscape Assessment Districts Special Revenue Fund
- Street Special Revenue Fund

**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, 2014**

**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, 600 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 600 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, 2014. 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, 2014, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,979,214	\$496,609	\$4,475,823
Additions	2,074,503	561,762	2,636,265
Payments	<u>(2,411,519)</u>	<u>(553,545)</u>	<u>(2,965,064)</u>
Ending Balance	<u>\$3,642,198</u>	<u>\$504,826</u>	<u>\$4,147,024</u>
Current Portion	<u>\$632,844</u>	<u>\$103,750</u>	<u>\$736,594</u>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, August, and September's sales tax payments for the previous fiscal year. The July, August and September payment is comprised of the actual April, 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 will sometimes report 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 will sometimes report 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, 2014**

**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.

**NOTE 2 - CASH AND INVESTMENTS**

***A. Policies***

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

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

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

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

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Commission agreements. Cash and investments as of June 30, 2014, are as follows:

City cash and investments in primary government:	
Cash and investments	\$98,418,044
Restricted cash and investments	<u>2,705,842</u>
Total cash and investments in primary government	<u>101,123,886</u>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	5,867,874
Restricted cash and investments	<u>20,208,366</u>
Total cash and investments in Fiduciary Funds	<u>26,076,240</u>
Total cash and investments	<u><u>\$127,200,126</u></u>

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	\$4,131
Cash and investments with financial institutions	103,731,926
Cash and investments with fiscal agents	<u>23,464,069</u>
Total Cash and Investments	<u><u>\$127,200,126</u></u>

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

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

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

\* May be changed if approved by Council

***D. Investments Authorized by Debt Agreements***

The City and the Successor Agency to the PCDC held cash and investments with fiscal agents in the amount of \$23,464,069 at June 30, 2014, including certain amounts which are held to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. The City invests funds only as permitted by specific State statutes governing their investment or applicable City ordinance, resolution, or bond indenture.

***E. Interest Rate Risk***

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

Investment Type	12 months or less	13 - 24 months	25 - 36 months	Fair Value Total
Securities of U.S. Government Agencies				
FHLB (callable)	\$475,060	\$469,875		\$944,935
FNMA		440,750	\$558,068	998,818
FFCB		800,085		800,085
U.S. Treasury Bonds/ Notes	1,352,179	9,598,663	6,153,080	17,103,922
Medium Term Notes		1,806,625	644,585	2,451,210
Corporate Notes (callable)		500,991		500,991
Negotiable Certificate of Deposit	1,351,032			1,351,032
Local Agency Investment Fund	47,527,777			47,527,777
California Asset Management Program	28,542,421			28,542,421
California Asset Management Program, Held by Fiscal Agents	9,496,291			9,496,291
Money Market Funds	11,171,231			11,171,231
Total Investments	<u>\$99,915,991</u>	<u>\$13,616,989</u>	<u>\$7,355,733</u>	120,888,713
<i>Cash on hand and in banks</i>				<u>6,311,413</u>
Total Cash and Investments				<u>\$127,200,126</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 City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. 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, 2014, these investments have an average maturity of 232 days.

The City is a voluntary 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 its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's 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 the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, the fair value approximated is the City's cost. At June 30, 2014, these investments have an average maturity of 41 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2014, have an average maturity of 41 days.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**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, 2014, are as follows:

Investment Type	AAAm	AA+/AA/AA-	A+/A/A-	Total
Securities of U.S. Government Agencies				
FHLB (callable)		\$944,935		\$944,935
FNMA		998,818		998,818
FFCB		800,085		800,085
Medium Term Notes		1,608,634	\$842,576	2,451,210
Medium Term Notes (callable)		500,991		500,991
California Asset Management Program	\$28,542,421			28,542,421
Negotiable Certificate of Deposit		600,105	500,927	1,101,032
Money Market Funds	11,171,231			11,171,231
<i>Held by Trustees:</i>				
California Asset Management Program	9,496,291			9,496,291
<b>Totals</b>	<u>\$49,209,943</u>	<u>\$5,453,568</u>	<u>\$1,343,503</u>	<u>56,007,014</u>
<i>Not rated:</i>				
Non-Negotiable Certificate of Deposit				250,000
Local Agency Investment Fund				47,527,777
Cash on Hand and in Banks				6,311,413
<i>Exempt from credit rate disclosure:</i>				
U.S. Treasury Bonds/ Notes				17,103,922
<b>Total Cash and Investments</b>				<u>\$127,200,126</u>

**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 2013-2014 the General Fund made a short-term loan to the Marina Enterprise Fund in the amount of \$14,023.

**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, 2014, the outstanding amount of the advance was \$690,230.

Additionally, the Risk Management Internal Service Fund advanced the City Capital Projects Fund to fund the Payran UST Site Remediation Project. The advance is non-interest bearing. As of June 30, 2014, the outstanding amount of the advance was \$38,559.



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

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, 2014, the outstanding amount of the advance was \$544,000.

**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, 2014, were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	City Capital Projects Fund	\$44,878 (A)
	Non-Major Governmental Funds	1,786,408 (A)
Impact Fees Special Revenue	City Capital Projects Fund	103,815 (B)
Housing Successor Agency	Impact Fees Special Revenue Fund	300,000 (A)
	Non-Major Governmental Funds	16,000 (A)
City Capital Projects	General Fund	44,000 (B)
	Impact Fees Special Revenue Fund	277,071 (B)
	Non-Major Governmental Funds	1,893,736 (B)
Non-Major Governmental Funds	City Capital Projects Fund	49,697 (C)
	Non-Major Governmental Funds	1,244,000 (E)
Marina Enterprise Fund	Non-Major Governmental Funds	200,000 (F)
Transit Enterprise Fund	Impact Fees Special Revenue Fund	32,000 (B)
Wastewater Utility Enterprise Fund	General Fund	93,580 (F)
Water Utility Enterprise Fund	Non-Major Governmental Funds	20,840 (F)
Storm Water Enterprise Fund	General Fund	400,000 (D)
Internal Service Funds	General Fund	100,000 (A)
	Non-Major Governmental Funds	10,000 (A)
		<u>\$6,616,025</u>

Purposes for transfers:

- (A) General support
- (B) Capital project transfers
- (C) Unspent funds transfers
- (D) Maintenance
- (E) Other project transfers
- (F) Settlement

**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, 2014**

**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	1,863,800
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
Parklane Apartments Corp	147,586
575 Vallejo Street Association	851,184
579 Vallejo Street Association	990,000
Casa Grande	4,128,287
Wood Sorrel	1,387,453
Logan Place	7,618,219
Salishan Apartments Inc.	388,380
Vintage Chateau	4,499,825
Madrone	289,947
Washington Creek	320,000
Caufield Senior Housing	<u>182,999</u>
Total Housing Loans to Not-For Profit Agencies	35,612,120
First-Time Home Buyers Loans	<u>3,686,200</u>
 Total	 <u><u>\$39,298,320</u></u>

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

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

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

With the dissolution of the PCDC as discussed in Note 16, 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, 2014, the total principal and interest receivable related to these loans was \$35,612,120 and \$9,586,330, respectively.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2014, the outstanding balance of the loans was \$3,686,200.

**NOTE 5 - CAPITAL ASSETS**

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

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

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

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

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

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

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 5 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets activity for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
<i>Governmental Activities</i>					
Capital Assets not being Depreciated:					
Land	\$36,964,596	\$672,700			\$37,637,296
Construction in Progress	24,660,212	1,908,246		(\$3,492,816)	23,075,642
<b>Total Capital Assets not being Depreciated</b>	<b>61,624,808</b>	<b>2,580,946</b>		<b>(3,492,816)</b>	<b>60,712,938</b>
Capital Assets being Depreciated:					
Buildings and Improvements	21,004,851				21,004,851
Vehicles and Equipment	13,304,611	487,847	(\$127,904)		13,664,554
Infrastructure	183,954,919	1,799,607	(149,870)	3,492,816	189,097,472
<b>Total Capital Assets being Depreciated</b>	<b>218,264,381</b>	<b>2,287,454</b>	<b>(277,774)</b>	<b>3,492,816</b>	<b>223,766,877</b>
Less Accumulated Depreciation:					
Buildings and Improvements	(10,799,018)	(485,711)			(11,284,729)
Vehicles and Equipment	(10,288,349)	(789,699)	127,904		(10,950,144)
Infrastructure	(75,917,705)	(6,463,528)	91,582		(82,289,651)
<b>Total Accumulated Depreciation</b>	<b>(97,005,072)</b>	<b>(7,738,938)</b>	<b>219,486</b>		<b>(104,524,524)</b>
<b>Net Capital Assets being Depreciated</b>	<b>121,259,309</b>	<b>(5,451,484)</b>	<b>(58,288)</b>	<b>3,492,816</b>	<b>119,242,353</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$182,884,117</b>	<b>(\$2,870,538)</b>	<b>(\$58,288)</b>		<b>\$179,955,291</b>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 5 - CAPITAL ASSETS (Continued)**

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
<i>Business-type Activities</i>					
Capital Assets not being Depreciated:					
Land	\$10,731,229				\$10,731,229
Construction in Progress	9,799,784	\$7,710,107		(\$4,133,901)	13,375,990
<b>Total Capital Assets not being Depreciated</b>	<b>20,531,013</b>	<b>7,710,107</b>		<b>(4,133,901)</b>	<b>24,107,219</b>
Capital Assets being Depreciated:					
Buildings and Improvements	28,194,067				28,194,067
Vehicles and Equipment	10,430,458	765,025	(\$114,259)		11,081,224
Infrastructure	285,782,324			4,133,901	289,916,225
<b>Total Capital Assets being Depreciated</b>	<b>324,406,849</b>	<b>765,025</b>	<b>(114,259)</b>	<b>4,133,901</b>	<b>329,191,516</b>
Less Accumulated Depreciation for:					
Buildings and Improvements	(10,842,458)	(706,430)			(11,548,888)
Vehicles and Equipment	(6,939,386)	(761,375)	114,259		(7,586,502)
Infrastructure	(80,618,132)	(6,588,983)			(87,207,115)
<b>Total Accumulated Depreciation</b>	<b>(98,399,976)</b>	<b>(8,056,788)</b>	<b>114,259</b>		<b>(106,342,505)</b>
<b>Net Capital Assets being Depreciated</b>	<b>226,006,873</b>	<b>(7,291,763)</b>		<b>4,133,901</b>	<b>222,849,011</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$246,537,886</b>	<b>\$418,344</b>			<b>\$246,956,230</b>

**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, 2014

**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	\$106,094
Community Development	2,701,176
Police	261,851
Fire	131,005
Parks and Recreation	625,025
Public Works	3,567,749
Internal Service Funds:	
Information Services	20,318
Vehicle Replacement - GG	325,720
	<hr/>
<b>Total Depreciation Expense</b>	<b>\$7,738,938</b>
	<hr/> <hr/>

**Business Functions**

Airport	\$390,658
Marina	115,635
Transit	489,261
Wastewater Utility	5,853,826
Water Utility	1,130,543
Vehicle Replacement - BA	76,865
	<hr/>
<b>Total Depreciation Expense</b>	<b>\$8,056,788</b>
	<hr/> <hr/>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2014, were as follows:

<b>Business-Type Activity Debt:</b>	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Amount due within one year
<b>Revenue Bonds:</b>						
2011 Wastewater Revenue Refunding Bonds						
5.50-6.00%, due 5/1/2036	\$22,465,000	\$22,465,000			\$22,465,000	
Less: Original issue discount	(228,228)	(207,684)		(\$9,129)	(198,555)	
2012 Water Revenue Refunding Bonds						
3.670%, due 5/1/2031	7,529,000	7,529,000		379,000	7,150,000	\$389,000
Total Revenue Bonds		29,786,316		369,871	29,416,445	389,000
<b>Certificates of Participation:</b>						
2003 Certificates of Participation						
2.500-5.125%, due 8/1/2028	6,295,000	4,860,000		210,000	4,650,000	215,000
Add: Original issue premium	81,875	50,760		3,275	47,485	
Total Certificates of Participation		4,910,760		213,275	4,697,485	215,000
<b>State Loan Fund:</b>						
State Revolving Loan Fund						
1.400%, due 4/9/2029	125,964,254	110,055,132		5,723,324	104,331,808	5,860,683
<b>Notes Payable:</b>						
California Department of Boating and Waterways	3,960,000	5,970,404	\$113,606		6,084,010	328,985
California Department of Transportation	2,465,000	880,789		84,775	796,014	89,619
Total Notes Payable		6,851,193	113,606	84,775	6,880,024	418,604
Total Business Type Activity Debt		\$151,603,401	\$113,606	\$6,391,245	\$145,325,762	\$6,883,287



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2014.

For The Year Ending June 30	Revenue Bonds		Certificates of Participation		Notes Payable		State Revolving Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$389,000	\$1,560,317	\$215,000	\$219,896	\$418,604	\$118,652	\$5,860,683	\$2,503,963
2016	404,000	1,545,765	225,000	210,707	438,254	99,607	6,001,340	2,363,307
2017	423,000	1,530,590	235,000	200,815	458,568	79,667	6,145,372	2,219,275
2018	337,000	1,516,644	250,000	190,140	479,579	58,802	6,292,861	2,071,786
2019	347,000	1,504,093	260,000	178,663	501,307	36,980	6,443,889	1,920,758
2020 - 2024	1,944,000	7,315,474	1,510,000	691,075	4,583,712	26,119	34,614,830	7,208,403
2025 - 2029	2,347,000	6,922,839	1,955,000	261,247			38,972,833	2,850,398
2030 - 2034	16,069,000	4,971,185						
2035 - 2036	7,355,000	668,400						
Outstanding Accumulated Payments and Penalties	29,615,000	<u>\$27,535,307</u>	4,650,000	<u>\$1,952,543</u>	6,880,024	<u>\$419,827</u>	104,331,808	<u>\$21,137,890</u>
Less: Original Issuance								
Premium (Discount)	(198,555)		47,485					
Total Payments due	<u>\$29,416,445</u>		<u>\$4,697,485</u>		<u>\$6,880,024</u>		<u>\$104,331,808</u>	

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

**2011 Wastewater Revenue Refunding Bonds** - On February 23, 2011 the City issued Wastewater Revenue Refunding Bonds in the amount of 22,465,000. The proceeds of the bonds were used to refund obligations of the City that are payable from the revenues of the City's wastewater and storm drainage system. The Bonds mature annually each May 1 from 2030 to 2036 in amounts ranging from \$2,705,000 to \$3,785,000 and bear interest at rates ranging from 5.00% to 6.00%. Interest is payable semiannually May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Wastewater System. Debt service amounts to \$1,305,050 in fiscal 2013-14. Total principal and interest remaining to be paid on the Bonds was \$47.6 million as of June 30, 2014.

**2012 Water Revenue Refunding Bonds** - On October 1, 2012, the City issued Water Revenue Bonds, Series 2001 in the amount of \$7,529,000. The proceeds of the bonds were used to refund the 2001 Water Revenue Bonds, and to finance improvements to the Water System. This current refunding was undertaken to reduce debt service payments over the next 20 years by \$72,683, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$51,077. The Bonds mature annually each November 1 from 2013 to 2031, in amounts ranging from \$337,000 to \$520,000 and bear interest 3.760%. Interest is payable semiannually on May 1 and November 1. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Water Utility Fund. Net revenue and debt service amounts to \$3,281,474 and \$648,360 in fiscal 2013-14. Total principal and interest remaining to be paid on the Bonds was \$9.5 million as of June 30, 2014.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**2003 Certificates of Participation** - On December 9, 2003, the City issued the 2003 Certificates of Participation in the amount of \$6,295,000. The proceeds of the certificates were used to refund the 1993 Certificates which were issued to finance portions of the Petaluma Municipal Airport. The certificates mature annually each August 1 from 2005 to 2028, in amounts ranging from \$165,000 to \$435,000 and bear interest at rates ranging from 2.500% to 5.125%. Interest is payable semiannually on February 1 and August 1. The certificates maturing on or after August 1, 2014, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after August 1, 2013, at a price equal to the principal amount, plus accrued interest on the redemption date. Principal and interest due with respect to the certificates will be made from the base rental payments payable by the City (the Airport Fund is the primary obligator). The outstanding balance of the certificates was \$4,650,000 as of June 30, 2014.

The certificate of participation was issued at a premium of \$81,875 which is being amortized over the 25 year life of the certificates resulting in an annual amortization of \$3,275.

**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, 2014 was \$104,331,808.

**California Department of Boating and Waterways** - On March 11, 1993, the California Department of Boating and Waterways issued a note in the amount of \$3,960,000 to finance construction of the Petaluma Marina. The terms of the loan allow unpaid interest to be added to the outstanding principal. The loan balance was increased by unpaid interest and penalties for the years ended June 30, 1998, and 2000 through 2013. The debt is the responsibility of the Marina Fund. The outstanding balance at June 30, 2014 was \$6,084,010. The City has been attempting to work with the California Department of Boating and Waterways in order to eliminate the liability in the Marina Fund.

**California Department of Transportation** - On October 4, 1996, the California Department of Transportation issued three airport loans, in the amounts of \$975,000, \$50,000 and \$40,000, which were used to finance construction of hangars, installation of an electronic payment fueling system, and upgrading of the fueling system, respectively, at the Airport. In June 2005 an additional \$1,400,000 was loaned to finance the construction of additional hangars. At June 30, 2014, the outstanding balance of the two loans combined was \$796,014.

**NOTE 7 - DEBT WITHOUT CITY COMMITMENT**

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 7 - DEBT WITHOUT CITY COMMITMENT (Continued)**

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

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

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

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

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 8 - NET POSITION AND FUND BALANCES**

**A. Net Position**

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

*Net investment in capital assets* describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets and related deferred inflows or outflows of resources.

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

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

**B. Fund Balance**

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

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

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

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 8 – NET POSITION AND FUND BALANCES (Continued)**

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

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

Detailed classifications of the City's Fund Balances as of June 30, 2014, 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
<b>Nonspendables:</b>							
Items not in spendable form:							
Inventories	\$12,514						\$12,514
Noncurrent deposits and prepaids	1,423						1,423
Interest receivable related to loans receivable	69,240						69,240
Advances							
Subtotal	<u>83,177</u>						<u>83,177</u>
Amounts required to maintained intact:							
Permanent funds						\$16,000	16,000
Total Nonspendable Fund Balances	<u>83,177</u>					<u>16,000</u>	<u>99,177</u>
<b>Restricted for:</b>							
Special projects			\$27,784,202				27,784,202
Community redevelopment projects and programs						6,746,805	6,746,805
Community redevelopment low-income housing		\$415,312		\$22,609,878			23,025,190
Total Restricted Fund Balances		<u>415,312</u>	<u>27,784,202</u>	<u>22,609,878</u>		<u>6,746,805</u>	<u>57,556,197</u>
<b>Committed to:</b>							
Special projects					\$1,391,787		1,391,787
Total Committed Fund Balances					<u>1,391,787</u>		<u>1,391,787</u>
<b>Assigned:</b>							
Special projects	4,081,779						4,081,779
Total Assigned Fund Balances	<u>4,081,779</u>						<u>4,081,779</u>
<b>Unassigned</b>							
	1,633,298						1,633,298
Total Unassigned Fund Balances	<u>1,633,298</u>						<u>1,633,298</u>
Total Fund Balances	<u>\$5,798,254</u>	<u>\$415,312</u>	<u>\$27,784,202</u>	<u>\$22,609,878</u>	<u>\$1,391,787</u>	<u>\$6,762,805</u>	<u>\$64,762,238</u>

**C. Fund Deficits**

As of June 30, 2014, the Marina Enterprise Fund, the Storm Water Enterprise Fund, and the Information Services Internal Service Fund had negative net positions of \$4,480,717, \$694,365, and \$49,201, respectively. See Note 13C for further discussion of the Marina Fund. The deficits of the Storm Water Enterprise Fund and the Information Services Internal Service Fund are expected to be repaid by future revenues.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 9 – PENSION PLANS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

All City employees who work in excess of 1,000 hours per year are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Classic Tier 1		Classic Tier 2	
	Safety	Miscellaneous	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	55	55	60
Monthly benefits, as a % of annual salary	3%	2%	3%	2%
Required employee contribution rates	9%	7%	9%	7%
Required employer contribution rates	37.742%	14.488%	37.742%	14.488%

	PEPRA	
	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.7%	2%
Required employee contribution rates	11.75%	6.25%
Required employer contribution rates	37.742%	14.488%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CALPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 9 – PENSION PLANS (Continued)**

The Plans' actuarial values, which differ from fair values, and funding progress over the most recent past three years available, are set forth below at their actuarial valuation date of June 30:

*Safety Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2010	\$128,850,850	\$99,534,801	\$29,316,049	77.2%	\$11,598,787	252.8%
6/30/2011	139,401,684	104,891,391	34,510,293	75.2%	11,215,996	307.7%
6/30/2012	144,762,755	109,210,305	35,552,450	75.4%	11,264,674	315.6%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2010	\$78,091,315	\$68,643,492	\$9,447,823	87.9%	\$13,174,076	71.7%
6/30/2011	82,634,429	72,176,106	10,458,323	87.3%	11,666,580	89.6%
6/30/2012	86,972,078	74,814,341	12,157,737	86.0%	12,208,496	99.6%

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately seventeen months after the end of its June 30 fiscal year.

Actuarially required contributions for fiscal years 2014, 2013, and 2012 were \$6,025,212, \$5,567,985, and \$5,507,666, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

**B. 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, 2014, the City contributed \$1,880 and the covered employees contributed \$26,320 the total of which met the requirements of the plan.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

**A. *Plan Description***

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

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

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

**B. *Eligibility***

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of CALPERS service or disability. The benefits are available only to employees who retire from the City. There were 297 active participants and 227 retired participants as of June 30, 2011.

**C. *Funding Policy***

There is no statutory requirement for the City to pre-fund its OPEB obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions.

The City contributed \$232,507 during the 2013-14 fiscal year on a pay-as-you-go basis for current benefit payments. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer.



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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

The following table, based on the City's actuarial valuation as of June 30, 2011, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Net OPEB Obligation at June 30, 2013	\$3,330,124
Annual required contribution (ARC)	1,206,000
Interest on net OPEB obligation	142,000
Amortization of NOO	(161,000)
Annual OPEB cost	1,187,000
Contributions:	
Benefit payments	232,507
Increase in net OPEB obligation	954,493
Net OPEB Obligation at June 30, 2014	\$4,284,617
Percentage of ARC Contributed	19.28%

The City's annual OPEB cost, the percentage of annual OPEB cost plan, and the net OPEB obligation for fiscal 2013-14 and the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2012	\$783,000	\$91,429	11.7%	\$2,667,349
6/30/2013	1,120,000	458,225	40.9%	3,330,124
6/30/2014	1,187,000	232,507	19.6%	4,284,617

**E. Funded Status and Progress**

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

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

**F. Actuarial Methods and Assumptions**

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

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% discount rate, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, plus merit increases per CALPERS 1997-2007 experience study. PEMHCA minimum trend rate is 4.5% and, the benefit cap has a 0% increase, but not less than PEMHCA minimum amount. PEMHCA is a community-rated plan not required to value implied subsidies to retirees. The plan is not funded in a segregated restricted trust. The UAAL is amortized as a level percentage of projected payroll over 30 years on a closed basis, starting with 2008-09 (25 years remaining as of 2013-14).

**G. Most Recent Actuarial Studies – Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Underfunded) Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	(Underfunded) Overfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2011	\$0	\$9,871,000	(\$9,871,000)	0.00%	\$24,343,000	(40.55%)
6/30/2008	0	7,002,000	(7,002,000)	0.00%	23,627,000	(29.64%)
6/30/2006	0	6,990,000	(6,990,000)	0.00%	22,883,000	(30.55%)

**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.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**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, 2014, for general liability was \$2,277,167, 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 \$750,000 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, 2014 for workers' compensation was \$4,458,656 which includes an estimate for incurred, but not reported claims.

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

The accrued claims liability reported in the risk funds as of June 30, 2014, 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, 2014. 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, 2014.

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2014, 2013, and 2012:

For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Payable Due within One Year
2012	\$5,787,420	\$4,454,354	(\$1,646,300)	\$8,595,474	\$2,119,799
2013	8,595,474	247,648	(1,333,322)	7,509,800	2,112,217
2014	7,509,800	297,162	(1,071,139)	6,735,823	2,120,498

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.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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 amendments of 1996 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, 2014 totaling \$554,375 for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$6,019,815. In addition, the City's governmental funds had outstanding professional service contracts at year-end in the amount of \$3,891,311 and proprietary funds in the amount of \$3,809,175.

**C. *Marina Enterprise Fund Finances***

At June 30, 2014, the Marina Enterprise Fund had no cash balance while accumulated unrestricted deficit was \$4.5 million. As discussed in Note 6C, the Marina Enterprise Fund had an outstanding loan of \$6.08 million payable to the California Department of Boating and Waterways, to which the City has not made payment since 2000. The City has been attempting to work 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.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 14 – POLLUTION REMEDIATION OBLIGATIONS (Continued)**

At June 30, 2014, the City had identified the following sites which met one of the above obligating events:

Payran Street Site 301 Payran Street, site of a former fire station and underground storage tank, has had an extensive history of subsurface investigations and remediation work since approximately 1988. Groundwater sampling and analysis has confirmed that both onsite and offsite groundwater is impacted with petroleum hydrocarbons. The Sonoma County Department of Environmental Health acts as the Local Oversight Program (LOP) on behalf of the State Water Resources Control Board and has directed the City to continue with its cleanup of the site. The City expects any liability amounts to be recovered from the State Cleanup Fund. As of June 30, 2014, the City spent and invoiced the State approximately \$1,477,400 of the State Fund limit of \$1.5 million for Dual Phase Vapor Extraction Remediation.

**NOTE 15 – SUBSEQUENT EVENT**

**Cohen v. City of Petaluma and the Petaluma Successor Agency**

City of Petaluma and Petaluma Successor Agency vs. Cohen relates to Petaluma's request that the court issue an order providing for rescission of a California Department of Finance (DOF) order precluding the City/Successor Agency from using \$7.7 million in 2011 bond proceeds to fund the Rainer Cross-Town Connector highway project. The trial court judge ruled in favor of DOF in this matter, and Petaluma has filed an appeal that is currently pending in the Third District Court of Appeal.

**California State Controller's Office Asset Transfer Review**

The City has received correspondence and a draft report from the California State Controller and exchanged correspondence regarding funds and real property currently held by the City as Successor Agency to the former Petaluma Community Development Commission. The City awaits the department's final asset transfer review report, which may or may not assert that the City as Successor Agency should turn over funds and/or property.

**Waters v. City of Petaluma**

Waters v. City of Petaluma was served on November 10, 2014. A former employee of the City's Fire Department is suing the city alleging the City engaged in a pattern and practice of unlawful discrimination based on sex, created a hostile environment based on sexual harassment, engaged in unlawful retaliation when she complained of unlawful conduct, and failed to prevent unlawful discrimination and harassment based on sex during her entire employment from 2008 through 2014. Waters seeks back pay, front pay and other damages according to proof, as well as costs of the lawsuit and attorney's fees pursuant to Government Code section 12965(b). The City's response to the complaint is due December 26. If the plaintiff is successful, the City may be faced with paying damages plus attorney's fees.

**NOTE 16 – 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.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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. As of October 13, 2014, the State Controller’s Office has not completed its asset transfer review.

Cash and investments of the Successor Agency as of June 30, 2014 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2014.

**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, 2014, the outstanding balance of the loans was \$234,744.

**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:

<b>Governmental-Activity Debt:</b>	Original Issue Amount	Balance July 01, 2013	Retirements	Balance June 30, 2014	Amount due within one year
<b>Tax Allocation Bonds:</b>					
2001A Refunding Tax Allocation Bonds					
3.50-4.50%, due 5/1/2014	\$4,025,000	\$390,000	\$390,000		
2003A Tax Allocation Bonds					
2.25-5.00%, due 5/1/2033	23,630,000	20,390,000	520,000	\$19,870,000	\$515,000
Unamortized Discount	(14,217)	(9,477)	(474)	(9,003)	
2005A Tax Allocation Bonds					
5.00-5.75%, due 5/1/2030	18,355,000	16,865,000	300,000	16,565,000	750,000
Unamortized Premium	161,953	111,748	6,478	105,270	
2007 Tax Allocation Bonds					
4.00-4.50%, due 5/1/2039	31,825,000	30,610,000	250,000	30,360,000	255,000
Unamortized Discount	(568,396)	(457,383)	(17,762)	(439,621)	
2011A Tax Allocations Bonds					
4.79%, due 5/1/2024	11,369,000	10,037,000	714,000	9,323,000	749,000
<b>Total Tax Allocation Bonds</b>		<b>\$77,936,888</b>	<b>\$2,162,242</b>	<b>\$75,774,646</b>	<b>\$2,269,000</b>

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

*Redevelopment Agency Tax Allocation Bonds*

**2001A Refunding Tax Allocation Bonds** - On June 4, 2001, the former PCDC issued Refunding Tax Allocation Bonds, Series 2001A in the amount of \$4,025,000. The proceeds of the bonds were used to refund the 1992 Tax Allocation Bonds and to fund the development of the auto plaza located in the Petaluma Community Development Project Area. The Bonds mature annually each May 1 from 2002 to 2014, in amounts ranging from \$250,000 to \$390,000 and bear interest at rates ranging from 3.50% to 4.50%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after May 1, 2010, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or by lot within any one maturity date, on any date on or after May 1, 2009, at a price equal to the principal amount, plus accrued interest on the redemption date. The final payment was made during the current fiscal year.

**2003A Tax Allocation Bonds** – In 2003, the former PCDC issued Tax Allocation Bonds, Series 2003A in the amount of \$23,630,000. The proceeds of the bonds will be used to finance PCDC projects within the Petaluma Community Development Project area. The Bonds mature annually each May 1 from 2007 to 2033, and bear interest at rates ranging from 2.25% to 5.00%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after May 1, 2014, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or by lot within any one maturity date, on any date on or after May 1, 2013, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from and secured by tax revenues.

The bonds were issued at a discount of \$14,217 which is being amortized over the 30 year life of the bonds resulting in an annual amortization of \$474.

**2005A Tax Allocation Bonds** – On September 21, 2005, the former PCDC issued Refunding Tax Allocation Bonds, Series 2005A Tax Allocation Bonds in the amount of \$18,355,000. The proceeds of the bonds will be used to refund the 2000A Tax Allocation Bonds and finance the issuance costs of the 2005A Refunding Tax Allocation Bonds. The Bonds mature annually each May 1 from 2006 to 2030, in amounts ranging from \$90,000 to \$1,420,000 and bear interest at rates ranging from 3.00% to 5.00%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or before May 1, 2016, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after May 1, 2015, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable solely from secured tax revenues.

The bonds were issued at a premium of \$161,953 which is being amortized over the 25 year life of the bonds resulting in an annual amortization of \$6,478.

**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

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

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

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

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 \$125,578,296 at June 30, 2014. 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 2013-2014 was \$4,039,476 which represented coverage of 73.77% of the \$5,746,034 of debt service.



**CITY OF PETALUMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

*Debt Service Requirements*

Annual debt service requirements are shown below:

<b>Governmental Activity Debt:</b>	<b>Tax Allocation Bonds</b>	
For The Year	<u>Principal</u>	<u>Interest</u>
<u>Ending June 30</u>		
2015	\$2,269,000	\$3,479,634
2016	2,359,000	3,385,769
2017	2,457,000	3,286,617
2018	2,566,000	3,180,734
2019	2,678,000	3,069,565
2020 - 2024	15,279,000	13,451,338
2025 - 2029	12,580,000	10,178,854
2030 - 2034	15,950,000	6,803,679
2035 - 2039	19,980,000	2,771,484
2039		195,976
Total payments due	\$76,118,000	<u>\$49,803,650</u>
Less: Original Issuance		
Premium (Discount)	<u>(343,354)</u>	
	<u>\$75,774,646</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.

**BUDGETED MAJOR GOVERNMENTAL FUNDS SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

**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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$22,109,651	\$22,989,625	\$24,275,469	\$1,285,844
Licenses, permits, and fees	1,031,797	1,091,698	1,076,231	(15,467)
Fines, forfeitures and penalties	616,367	656,366	685,700	29,334
Use of money and property	330,597	412,597	463,109	50,512
Intergovernmental	4,219,530	4,363,608	4,491,241	127,633
Charges for current services	4,319,859	4,815,541	5,094,931	279,390
Other	28,356	140,316	1,890,832	1,750,516
<b>Total Revenues</b>	<b>32,656,157</b>	<b>34,469,751</b>	<b>37,977,513</b>	<b>3,507,762</b>
<b>EXPENDITURES:</b>				
General government:				
City council	77,585	77,585	84,219	(6,634)
City clerk	253,571	253,571	223,979	29,592
City attorney	347,960	718,642	597,296	121,346
City Manager	557,621	756,119	689,255	66,864
Animal services			63	(63)
Administrative services	1,940,837	2,137,337	1,909,938	227,399
Community development	637,558	633,780	747,490	(113,710)
Police	15,001,321	15,387,602	15,128,134	259,468
Fire	11,516,680	11,638,980	11,495,266	143,714
Parks	1,496,636	1,481,636	1,437,803	43,833
Public works	3,037,416	3,274,408	3,269,541	4,867
Capital outlay	10,100	107,020	1,924,998	(1,817,978)
<b>Total Expenditures</b>	<b>34,877,285</b>	<b>36,466,680</b>	<b>37,507,982</b>	<b>(1,041,302)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,221,128)</b>	<b>(1,996,929)</b>	<b>469,531</b>	<b>2,466,460</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets		2,040	40,307	38,267
Transfers in	1,476,689	1,816,666	1,831,286	14,620
Transfers (out)	(144,000)	(637,580)	(637,580)	
<b>Total other financing sources (uses)</b>	<b>1,332,689</b>	<b>1,181,126</b>	<b>1,234,013</b>	<b>52,887</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$888,439)</b>	<b>(\$815,803)</b>	<b>1,703,544</b>	<b>\$2,519,347</b>
<b>BEGINNING FUND BALANCE</b>			<b>4,094,710</b>	
<b>ENDING FUND BALANCE</b>			<b>\$5,798,254</b>	

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, 2014

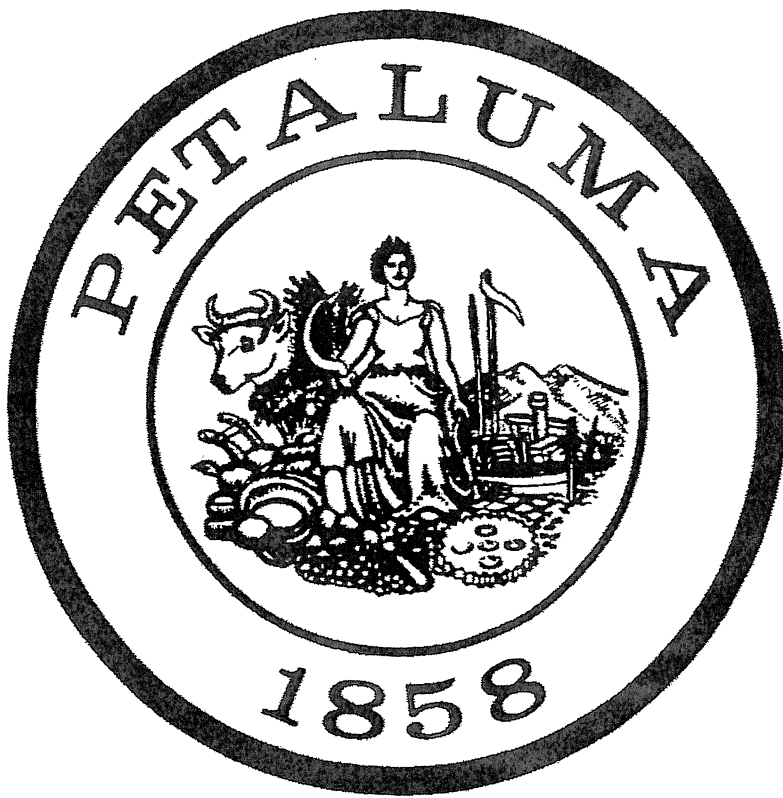
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$1,000	\$1,000	\$1,439	\$439
Intergovernmental			45,000	45,000
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>46,439</u>	<u>45,439</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>46,439</u>	<u>45,439</u>
NET CHANGE IN FUND BALANCE	<u>\$1,000</u>	<u>\$1,000</u>	46,439	<u>\$45,439</u>
BEGINNING FUND BALANCE			<u>368,873</u>	
ENDING FUND BALANCE			<u>\$415,312</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
License, permits and fees	\$5,810,192	\$5,810,192	\$4,691,845	(\$1,118,347)
Use of money and property	81,252	81,252	90,984	9,732
Charges for services	174,307	174,307		(174,307)
Other			6,970	6,970
	<u>6,065,751</u>	<u>6,065,751</u>	<u>4,789,799</u>	<u>(1,275,952)</u>
Total Revenues				
EXPENDITURES:				
Current:				
Community development	1,024,463	1,024,463	1,315,146	(290,683)
Police	872	872	250	622
Fire	935	935	200	735
Parks and Recreation	22,614	22,614	2,293	20,321
Public works	119,473	119,473	4,446	115,027
	<u>1,168,357</u>	<u>1,168,357</u>	<u>1,322,335</u>	<u>(153,978)</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,897,394</u>	<u>4,897,394</u>	<u>3,467,464</u>	<u>(1,429,930)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	103,800	103,800	103,815	15
Transfers (out)	<u>(1,454,000)</u>	<u>(1,316,400)</u>	<u>(609,071)</u>	<u>707,329</u>
	<u>(1,350,200)</u>	<u>(1,212,600)</u>	<u>(505,256)</u>	<u>707,344</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>\$3,547,194</u>	<u>\$3,684,794</u>	2,962,208	<u>(\$722,586)</u>
BEGINNING FUND BALANCE			<u>24,821,994</u>	
ENDING FUND BALANCE			<u>\$27,784,202</u>	

CITY OF PETALUMA  
 SUCCESSOR HOUSING FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property			\$72,613	\$72,613
Charges for current services			24,635	24,635
Total Revenues			<u>97,248</u>	<u>97,248</u>
EXPENDITURES:				
Current:				
Community Development	\$327,284	\$327,284	300,107	27,177
Total Expenditures	<u>327,284</u>	<u>327,284</u>	<u>300,107</u>	<u>27,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(327,284)</u>	<u>(327,284)</u>	<u>(202,859)</u>	<u>124,425</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>300,000</u>	<u>300,000</u>	<u>316,000</u>	<u>16,000</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$27,284)</u></u>	<u><u>(\$27,284)</u></u>	<u>113,141</u>	<u><u>\$140,425</u></u>
BEGINNING FUND BALANCE			<u>22,496,737</u>	
ENDING FUND BALANCE			<u><u>\$22,609,878</u></u>	



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

**CITY CAPITAL PROJECTS FUND**

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



CITY OF PETALUMA  
CITY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Licenses, permits and fees	\$338,000		(\$338,000)
Use of money and property		\$19,508	19,508
Intergovernmental	13,724,178	1,982,169	(11,742,009)
Other		2,126	2,126
	<u>14,062,178</u>	<u>2,003,803</u>	<u>(12,058,375)</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current:			
General government			
Fire	210,000	4,175	205,825
Parks and recreation	707,830	695,527	12,303
Public works	18,729,682	1,119,590	17,610,092
Capital outlay	941,000	727,253	213,747
	<u>20,588,512</u>	<u>2,546,545</u>	<u>18,041,967</u>
Total Expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(6,526,334)</u>	<u>(542,742)</u>	<u>5,983,592</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,004,212	2,214,807	2,789,405
Transfers (out)	(198,380)	(198,390)	10
	<u>4,805,832</u>	<u>2,016,417</u>	<u>2,789,415</u>
Total Other Financing Sources (Uses)			
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$1,720,502)</u>	<u>1,473,675</u>	<u>\$3,194,177</u>
<b>BEGINNING FUND BALANCE</b>		<u>(81,888)</u>	
<b>ENDING FUND BALANCE</b>		<u>\$1,391,787</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, service fund, abandoned vehicle abatement, fire hazmat, in law fees activates.

#### **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**

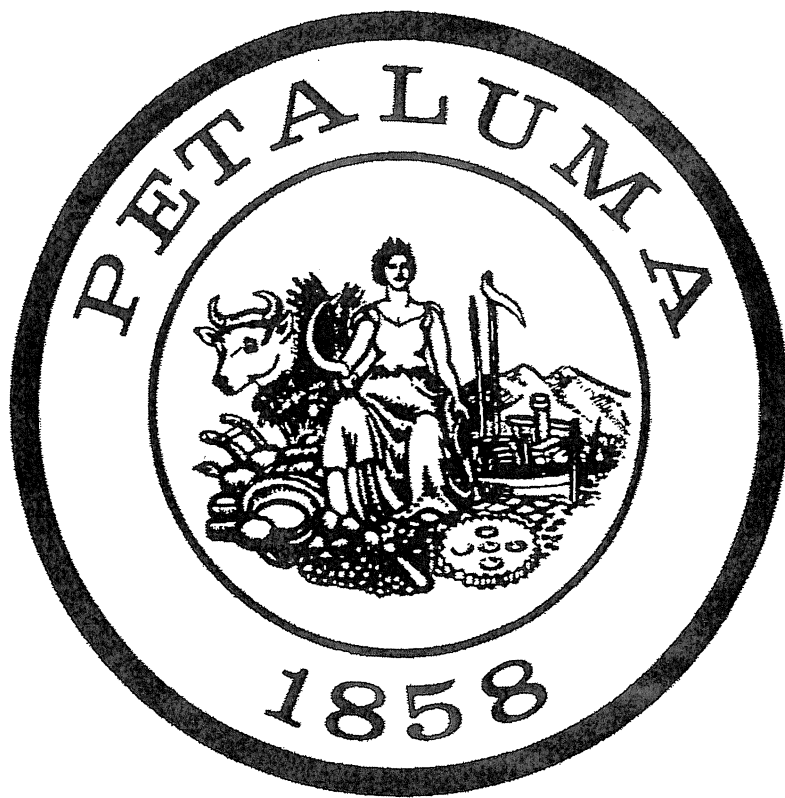
The fund details the activity of the ongoing maintenance of Prince Park. The activities included in this fund are receipts of investment earnings, and transfers out to the general fund to cover costs of the park's maintenance.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**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, 2014

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
<b>ASSETS</b>					
Cash and investments	\$36,882	\$1,586,552	\$903,474	\$727,439	\$400,953
Receivables:					
Accounts		425			
Intergovernmental	63,868	122,669	41,223	65,642	7,919
Interest receivable related to notes receivable	140,413				
Notes receivable	784,000				
	<u>\$1,025,163</u>	<u>\$1,709,646</u>	<u>\$944,697</u>	<u>\$793,081</u>	<u>\$408,872</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$6,197	\$15,417		\$127,104	\$17,903
	<u>6,197</u>	<u>15,417</u>		<u>127,104</u>	<u>17,903</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	924,413				
	<u>924,413</u>				
<b>FUND BALANCES</b>					
Fund balances:					
Nonspendable					
Restricted	94,553	1,694,229	\$944,697	665,977	390,969
	<u>94,553</u>	<u>1,694,229</u>	<u>944,697</u>	<u>665,977</u>	<u>390,969</u>
Total Fund Balances	94,553	1,694,229	944,697	665,977	390,969
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,025,163</u>	<u>\$1,709,646</u>	<u>\$944,697</u>	<u>\$793,081</u>	<u>\$408,872</u>

SPECIAL REVENUE FUNDS			PERMANENT	
Street	Transient Occupancy Tax	Prince Park	Wickersham Park Trust	Total Nonmajor Governmental Funds
\$1,230,481	\$479,586	\$864,169	\$23,755	\$6,253,291
186,872	254,301			441,598
92,495				393,816
				140,413
				784,000
<u>\$1,509,848</u>	<u>\$733,887</u>	<u>\$864,169</u>	<u>\$23,755</u>	<u>\$8,013,118</u>
<u>\$71,522</u>	<u>\$87,757</u>			<u>\$325,900</u>
<u>71,522</u>	<u>87,757</u>			<u>325,900</u>
				924,413
				924,413
			\$16,000	16,000
<u>1,438,326</u>	<u>646,130</u>	<u>\$864,169</u>	<u>7,755</u>	<u>6,746,805</u>
<u>1,438,326</u>	<u>646,130</u>	<u>864,169</u>	<u>23,755</u>	<u>6,762,805</u>
<u>\$1,509,848</u>	<u>\$733,887</u>	<u>\$864,169</u>	<u>\$23,755</u>	<u>\$8,013,118</u>

CITY OF PETALUMA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts
<b>REVENUES</b>					
Taxes					
Fines, forfeitures, and penalties				\$206,744	
Use of money and property			\$2,298	2,442	\$1,217
Intergovernmental	\$321,175	\$2,351,505	1,800,081	297,152	
Charges for current services					390,834
Other		387,083			
Total Revenues	321,175	2,738,588	1,802,379	506,338	392,051
<b>EXPENDITURES</b>					
Current:					
Community development	305,344	121,748			
Police		516,239		74,242	
Fire		15,275		9,488	
Parks and recreation					368,524
Public works		3,673	34,613		
Capital outlay		34,830		46,900	
Total Expenditures	305,344	691,765	34,613	130,630	368,524
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	15,831	2,046,823	1,767,766	375,708	23,527
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)	(16,000)	(1,800,783)	(1,250,000)	(145,000)	
Total Other Financing Sources (Uses)	(16,000)	(1,800,783)	(1,250,000)	(145,000)	
<b>NET CHANGE IN FUND BALANCES</b>	(169)	246,040	517,766	230,708	23,527
<b>BEGINNING FUND BALANCES</b>	94,722	1,448,189	426,931	435,269	367,442
<b>ENDING FUND BALANCES</b>	\$94,553	\$1,694,229	\$944,697	\$665,977	\$390,969

<u>SPECIAL REVENUE FUNDS</u>			<u>PERMANENT</u>	
<u>Street</u>	<u>Transient Occupancy Tax</u>	<u>Prince Park</u>	<u>Wickersham Park Trust</u>	<u>Total Nonmajor Governmental Funds</u>
\$1,355,110	\$1,919,729			\$3,274,839
5,416	2,518	\$3,588	\$90	206,744
391,787				17,569
14,187				5,161,700
32,171				405,021
				419,254
<u>1,798,671</u>	<u>1,922,247</u>	<u>3,588</u>	<u>90</u>	<u>9,485,127</u>
	228,238			655,330
				590,481
				24,763
3,120,625				368,524
				3,158,911
				81,730
<u>3,120,625</u>	<u>228,238</u>			<u>4,879,739</u>
(1,321,954)	1,694,009	3,588	90	4,605,388
1,293,697				1,293,697
(148,690)	(1,754,011)	(56,500)		(5,170,984)
<u>1,145,007</u>	<u>(1,754,011)</u>	<u>(56,500)</u>		<u>(3,877,287)</u>
(176,947)	(60,002)	(52,912)	90	728,101
<u>1,615,273</u>	<u>706,132</u>	<u>917,081</u>	<u>23,665</u>	<u>6,034,704</u>
<u>\$1,438,326</u>	<u>\$646,130</u>	<u>\$864,169</u>	<u>\$23,755</u>	<u>\$6,762,805</u>



CITY OF PETALUMA  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

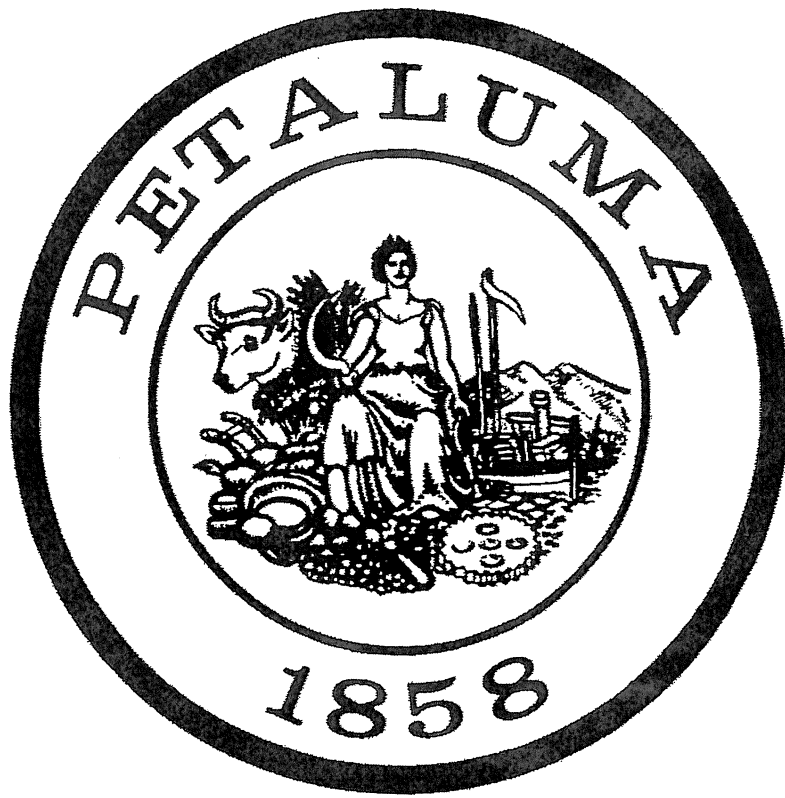
	COMMUNITY DEVELOPMENT BLOCK GRANT			GRANTS AND DONATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Fines, forfeitures, and penalties						
Use of money and property						
Intergovernmental	\$256,300	\$321,175	\$64,875	\$2,073,000	\$2,351,505	\$278,505
Charges for current services						
Other				168,000	387,083	219,083
<b>Total Revenues</b>	<u>256,300</u>	<u>321,175</u>	<u>64,875</u>	<u>2,241,000</u>	<u>2,738,588</u>	<u>497,588</u>
<b>EXPENDITURES</b>						
Current:						
Community development	267,040	305,344	(38,304)	121,500	121,748	(248)
Police				505,346	516,239	(10,893)
Fire				10,000	15,275	(5,275)
Parks and recreation						
Public works					3,673	(3,673)
Capital outlay					34,830	(34,830)
<b>Total Expenditures</b>	<u>267,040</u>	<u>305,344</u>	<u>(38,304)</u>	<u>636,846</u>	<u>691,765</u>	<u>(54,919)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(10,740)</u>	<u>15,831</u>	<u>26,571</u>	<u>1,604,154</u>	<u>2,046,823</u>	<u>442,669</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)		(16,000)	(16,000)	(1,724,902)	(1,800,783)	(75,881)
<b>Total Other Financing Sources (Uses)</b>		<u>(16,000)</u>	<u>(16,000)</u>	<u>(1,724,902)</u>	<u>(1,800,783)</u>	<u>(75,881)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$10,740)</u></u>	<u><u>(169)</u></u>	<u><u>\$10,571</u></u>	<u><u>(\$120,748)</u></u>	<u><u>246,040</u></u>	<u><u>\$366,788</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>94,722</u>			<u>1,448,189</u>	
<b>ENDING FUND BALANCES</b>		<u><u>\$94,553</u></u>			<u><u>\$1,694,229</u></u>	

GAS TAX			PUBLIC SAFETY			LANDSCAPE ASSESSMENT DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$81,500	\$206,744	\$125,244			
\$938	\$2,298	\$1,360	1,427	2,442	1,015	\$800	\$1,217	\$417
1,698,778	1,800,081	101,303	155,000	297,152	142,152			
						377,851	390,834	12,983
<u>1,699,716</u>	<u>1,802,379</u>	<u>102,663</u>	<u>237,927</u>	<u>506,338</u>	<u>268,411</u>	<u>378,651</u>	<u>392,051</u>	<u>13,400</u>
			78,119	74,242	3,877			
			106	9,488	(9,382)			
34,500	34,613	(113)				328,589	368,524	(39,935)
			45,000	46,900	(1,900)			
<u>34,500</u>	<u>34,613</u>	<u>(113)</u>	<u>123,225</u>	<u>130,630</u>	<u>(7,405)</u>	<u>328,589</u>	<u>368,524</u>	<u>(39,935)</u>
<u>1,665,216</u>	<u>1,767,766</u>	<u>102,550</u>	<u>114,702</u>	<u>375,708</u>	<u>261,006</u>	<u>50,062</u>	<u>23,527</u>	<u>(26,535)</u>
<u>(1,250,000)</u>	<u>(1,250,000)</u>		<u>(145,000)</u>	<u>(145,000)</u>				
<u>(1,250,000)</u>	<u>(1,250,000)</u>		<u>(145,000)</u>	<u>(145,000)</u>				
<u>\$415,216</u>	517,766	<u>\$102,550</u>	<u>(\$30,298)</u>	230,708	<u>\$261,006</u>	<u>\$50,062</u>	23,527	<u>(\$26,535)</u>
	426,931			435,269			367,442	
	<u>\$944,697</u>			<u>\$665,977</u>			<u>\$390,969</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, 2014

	STREET			TRANSIENT OCCUPANCY TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$1,361,000	\$1,355,110	(\$5,890)	\$1,795,596	\$1,919,729	\$124,133
Fines, forfeitures, and penalties						
Use of money and property	4,911	5,416	505	1,700	2,518	818
Intergovernmental	358,976	391,787	32,811			
Charges for current services		14,187	14,187			
Other		32,171	32,171			
Total Revenues	<u>1,724,887</u>	<u>1,798,671</u>	<u>73,784</u>	<u>1,797,296</u>	<u>1,922,247</u>	<u>124,951</u>
EXPENDITURES						
Current:						
Community development				276,250	228,238	48,012
Police						
Fire						
Parks and recreation						
Public works	2,889,842	3,120,625	(230,783)			
Capital outlay	97,500		97,500			
Total Expenditures	<u>2,987,342</u>	<u>3,120,625</u>	<u>(133,283)</u>	<u>276,250</u>	<u>228,238</u>	<u>48,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,262,455)</u>	<u>(1,321,954)</u>	<u>(59,499)</u>	<u>1,521,046</u>	<u>1,694,009</u>	<u>172,963</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,299,700	1,293,697	(6,003)			
Transfers (out)	(406,025)	(148,690)	257,335	(1,754,011)	(1,754,011)	
Total Other Financing Sources (Uses)	<u>893,675</u>	<u>1,145,007</u>	<u>251,332</u>	<u>(1,754,011)</u>	<u>(1,754,011)</u>	
	<u>(\$368,780)</u>	<u>(176,947)</u>	<u>\$191,833</u>	<u>(\$232,965)</u>	<u>(60,002)</u>	<u>\$172,963</u>
BEGINNING FUND BALANCES		<u>1,615,273</u>			<u>706,132</u>	
ENDING FUND BALANCES		<u>\$1,438,326</u>			<u>\$646,130</u>	

PRINCE PARK			WICKERSHAM PARK TRUST		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,850	\$3,588	(\$1,262)	\$120	\$90	(\$30)
<u>4,850</u>	<u>3,588</u>	<u>(1,262)</u>	<u>120</u>	<u>90</u>	<u>(30)</u>
<u>4,850</u>	<u>3,588</u>	<u>(1,262)</u>	<u>120</u>	<u>90</u>	<u>(30)</u>
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(56,500)</u>	<u>(56,500)</u>				
<u>(\$51,650)</u>	<u>(52,912)</u>	<u>(\$1,262)</u>	<u>\$120</u>	<u>90</u>	<u>(\$30)</u>
	<u>917,081</u>			<u>23,665</u>	
	<u>\$864,169</u>			<u>\$23,755</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, 2014

	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
ASSETS				
Current Assets:				
Cash and investments	\$228,187	\$123,990	\$55,690	\$5,306,333
Receivables				
Accounts, net				
Interest	6,413			
Inventories		9,060		
Deposits and prepaid items	<u>23,629</u>			<u>751,314</u>
Total Current Assets	<u>258,229</u>	<u>133,050</u>	<u>55,690</u>	<u>6,057,647</u>
Non-current Assets:				
Advances to other funds				38,559
Capital assets:				
Depreciable		36,440	1,774,808	
Less accumulated depreciation		<u>(27,144)</u>	<u>(1,685,640)</u>	
Total Non-current Assets		<u>9,296</u>	<u>89,168</u>	<u>38,559</u>
Total Assets	<u>258,229</u>	<u>142,346</u>	<u>144,858</u>	<u>6,096,206</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	32,258	3,450	19,083	56,387
Claims payable, due within one year				959,794
Compensated absences, due within one year	<u>43</u>	<u>2,572</u>	<u>13,392</u>	
Total Current Liabilities	<u>32,301</u>	<u>6,022</u>	<u>32,475</u>	<u>1,016,181</u>
Non-current liabilities:				
Claims payable, due in more than one year				1,317,373
Compensated absences, due in more than one year	<u>118</u>	<u>36,209</u>	<u>161,584</u>	
Total Non-current Liabilities	<u>118</u>	<u>36,209</u>	<u>161,584</u>	<u>1,317,373</u>
Total Liabilities	<u>32,419</u>	<u>42,231</u>	<u>194,059</u>	<u>2,333,554</u>
NET POSITION				
Net investment in capital assets		9,296	89,168	
Unrestricted	<u>225,810</u>	<u>90,819</u>	<u>(138,369)</u>	<u>3,762,652</u>
Total Net Position	<u>\$225,810</u>	<u>\$100,115</u>	<u>(\$49,201)</u>	<u>\$3,762,652</u>

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Equipment Replacement (BA)</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$105,265	\$2,147	\$5,146,556	\$10,968,168
		214,123	214,123
			6,413
			9,060
		142,815	917,758
<u>105,265</u>	<u>2,147</u>	<u>5,503,494</u>	<u>12,115,522</u>
			38,559
4,705,554 (3,660,751)	1,218,504 (1,193,941)		7,735,306 (6,567,476)
<u>1,044,803</u>	<u>24,563</u>		<u>1,206,389</u>
<u>1,150,068</u>	<u>26,710</u>	<u>5,503,494</u>	<u>13,321,911</u>
		222,650	333,828
		1,160,704	2,120,498
		71	16,078
		<u>1,383,425</u>	<u>2,470,404</u>
		3,297,952	4,615,325
		196	198,107
		<u>3,298,148</u>	<u>4,813,432</u>
		<u>4,681,573</u>	<u>7,283,836</u>
1,044,803	24,563		1,167,830
105,265	2,147	821,921	4,870,245
<u>\$1,150,068</u>	<u>\$26,710</u>	<u>\$821,921</u>	<u>\$6,038,075</u>



CITY OF PETALUMA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

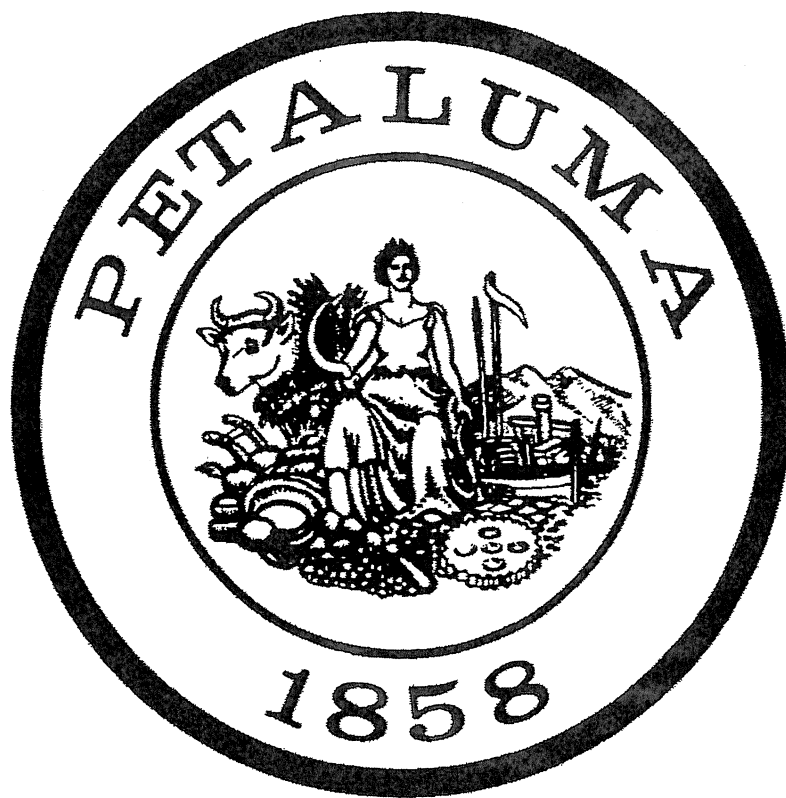
	<u>Employee Benefits</u>	<u>General Services</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>OPERATING REVENUES</b>				
Charges for sales		\$6,425		
Charges for services	\$1,386,185	99,763	\$1,668,330	\$1,521,540
Total Operating Revenues	<u>1,386,185</u>	<u>106,188</u>	<u>1,668,330</u>	<u>1,521,540</u>
<b>OPERATING EXPENSES</b>				
Cost of services	522,939	275,795	1,311,787	687,496
Claims	386,720			(401,994)
General and administrative	165,309	35,920	261,064	263,633
Depreciation			20,318	
Total Operating Expenses	<u>1,074,968</u>	<u>311,715</u>	<u>1,593,169</u>	<u>549,135</u>
Operating Income (Loss)	<u>311,217</u>	<u>(205,527)</u>	<u>75,161</u>	<u>972,405</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings and rent	423	797	(508)	17,662
Total Nonoperating Revenues (Expenses)	<u>423</u>	<u>797</u>	<u>(508)</u>	<u>17,662</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	311,640	(204,730)	74,653	990,067
Transfers in			10,000	
Change in Net Position	311,640	(204,730)	84,653	990,067
<b>BEGINNING NET POSITION</b>	<u>(85,830)</u>	<u>304,845</u>	<u>(133,854)</u>	<u>2,772,585</u>
<b>ENDING NET POSITION (DEFICIT)</b>	<u>\$225,810</u>	<u>\$100,115</u>	<u>(\$49,201)</u>	<u>\$3,762,652</u>

<u>Vehicle/ Equipment Replacement (GG)</u>	<u>Vehicle/ Equipment Replacement (BA)</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
			\$6,425
		\$1,398,002	6,073,820
		1,398,002	6,080,245
\$1,000		166,703	2,965,720
		1,071,139	1,055,865
		167,022	892,948
315,138	\$87,447		422,903
316,138	87,447	1,404,864	5,337,436
(316,138)	(87,447)	(6,862)	742,809
323		20,809	39,506
323		20,809	39,506
(315,815)	(87,447)	13,947	782,315
100,000			110,000
(215,815)	(87,447)	13,947	892,315
1,365,883	114,157	807,974	5,145,760
<u>\$1,150,068</u>	<u>\$26,710</u>	<u>\$821,921</u>	<u>\$6,038,075</u>

CITY OF PETALUMA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

	Employee Benefits	General Services	Information Services	Risk Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$1,386,185	\$106,188	\$1,668,330	\$1,521,540
Cash payments to suppliers for goods and services	(524,620)	(267,648)	(1,310,084)	(724,312)
Cash payments to employees for services	(210,483)	(29,368)	(269,409)	(263,633)
Claims paid	(386,720)			(280,162)
Cash Flows from (used for) Operating Activities	<u>264,362</u>	<u>(190,828)</u>	<u>88,837</u>	<u>253,433</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds			10,000	
Interfund receipts				342,315
Interfund payments	(30,337)			
Cash Flows from (used for) Noncapital Financing Activities	<u>(30,337)</u>		<u>10,000</u>	<u>342,315</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Acquisition of capital assets			(75,166)	
Cash Flows from (used for) Capital Financing Activities			<u>(75,166)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	(5,838)	797	(508)	17,662
Cash Flows from (used for) Investing Activities	<u>(5,838)</u>	<u>797</u>	<u>(508)</u>	<u>17,662</u>
Net Cash Flows	228,187	(190,031)	23,163	613,410
Cash and investments at beginning of period		314,021	32,527	4,692,923
Cash and investments at end of period	<u>\$228,187</u>	<u>\$123,990</u>	<u>\$55,690</u>	<u>\$5,306,333</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:				
Operating income (loss)	\$311,217	(\$205,527)	\$75,161	\$972,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense			20,318	
Changes in assets and Liabilities:				
Accounts receivable				
Inventories		7,423		
Deposits and prepaids	449		1,920	6,590
Accounts payable	(2,130)	724	(217)	(43,406)
Wages payable				
Accrued claims				(682,156)
Compensated absence	(45,174)	6,552	(8,345)	
Cash Flows from (used for) Operating Activities	<u>\$264,362</u>	<u>(\$190,828)</u>	<u>\$88,837</u>	<u>\$253,433</u>

Vehicle/ Equipment Replacement (GG)	Vehicle/ Equipment Replacement (BA)	Workers' Compensation	Total
		\$1,199,530	\$5,881,773
(\$1,000)		(136,909)	(2,964,573)
		(181,573)	(954,466)
		(1,162,960)	(1,829,842)
(1,000)		(281,912)	132,892
100,000			110,000
		30,337	372,652
			(30,337)
100,000		30,337	452,315
(140,425)	(10,582)		(226,173)
(140,425)	(10,582)		(226,173)
323		20,809	33,245
323		20,809	33,245
(41,102)	(10,582)	(230,766)	392,279
146,367	\$12,729	5,377,322	10,575,889
\$105,265	\$2,147	\$5,146,556	\$10,968,168
(\$316,138)	(\$87,447)	(\$6,862)	\$742,809
315,138	87,447		422,903
		(198,472)	(198,472)
			7,423
		(142,815)	(133,856)
		172,609	127,580
		(91,821)	(773,977)
		(14,551)	(61,518)
(\$1,000)		(\$281,912)	\$132,892



<b>FIDUCIARY FUNDS</b>
------------------------

**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, 2014

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
<b>ASSETS</b>				
Cash and investments	\$2,473,424	\$24,280	\$162,922	\$2,660,626
Restricted cash and investments	20,208,366			20,208,366
Notes receivable	234,744			234,744
<b>Total Assets</b>	<b>22,916,534</b>	<b>24,280</b>	<b>162,922</b>	<b>23,103,736</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	96,832			96,832
Claims payable	128,750			128,750
Interest payable	579,939			579,939
Refundable deposits	1,000			1,000
Long-term debt:				
Due within one year	2,269,000			2,269,000
Due in more than one year	73,505,646			73,505,646
<b>Total Liabilities</b>	<b>76,581,167</b>			<b>76,581,167</b>
<b>NET POSITION</b>				
Held in trust for private purposes or for other governments	<u>(\$53,664,633)</u>	<u>\$24,280</u>	<u>\$162,922</u>	<u>(\$53,477,431)</u>

CITY OF PETALUMA  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency to the Redevelopment Agency	Thomas Lee Charity	Child Care	Total
<b>ADDITIONS</b>				
Property tax	\$4,039,476			\$4,039,476
Use of money and property	7,249	\$106	\$728	8,083
Investment income (loss)	2,368	(17)	(115)	2,236
<b>Total Revenues</b>	<b>4,049,093</b>	<b>89</b>	<b>613</b>	<b>4,049,795</b>
<b>DEDUCTIONS</b>				
Community development	2,023,876			2,023,876
Interest expense	3,568,390			3,568,390
<b>Total Expenditures</b>	<b>5,592,266</b>			<b>5,592,266</b>
<b>Change in Net Position</b>	<b>(1,543,173)</b>	<b>89</b>	<b>613</b>	<b>(1,542,471)</b>
<b>NET POSITION HELD IN TRUST OR FOR SPECIFIC PURPOSES</b>				
Beginning of period	(52,121,460)	24,191	162,309	(51,934,960)
End of period	(\$53,664,633)	\$24,280	\$162,922	(\$53,477,431)



CITY OF PETALUMA  
 AGENCY FUNDS  
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
<u>General Agency Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,328,865	\$1,817,644	\$1,328,865	\$1,817,644
Total Assets	<u>\$1,328,865</u>	<u>\$1,817,644</u>	<u>\$1,328,865</u>	<u>\$1,817,644</u>
<u>Liabilities</u>				
Accrued liabilities	\$1,328,661	\$1,817,404	\$1,328,865	\$1,817,200
Deposits payable	372	240		612
Total Liabilities	<u>\$1,329,033</u>	<u>\$1,817,644</u>	<u>\$1,328,865</u>	<u>\$1,817,812</u>
<u>Public Community Access Fund</u>				
<u>Assets</u>				
Cash and investments	\$59,447	\$45,796	\$59,447	\$45,796
Total Assets	<u>\$59,447</u>	<u>\$45,796</u>	<u>\$59,447</u>	<u>\$45,796</u>
<u>Liabilities</u>				
Accrued liabilities	\$59,447	\$45,796	\$59,447	\$45,796
<u>Assessment Districts Fund</u>				
<u>Assets</u>				
Cash and investments	\$1,311,231	\$1,343,808	\$1,311,231	\$1,343,808
Intergovernmental receivable	125,057			125,057
Total Assets	<u>\$1,436,288</u>	<u>\$1,343,808</u>	<u>\$1,311,231</u>	<u>\$1,468,865</u>
<u>Liabilities</u>				
Accrued liabilities	\$1,436,288	\$1,343,808	\$1,311,231	\$1,468,865
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$2,699,543	\$3,207,248	\$2,699,543	\$3,207,248
Intergovernmental receivable	125,057			125,057
Total Assets	<u>\$2,824,600</u>	<u>\$3,207,248</u>	<u>\$2,699,543</u>	<u>\$3,332,305</u>
<u>Liabilities</u>				
Accrued liabilities	\$2,824,396	\$3,207,008	\$2,699,543	\$3,331,861
Deposits payable	204	240		444
Total Liabilities	<u>\$2,824,600</u>	<u>\$3,207,248</u>	<u>\$2,699,543</u>	<u>\$3,332,305</u>

**City of Petaluma, CA**  
**Statistical Section**

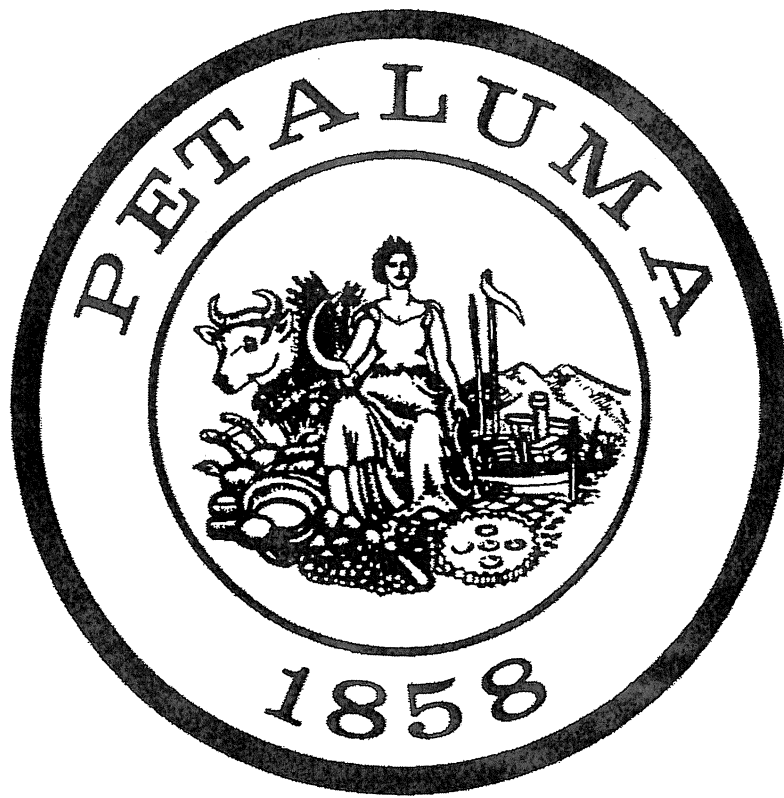
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*This part of the City of Petaluma's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says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

<b>Contents</b>	<b>Schedule</b>
<b>Financial Trends</b> <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>	<b>1, 2, 3, 4, 5</b>
<b>Revenue Capacity</b> <i>These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	<b>6, 7, 8, 9, 10, 11</b>
<b>Debt Capacity</b> <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>	<b>12, 13, 14, 15</b>
<b>Demographic and Economic Information</b> <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>	<b>16, 17</b>
<b>Operating Information</b> <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>	<b>18, 19, 20</b>

**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.*

**Note:** *The City implemented GASB Statement 44 in 2008. Therefore, certain statistical data prior to 2007 is not presented.*



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

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental Activities					
Net investment in capital assets	\$ 114,705,474	\$ 133,614,588	\$ 182,493,710	\$ 182,884,119	\$ 179,955,291
Restricted:					
Special projects	45,022,351	42,252,463	45,082,152	52,781,562	56,684,273
Debt service	322,279	415,569	-	-	-
Permanent fund: non-expendable trust	-	-	-	-	-
Capital projects	29,385,584	39,709,880	733,240	-	-
Permanent-expendable	23,177	23,418	23,575	23,665	23,755
Unrestricted	21,886,630	(7,036,556)	19,573,193	24,073,206	28,599,585
Total governmental activities net position	211,345,495	208,979,362	247,905,870	259,762,552	265,262,904
Business-type activities					
Net investment in capital assets	87,764,411	106,985,367	97,392,844	99,071,053	101,630,468
Restricted:					
Special projects	-	-	-	-	-
Debt service	1,121,485	3,383,336	3,368,110	2,706,388	2,705,842
Permanent fund: non-expendable trust	-	-	-	-	-
Capital projects	-	-	-	-	-
Unrestricted	33,986,673	14,791,955	31,125,709	40,176,194	47,338,349
Total business-type activities net position	122,872,569	125,160,658	131,886,663	141,953,635	151,674,659
Primary government					
Net investment in capital assets	202,469,885	240,599,955	279,886,554	281,955,172	281,585,759
Restricted:					
Special projects	45,022,351	42,252,463	45,082,152	52,781,562	56,684,273
Debt service	1,443,764	3,798,905	3,368,110	2,706,388	2,705,842
Permanent fund: non-expendable trust	-	-	-	-	-
Permanent fund: expendable trust	23,177	23,418	23,575	23,665	23,755
Capital projects	29,385,584	39,709,880	733,240	-	-
Unrestricted	55,873,303	7,755,399	50,698,902	64,249,400	75,937,934
Total primary government activities net position	\$ 334,218,064	\$ 334,140,020	\$ 379,792,533	\$ 401,716,187	\$ 416,937,563

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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 7,610,166	\$ 6,666,303	\$ 5,872,122	\$ 6,435,412	\$ 5,557,915
Community development	18,797,323	14,999,852	5,277,051	9,701,909	4,427,499
Police	15,727,066	15,583,297	18,015,788	16,328,693	15,594,733
Fire	10,172,173	10,282,621	11,056,239	11,412,188	11,143,797
Parks and recreation	2,956,236	2,439,642	2,394,835	2,777,778	3,181,968
Public works	10,145,360	7,562,505	10,805,587	9,273,743	9,146,857
Debt service	3,349,762	3,361,901	1,876,877	1,007	-
Indirect expense allocation	(1,420,750)	(984,500)	(851,273)	(850,357)	(859,304)
Total governmental activities net position	<u>67,337,336</u>	<u>59,911,621</u>	<u>54,447,226</u>	<u>55,080,373</u>	<u>48,193,465</u>
Business-type activities					
Airport	1,542,320	1,544,378	2,060,164	1,956,849	1,731,830
Development Services	1,050,823	1,047,568	1,197,701	1,145,142	1,248,470
Marina	600,797	499,941	538,029	494,854	467,323
Public Transportation	2,037,363	4,057,615	2,317,905	2,464,412	2,973,974
Wastewater	11,615,051	17,979,930	17,847,608	17,582,495	17,866,754
Water Utility	10,584,053	11,790,875	12,388,010	12,150,268	13,046,584
Storm Water	-	-	162,962	367,201	556,848
Indirect expense allocation	1,420,750	984,500	851,273	850,357	859,304
Total business-type activities net position	<u>28,851,157</u>	<u>37,904,807</u>	<u>37,363,652</u>	<u>37,011,578</u>	<u>38,751,087</u>
Total primary government activities net position	<u>\$ 96,188,493</u>	<u>\$ 97,816,428</u>	<u>\$ 91,810,878</u>	<u>\$ 92,091,951</u>	<u>\$ 86,944,552</u>
<b>Program Revenues :</b>					
Governmental activities:					
Charges for services:					
General government	\$ 3,067,208	\$ 1,734,612	\$ 1,697,561	\$ 1,683,790	\$ 1,957,958
Community development	1,603,801	1,489,215	1,849,691	7,648,689	2,201,532
Police	285,067	303,190	198,093	230,793	232,352
Fire	1,980,928	2,148,991	2,267,921	2,383,025	2,421,869
Parks and recreation	920,627	828,595	2,342,066	2,651,535	1,144,415
Public works	257,400	516,805	1,593,884	8,850,951	3,362,076
Operating grants and contributions	1,675,098	1,942,063	2,871,876	1,148,472	1,200,590
Capital grants and contributions	3,601,567	889,116	1,308,367	7,517,779	3,646,751
Total government activities program revenues	<u>13,391,696</u>	<u>9,852,587</u>	<u>14,129,459</u>	<u>32,115,034</u>	<u>16,167,543</u>
Airport	1,656,007	1,729,631	1,832,434	1,784,648	1,821,942
Development Services	1,212,558	1,253,868	1,334,879	1,715,375	1,531,052
Marina	268,650	284,372	283,903	298,189	255,972
Public Transportation	191,704	221,620	261,899	254,711	292,501
Wastewater Utility	19,068,591	18,987,640	23,585,304	25,305,037	24,295,231
Water Utility	11,718,421	11,673,782	14,460,991	15,408,460	15,209,463
Operating grants and contributions	-	3,868,941	2,071,633	2,146,869	3,676,644
Capital grants and contributions	2,681,248	1,842,350	138,305	-	449,283
Total business-type activities program revenues	<u>36,797,179</u>	<u>39,862,204</u>	<u>43,969,348</u>	<u>46,913,289</u>	<u>47,532,088</u>
Total primary government program revenues	<u>\$ 50,188,875</u>	<u>\$ 49,714,791</u>	<u>\$ 58,098,807</u>	<u>\$ 79,028,323</u>	<u>\$ 63,699,631</u>

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Net revenues (expenses):					
Governmental activities	\$ (53,945,640)	\$ (50,059,034)	\$ (40,317,767)	\$ (22,965,339)	\$ (32,025,922)
Business-type activities	7,946,022	1,957,397	6,605,696	9,901,711	8,781,001
Total net revenues (expenses)	<u>\$ (45,999,618)</u>	<u>\$ (48,101,637)</u>	<u>\$ (33,712,071)</u>	<u>\$ (13,063,628)</u>	<u>\$ (23,244,921)</u>
<b>General revenues and other changes in net position:</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 6,923,955	\$ 6,736,251	\$ 6,814,419	\$ 8,664,411	\$ 7,957,020
Redevelopment tax increment	17,224,163	16,166,274	7,153,936	-	-
Sales taxes	8,631,248	8,843,821	9,383,601	9,904,433	11,459,527
Franchise tax	3,132,790	3,202,734	3,063,429	3,651,287	4,088,228
Intergovernmental, unrestricted	6,159,837	6,046,647	6,117,382	6,971,230	6,918,391
Other taxes	2,793,543	3,062,970	3,251,193	3,710,336	4,045,534
Unrestricted investment earnings	796,641	332,785	436,659	316,101	241,751
Miscellaneous revenue	2,039,729	3,351,769	3,455,064	1,694,223	3,562,242
Transfers	221,545	(50,350)	39,568,592	(90,000)	(746,420)
Total governmental activities	<u>47,923,451</u>	<u>47,692,901</u>	<u>79,244,275</u>	<u>34,822,021</u>	<u>37,526,273</u>
Business-type activities:					
Taxes:					
Unrestricted investment earnings	\$ 521,229	\$ 280,342	\$ 159,409	\$ 75,261	\$ 190,603
Gain on disposal of assets	-	-	-	-	3,000
Miscellaneous revenue	(7,685)	-	-	-	-
Transfers	(221,545)	50,350	(39,100)	90,000	746,420
Total business-type activities	<u>291,999</u>	<u>330,692</u>	<u>120,309</u>	<u>165,261</u>	<u>940,023</u>
Total primary government	<u>\$ 48,215,450</u>	<u>\$ 48,023,593</u>	<u>\$ 79,364,584</u>	<u>\$ 34,987,282</u>	<u>\$ 38,466,296</u>
<b>Changes in net assets:</b>					
Governmental activities	\$ (6,022,189)	\$ (2,366,133)	\$ 38,926,508	\$ 11,856,682	\$ 5,500,351
Business-type activities	8,238,021	2,288,089	6,726,005	10,066,972	9,721,024
Total primary government	<u>\$ 2,215,832</u>	<u>\$ (78,044)</u>	<u>\$ 45,652,513</u>	<u>\$ 21,923,654</u>	<u>\$ 15,221,375</u>

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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Fund:</b>					
Reserved	\$ 881,458				
Unreserved, designated	-				
Unreserved	926,720				
Total general fund	<u>1,808,178</u>				
<b>All Other Governmental Funds:</b>					
Reserved	56,141,521				
Unreserved, designated for:					
Special revenue funds	21,753				
Capital project funds	-				
Unreserved, reported in:					
Special revenue funds	21,369,514				
Debt service funds	-				
Capital project funds	(2,802,574)				
Permanent trust	23,177				
Total all other governmental funds	<u>74,753,391</u>				
Total governmental fund balances	<u>\$ 76,561,569</u>				
<b>General Fund:</b>					
Nonspendable	\$ 64,144	\$ 81,024	\$ 95,544	\$ 83,177	
Committed	397,275	1,179,964	2,041,359	-	
Assigned	-	-	254,236	4,081,779	
Unassigned	-	-	1,703,571	1,633,298	
Total general fund	<u>\$ 461,419</u>	<u>\$ 1,260,988</u>	<u>\$ 4,094,710</u>	<u>\$ 5,798,254</u>	
<b>All Other Governmental Funds:</b>					
Nonspendable	\$ 27,034	\$ 1,378,920	\$ 23,665	\$ 16,000	
Restricted	68,494,306	28,697,753	27,542,010	57,556,197	
Committed	14,919,647	16,732,210	26,156,633	1,391,787	
Assigned	-	-	-	-	
Unassigned	-	-	(81,888)	-	
Total governmental fund balances	<u>\$ 83,440,987</u>	<u>\$ 46,808,883</u>	<u>\$ 53,640,420</u>	<u>\$ 58,963,984</u>	

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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Revenues</b>					
Taxes (see schedule 5)	\$ 38,705,700	\$ 38,012,050	\$ 29,666,577	\$ 25,930,467	\$ 27,550,308
Licenses, permits and fees	1,274,934	2,207,999	4,921,033	13,467,082	5,768,076
Fines, forfeitures and penalties	789,895	909,973	927,900	904,110	892,444
Use of money and property	1,019,686	671,185	736,888	684,382	665,222
Intergovernmental	11,435,893	9,013,452	12,566,803	15,223,097	11,680,110
Charges for current services	4,373,632	4,808,475	5,048,086	5,292,940	5,524,587
Other	2,466,222	1,764,517	1,100,595	817,149	2,319,182
Total revenues	<u>60,065,962</u>	<u>57,387,651</u>	<u>54,967,882</u>	<u>62,319,227</u>	<u>54,399,929</u>
<b>Expenditures</b>					
Current:					
General government	3,667,640	3,538,262	3,079,373	2,982,115	3,504,750
Community development	17,542,710	13,913,519	6,607,323	7,253,174	3,018,073
Police	14,965,311	15,029,140	14,906,572	15,268,849	15,718,865
Fire	9,288,308	9,979,449	10,442,244	10,734,962	11,524,404
Parks and recreation	2,280,237	1,845,714	1,739,081	2,141,679	2,504,147
Public works	7,198,568	6,574,553	6,550,016	12,482,214	7,552,488
Capital outlay	7,071,745	6,010,308	4,809,382	1,595,828	2,733,981
Debt service					
Principal	1,355,000	1,629,814	113,958	134,264	-
Interest	3,289,018	3,315,833	1,877,695	2,352	-
Cost of issuance	-	-	-	-	-
Total expenditures	<u>66,658,537</u>	<u>61,836,592</u>	<u>50,125,644</u>	<u>52,595,437</u>	<u>46,556,708</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(6,592,575)</u>	<u>(4,448,941)</u>	<u>4,842,238</u>	<u>9,723,790</u>	<u>7,843,221</u>
<b>Other Financing Sources (Uses):</b>					
Debt issuance	-	11,561,444	-	-	-
Premium paid	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-
Proceeds from the sale of assets	-	4,504	-	31,469	40,307
Contributions from enterprise funds	-	207,830	-	-	-
Transfers in	15,946,693	21,418,966	13,041,470	8,822,043	5,759,605
Transfers out	(15,812,749)	(21,418,966)	(12,951,470)	(8,912,043)	(6,616,025)
Total other financing sources (uses)	<u>133,944</u>	<u>11,773,778</u>	<u>90,000</u>	<u>(58,531)</u>	<u>(816,113)</u>
	<u>\$ (6,458,631)</u>	<u>\$ 7,324,837</u>	<u>\$ 4,932,238</u>	<u>\$ 9,665,259</u>	<u>\$ 7,027,108</u>
Debt service as a percentage of noncapital expenditures (1)	7.79%	8.86%	4.40%	0.27%	0.00%

(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.



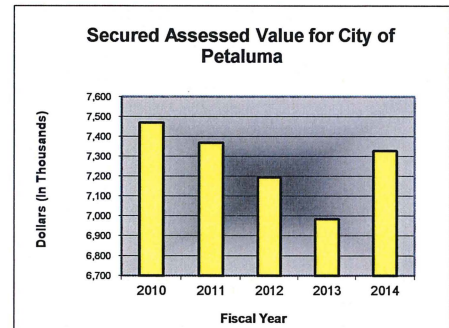
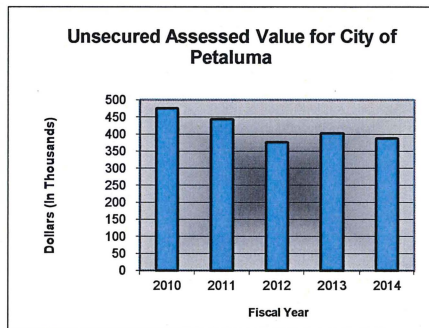
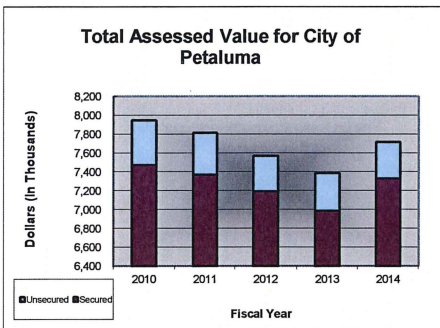
**Schedule 5**  
**City of Petaluma, CA**  
**Tax Revenues by Source, Governmental Funds**  
**Last Five Fiscal Years**

Tax Revenue	Fiscal Year					% Change 2010-2014
	2010	2011	2012	2013	2014	
Property	\$ 24,148,118	\$ 22,929,525	\$ 13,968,355	\$ 8,664,411	\$ 7,957,020	-67.05%
Sales and Use	8,631,248	8,843,821	9,383,601	9,904,433	11,459,527	32.77%
Occupancy	1,165,607	1,341,692	1,484,818	1,680,783	1,919,729	64.70%
Franchise	3,132,790	3,202,734	3,063,428	3,651,287	4,088,228	30.50%
Property Transfer	845,268	834,527	826,506	984,045	965,868	14.27%
Other	782,669	886,751	939,869	1,045,508	1,159,937	48.20%
Total taxes	\$ 38,705,700	\$ 38,039,050	\$ 29,666,577	\$ 25,930,467	\$ 27,550,308	

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

City							Total
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Total Direct Tax Rate (1)	
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	

Redevelopment Agency							Total
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Total Direct Tax Rate (1)	
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	



(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 Data Assessor, MuniServices, LLC

**Schedule 7****City of Petaluma, CA****Assessed Value of Taxable Property by Use Code, Citywide  
Last Five Fiscal Years (in thousands)**

<b>Category</b>	<b>Fiscal Year</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Residential	\$ 5,555,350	\$ 5,575,896	\$ 5,551,197	\$ 5,398,541	\$ 5,693,569
Commercial	841,014	838,152	751,102	743,611	762,317
Manufacturing	524,252	502,140	478,954	444,375	431,460
Vacant	278,095	181,087	149,555	151,203	181,976
Rural	36,061	39,886	38,536	38,296	39,054
Professional	70,073	64,446	60,875	62,193	65,564
Recreation	39,235	46,025	45,608	44,902	44,188
Other	30,618	30,443	29,293	29,485	27,854
Institutional	37,717	33,414	35,365	35,782	45,531
Agriculture	27,496	27,431	27,640	6,994	7,039
Governmental	3,799	3,791	3,819	3,895	3,992
Industrial	14,319	14,234	14,341	14,626	14,566
Transportation	9,349	9,468	5,024	8,201	8,222
Public	1,419	1,416	1,427	1,455	1,484
Miscellaneous	1,164	1,160	1,169	1,192	1,216
<b>TOTAL</b>	<b>\$ 7,469,961</b>	<b>\$ 7,368,989</b>	<b>\$ 7,193,905</b>	<b>\$ 6,984,751</b>	<b>\$ 7,328,032</b>

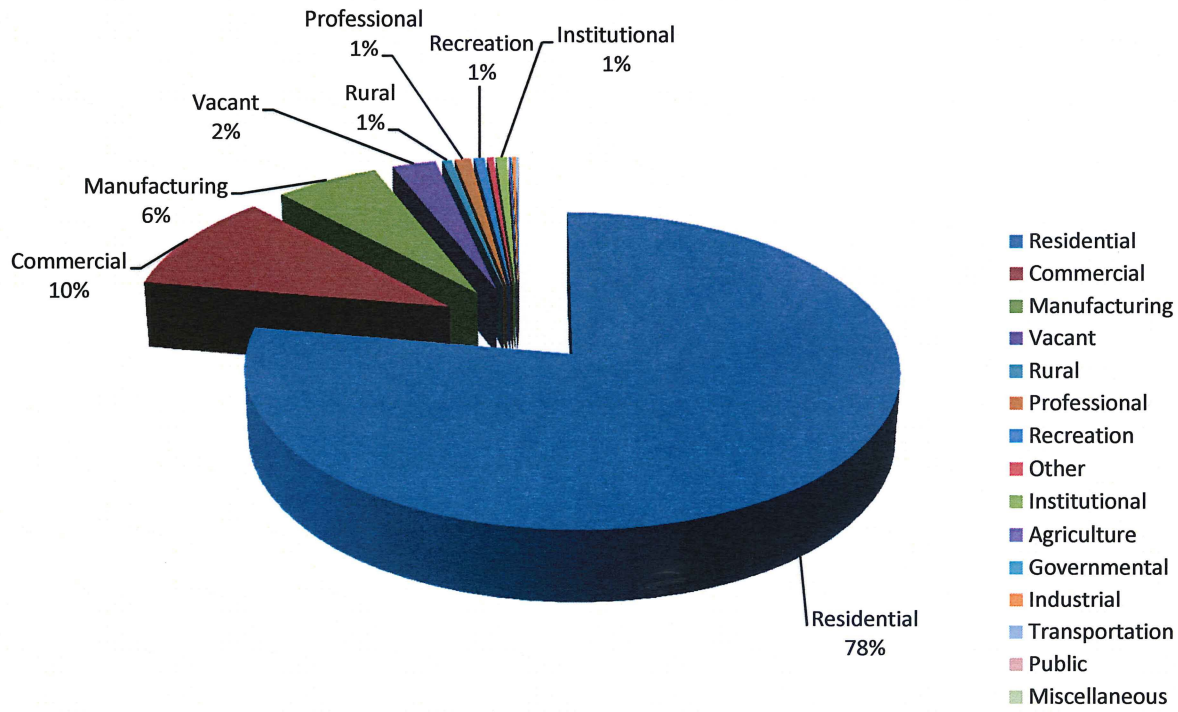
**Source:** Sonoma County Data Assessor, MuniServices, LLC

Schedule 8

City of Petaluma, CA

Assessed Value of Taxable Property by Use Code, Citywide  
2013-2014 Land Use Chart

Assessed Value by Use Code for RDA and City



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

	Fiscal Year				
	2010	2011	2012	2013	2014
Basic City and County Levy (1):					
Bay Area Quality Mgmt.	0.0019	0.0019	0.0019	0.0019	0.0019
City Direct Rate	0.1643	0.1643	0.1643	0.1643	0.1643
County Library	0.0187	0.0187	0.0187	0.0187	0.0187
County of Sonoma	0.2785	0.2785	0.2785	0.2785	0.2785
Gen #1 SOCO Water Agency	0.0075	0.0075	0.0075	0.0075	0.0075
MRN/SNMA MOSO & Vector	0.0024	0.0024	0.0024	0.0024	0.0024
Petaluma AWUF	0.1110	0.1110	0.1110	0.1110	0.1110
Petaluma Schools	0.3973	0.3973	0.3973	0.3973	0.3973
South SO RES CN Land	0.0002	0.0002	0.0002	0.0002	0.0002
Spring Lake Park SCWA	0.0024	0.0024	0.0024	0.0024	0.0024
ZN ZA Petaluma Basin	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
Override Assessments:					
WS Dam-Russian River Project	0.0070	0.0070	0.0070	0.0070	0.0070
Petaluma High school bonds	0.0305	0.0305	0.0342	0.0342	0.0360
Sonoma County Junior College bonds	0.0250	0.0210	0.0210	0.0210	0.0188
Petaluma Elementary school bonds	0.0435	0.0435	0.0465	0.0465	0.0505
Old Adobe Elementary school bonds	-	-	-	-	-
 Total Override Assessments:	 0.1060	 0.1020	 0.1087	 0.1087	 0.1123
 Total Direct and Overlapping Rates:	 1.1060	 1.1020	 1.1087	 1.1087	 1.1123

**Source:** Sonoma County Auditor-Controller Office, 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					
	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Kw G&I VI Petaluma LP	\$ 71,497,930	1	0.95%	\$ -		
Sequoia Equities Cypress Point	40,971,720	2	0.55%	22,181,324		0.36%
1465 N McDowell Holdings 1 LLC	35,789,696	3	0.48%	-		
Chelsea GCA Realty Partnership	31,821,077	4	0.42%	29,839,998		0.48%
Azure At Lakeville Square LLC	28,970,390	5	0.39%	-		
Lagunitas Brewing Company	28,001,200	6	0.37%	-		
Redwood Gateway LLC	27,601,235	7	0.37%	-		
Novak Property LLC	27,494,388	8	0.37%	-		
Clover Stornetta Farms Inc	24,990,072	9	0.33%	-		
Syers Properties I LP	24,558,168	10	0.33%	-		
Washington Square Associates	24,283,875		0.32%	21,065,769		0.34%
Petaluma Marina Office Investors LLC	21,960,501		0.29%	-		
Addison Ranch Apartments LLC	21,607,080		0.29%	-		
Parkway Petaluma LLC	20,379,087		0.27%	-		
Labcon North America	19,232,777		0.26%	-		
Inland American Stephens South	19,159,429		0.26%	-		
Quarry Heights LLC	19,076,245		0.25%	-		
MGP VIII Properties LLC	18,300,620		0.24%	-		
Baywood Equities LP	17,159,968		0.23%	-		
Regency Petaluma LLC	15,671,507		0.21%	-		
Petaluma Waterfront Apartments	15,591,959		0.21%	-		
Petaluma Marina Investors LLC	15,423,110		0.21%	-		
2200-2240 South McDowell LLC	15,300,000		0.20%	-		
Wilkinson Adobe House Dst	15,237,001		0.20%	-		
Molecular Bio Products Inc	13,840,720		0.18%	-		
<b>Top Ten Taxpayers</b>	<b>613,919,755</b>		<b>8.18%</b>	<b>73,087,091</b>		<b>1%</b>
<b>All Other Taxpayers</b>	<b>6,891,702,532</b>		<b>91.82%</b>	<b>6,097,006,231</b>		<b>99%</b>
<b>Total Taxable Assessed Values</b>	<b>\$ 7,505,622,287</b>		<b>100.00%</b>	<b>\$ 6,170,093,322</b>		<b>100%</b>

Source: Sonoma County Data Assessor, MuniServices, LLC

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

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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
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	9,623,447	9,623,447	100.00%	-	9,623,447	100.00%
2014	8,686,541	8,686,541	100.00%	-	8,686,541	100.00%

**Source:** Sonoma County Auditor-Controller 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 Five Fiscal Years**

Governmental Activities					
Fiscal Year	Redevelopment		Total		
	Tax Allocation Bonds	Redevelopment Other	Governmental Activities		
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	-	-	-		

Business-type Activities					
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Total Business-Type Activities
	2010	\$ 13,469,902	\$ 6,953,568	\$ 5,495,585	\$ 138,064,027
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	6,880,024	4,697,485	104,331,808	145,325,762

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2014	145,325,762	6%	2,463

Note: capital lease is immaterial



**Schedule 13**  
**City of Petaluma, CA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2014**

2013-14 Assessed Valuation:	\$	7,586,654,145	(includes aircraft valuations)
Redevelopment Incremental Valuation:		<u>(1,351,178,728)</u>	
Adjusted Assessed Valuation:	\$	6,235,475,417	

	Total Debt 6/30/2014	% Applicable	City's Share of Debt 6/30/2014
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Sonoma County Joint Community College	\$ 174,720,000	11.15%	\$ 19,476,038
Petaluma Joint Union High School District	26,847,832	76.15%	20,445,698
Old Adobe Union School District	18,261,010	88.24%	16,113,515
Petaluma City School District	13,335,000	84.14%	11,220,602
Wilmar Union School District	2,000,000	12.65%	252,900
Waugh School District Community Facilities District #1	7,530,000	100.00%	7,530,000
City of Petaluma 1915 Act Bonds	3,572,034	100.00%	<u>3,572,034</u>
Total Overlapping Tax and Assessment Debt			\$ 78,610,787
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Sonoma County General Fund Obligations	\$ 28,358,883	11.26%	\$ 3,192,359
Sonoma County Pension Obligations	459,165,000	11.26%	51,688,204
Sonoma County Office of Education COP	1,765,000	11.26%	198,686
Sonoma County Joint Community College GF Obligation	1,715,000	11.15%	191,171
Petaluma Joint Union High School District COP	6,615,000	76.15%	<u>5,037,587</u>
Total Direct and Overlapping General Fund Debt:			\$ 60,308,007
OVERLAPPING TAX INCREMENT DEBT	\$ 76,118,000	95.21%	\$ 72,470,078
Subtotal Direct Debt			-
Subtotal Overlapping Debt			<u>211,388,872</u>
Combined Total Debt			<u>\$ 211,388,872</u>

**Source:**

MuniServices, LLC  
non-bonded capital lease obligations.

**Ratios to adjust Assessment Valuation:**

Total Overlapping Tax and Assessment Debt 1.04%

**Ratios to Adjusted Assessed Valuation:**

Combined Direct Debt (\$4,650,000) 0.06%  
Combined Total Debt 2.85%

State School Building Aid Repayment as of 6/30/2014: \$0  
AB:(\$475)

**Schedule 14**  
**City of Petaluma, CA**  
**Legal Debt Margin Information**  
**Last Five Fiscal Years**

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Fiscal Year	Tax Increment Revenue*	Annual Debt Service**	Required Coverage (125%)	Legal Debt Margin	Debt as Percentage of Legal Debt Margin
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	-	-	-	-	-

\*gross tax increment

\*\* all bonded debt

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

**Schedule 15**  
**City of Petaluma, CA**  
**Pledged-Revenue Coverage**  
**Last Five 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

2011 Waste Water Revenue Bonds						
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage**
				Principal	Interest	
2011	\$ 18,774,783	\$ 8,601,644	\$ 10,173,139	\$ 4,780,327	\$ 2,913,455	1.32
2012	\$ 22,498,421	\$ 8,702,880	\$ 13,795,541	\$ 5,690,178	\$ 3,979,519	1.43
2013	\$ 22,728,199	\$ 8,709,391	\$ 14,018,807	\$ 5,589,183	\$ 4,049,960	1.45
2014	\$ 23,810,113	\$ 8,458,271	\$ 15,351,842	\$ 5,723,324	\$ 3,915,085	1.59

\* 125% required

\*\* 120% required

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

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Calendar Year	Population (1)	Personal Household Income in thousands of dollars (2)	Per Capita Personal Income (3)	Median Age	School Enrollment*	Estimated Unemployment Rate %
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%

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					
	2014			2005 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	917	1	2.87%	n/a		
Petaluma Valley Hospital	490	2	1.53%	n/a		
Petaluma Poultry Processors	475	3	1.48%	n/a		
Emphase Energy Inc	340	4	1.06%	n/a		
City of Petaluma	290	5	0.91%	n/a		
Lagunitas Brewing Company	270	6	0.84%	n/a		
Calix Networks Inc.	264	7	0.83%	n/a		
Santa Rosa Junior College	250	8	0.78%	n/a		
Old Adobe Union School District	235	9	0.73%	n/a		
Clover Stornetta Farms	220	10	0.69%	n/a		
Total Principal Employers	3,751		11.72%	n/a		
Total City Employment (1)	32,000			n/a		

Source: MuniServices, LLC

**Notes:**

- (1) Total city employment provided by EDD Labor Force Data
- (2) N/A: unable to obtain the top ten employers for 2005

**Schedule 18**

**City of Petaluma, CA**

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

**Last Seven Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Governmental</b>					
General government (total of next 8)	44.7	38.8	30.1	28.7	26.65
Administrative Services (Finance)	11.6	8.9	6.05	6.05	6.05
Internal Services	15.2	13.2	10.7	10.7	10.70
Animal Services	9.0	8.0	6.0	5.0	0.00
City Attorney	0.5	0.5	0.5	0.0	3.00
City Clerk	2.0	2.0	2.0	2.0	2.00
City Manager	3.8	3.6	3.3	3.3	3.30
Human Resources	2.6	2.6	1.6	1.6	1.60
General Plan	0.0	0.0	0.0	0.0	0.00
Community development	3.6	3.0	5.5	1.7	3.65
Fire	58.3	58.0	57.0	57.0	57.00
Police	111.8	99.5	83.1	81.5	82.50
Parks and recreation	19.8	7.3	5.0	5.0	6.00
Public works	49.0	51.4	35.7	38.5	36.50
<b>Business Activities</b>					
Airport	3.1	1.6	1.6	1.0	1.00
Ambulance	0.0	0.0	0.0	0.0	0.00
Development Services	2.0	3.0	4.0	4.0	5.00
Marina	0.6	0.0	0.0	0.0	0.00
Transit	1.8	2.0	1.0	1.0	1.00
Water	25.7	28.4	29.6	29.6	30.10
Waste water	30.5	31.5	29.6	29.6	30.10
<b>Internal Service</b>					
Employee benefits	1	1	0.4	0.7	0.7
General services	3	2	2	2	2
Information technology	7	7	7	7	7
Risk management	4	3	0	0	0
Workers' compensation	1	1	1	1	1
<b>Total</b>	<b>351</b>	<b>324</b>	<b>282</b>	<b>278</b>	<b>280</b>

**Source:** City budget, finance department

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Community development					
Commercial building permits issued	192	100	241	249	318
Residential building permits issued	725	1,000	821	1,142	1,172
Inspections performed	3,288	4,315	4,614	6,344	4,379
Police					
Number of police calls	53,209	54,429	50,667	49,496	52,738
Parking violations	5,825	5,564	7,118	9,081	8,073
Traffic violations	7,181	5,544	7,667	4,742	4,947
Fire					
Ambulance runs	3,569	3,508	3,612	3,614	3,817
Fire calls	1,478	1,456	1,557	1,606	1,816
Inspections	1,737	1,898	2,014	2,408	2,458
Public works					
Street resurfacing miles	2.44	4.33	0.75	1.5	1.44
Parks and recreation					
Historical library & museum visitors	12,521	11,473	8,801	7,760	6,269
Recreation class attendance	3,248	3,547	3,214	3,271	3,522
Special event attendance	12,000	12,700	12,900	10,000	2,000
Airport					
Airport movements	26,000	26,000	26,000	26,000	26,000
Annual fuel consumption (gallons)	172,110	172,749	177,286	167,700	138,000
Water					
Annual water purchased in billions of gallons	2.2	2.4	2.7	3.1	3.0
Utility accounts	20,214	19,839	19,995	20,152	20,230
Wastewater					
Average dry weather flows of sewage	4.3 mgd	4.6 mgd	4.7 mgd	4.7 mgd	4.3 mgd
Transit					
Number of bus routes	3	6	6	6	6
Annual ridership	181,556	229,447	306,017	339,460	384,967

**Sources:**

Various city department reports, annual budget narrative

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

Function/Program	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Police</b>					
Stations	1	1	1	1	1
Zone offices	2	2	2	2	2
Patrol units	56	53	55	55	55
<b>Fire</b>					
Fire stations	3	3	3	3	3
Ambulances	4	4	4	4	4
<b>Public works</b>					
Streets (miles)	185	185	185	185	185
Highways (miles)	0.80	0.80	0.80	0.80	0.80
Streetlights	6,000	4,700	5,129	5,129	4,942
Traffic Signals	55	50	55	55	51
<b>Park and recreation</b>					
Acreage	299	299	299	299	324
Parks	44	44	44	44	45
Community centers	4	4	4	4	4
Recreation facilities	4	4	4	4	4
Ball/soccer fields	48	48	48	48	51
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
<b>Water</b>					
Water mains (miles)	278	278	255	255	258
Fire hydrants	2,490	2492	2494	2494	2565
Aqueduct stations	8	8	8	8	8
Wells	16	15	15	13	13
Valves	7,251	7310	7324	7324	7542
Reservoirs, finished water (total capacity - 13.1 mg)	13.1	13.1	13.1	11.1	11.1
<b>Wastewater</b>					
Booster stations (35 pumps)	11	12	12	12	12
Sanitary sewers (miles)	195	195	195	195	195.5
Storm sewers (miles)	166	166	122	122	125
Treatment capacity (millions of gallons)	1,960	2,445	2,445	2,445	2,445
Transit - buses	10	10	10	10	10

**Sources:**

Various city department reports, annual budget narrative



