

CITY OF PATTERSON



COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015-2016





CITY OF PATTERSON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF PATTERSON, CALIFORNIA

Prepared and Issued by
Finance Department

SAADIAH RYAN
Finance Director

**CITY OF PATTERSON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

CITY OF PATTERSON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016
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City of Patterson

1 Plaza
P.O. Box 667
Patterson, California 95363
Phone (209) 895-8000

July 6, 2017

To the Honorable Mayor,
Members of the City Council, and the
Citizens of City of Patterson, California

We are pleased to present the City of Patterson ("City") Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2016. The information in this CAFR is prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and included an unmodified opinion on the report by the City's independent certified accountants. Although we rely on the standards and expertise of these external auditors, the responsibility for the accuracy and fairness of this report rests with the City.

An overview of the City's financial activities for the fiscal year is discussed in the Management's Discussion and Analysis ("MD&A") section of the CAFR.

CITY PROFILE

The City was incorporated in 1919 and is located in Stanislaus County, on Highway 33, along the Interstate 5 corridor, and is approximately 280 miles north of Los Angeles, 92 miles south of Sacramento, 89 miles southeast of San Francisco and 45 miles southeast of Livermore. The City has a permanent staffing level of 96 City employees and serves approximately 20,000 residents in a land area of 6.0 square miles.

The City operates utilizing the Council-Manager form of government. The Mayor and four Council members are elected for staggered two-year and four-year terms respectively to govern the City. The City recently went to District elections for Council members. The Mayor is still an at-large election. The City Council is responsible for establishing policies, adopting the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for implementing the Council's policies, overseeing the day-to-day operations of the City, and appointing the directors of the various City's departments.

City Departments and areas of responsibility are comprised of the following:

General Government includes staff and activities associated with the City Council, City Manager, City Clerk, City Attorney, Human Resources, Risk Management, Finance and Information Technology.

Public Safety includes Stanislaus Sheriff with its Communications, Patrol, Investigations and Traffic and Parking Enforcement divisions, as well as Fire with its Emergency Services, Prevention Services, Code Enforcement and Advance Life Support Services (ALS).

Community Development and Planning includes Engineering, Building, Economic Development, Housing and Planning.

Public Works includes Wastewater, Garbage, Water, Streets and Park Maintenance.

Parks and Recreation includes Community Services, Senior Center, Youth Programs and manages the contract for Crossing Guards.

ECONOMIC CONDITION AND OUTLOOK

The City has been able to maintain General Fund reserves in excess of GFOA recommended reserve level of 16.67% during the past few years, and to present a balanced budget for the General Fund for FY 2016-17. This has been achieved through the use of one-time funds combined with significant improvement in the economy. The economy has been relatively strong and several General Fund revenue categories have significantly improved, we continue to be very lean with our staffing level in our operations.

The City takes into consideration the following factors that may contribute to General Fund decrease in reserve level in the foreseeable future:

- In December 2016, CalPERS Board approved lowering its projected rate of return on investments from 7.5% to 7.0% phased in over a three-year period beginning in FY 2018-19;
- The rising cost of health care;
- Agreed upon salary increases for PMMEA employees with projected increases in 2017, 2018 and 2019, based upon implementation of the new benchmark, Cola increases and education incentive.
- Agreed upon salary increases for IAFF Local 4577 employees with projected increases in 2018 and 2019, based upon implementation of Medical, salary, pension, health plan opt out in lieu benefit and one-time 3% contribution to HRA account.

INTERNAL CONTROLS

The management of the City is responsible for establishing and maintaining internal controls designated to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the stated framework. City management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROL

As part of the City's internal controls, it maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. Annually, departments work with the City Manager and Finance Department to submit operating budget requests for the year. The City Manager then makes recommendations to the City Council regarding the budget. After public discussion and evaluations of their recommendations, the City Council adopts the budget for the fiscal year.

Expenditures are controlled at the fund level for all budgeted departments within the City. At this level, expenditures may not legally exceed appropriations. The City Manager or his designee is authorized to transfer funds between departments within the same fund, and limit expenditures in response to lower than expected revenues whenever necessary. The budgets are adopted on a basis substantially

consistent with GAAP. Any amendment to the total level of appropriations for a fund or transfers between funds must be approved by the City Council.

MAJOR INITIATIVES AND PROJECTS

As part of the budget preparation process, the City Council articulates goals and objectives for the next year and evaluates the progress made on the goals established as part of the previous budget. The following represent some of the most significant goals established for Fiscal Years 2015-16 budget process:

- Enforce fiscal sustainability in all City programs and services;
- Significant community enhancement, including enhancing our infrastructure, new shopping and dining opportunities;
- Complete the City's strategic plan to prioritize projects, provide focus to staff and Council and to provide official direction to staff to achieve the goals of the City Council.

Some of the specific projects underway in Fiscal Year 2015-16 included the following:

- Arambel-KDN District Infrastructure Improvement projects (\$4 million)
- West Patterson Business Park District Infrastructure Improvement projects (\$1.7 million)
- I-5 Interchange PA&ED Study (Aqueduct) (\$350,000)
- Slurry Seal - Project Phase I (\$147,000)
- Fire Station I Improvements (\$97,000)

Acknowledgements

In the past years, the City prepared financial statements only. This is the first year the City prepared a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

This CAFR was prepared by the City's Finance Department staff. This report is representative of the staff's ongoing effort and commitment to provide excellent service to Patterson residents. Our Thank you is also extended to the independent auditor of Mann, Urrutia, Nelson CPAs & Associates, LLP for their review of this report and to the City Council for their stewardship and commitment to assist in ensuring the long-term fiscal health of the City.

Respectfully submitted,



Ken Irwin
City Manager



CITY OF PATTERSON
Comprehensive Annual Financial Report

FISCAL YEAR
2015 - 2016

City Council

MAYOR

Luis I. Molina

COUNCIL MEMBERS

Dominic Farinha

Sheree D. Lustgarten

Dennis McCord

Deborah Novelli

Executive Staff

Kenneth Irwin, City Manager

Maricela Vela, City Clerk

Jeff Dirkse, Chief of Police

Jeffery Breasher, Chief of Fire

Michael Willett, Director of Public Works

Fernando Ulloa, Director of Engineering, Building & Capital Projects

Saadiah Ryan, Director of Finance

Julienne Flanders, Recreation & Community Services Director

Thomas Hallinan, City Attorney

Douglas L. White, Deputy City Attorney

Linda DeForest, City Treasurer



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Patterson
Patterson, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Patterson's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the City's OPEB Funding Progress, Schedules Related to the City's Net Pension Liability, and budgetary comparison information on pages 3 - 15 and 65 - 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Patterson's basic financial statements. The combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and SEFA are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 combining and individual nonmajor fund financial statements and SEFA are 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2017, on our consideration of the City of Patterson'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 of Patterson's internal control over financial reporting and compliance.

Man Ustul CPA

Sacramento, California
July 6, 2017

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

As management of the City of Patterson (the City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor's Report, the basic financial statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2016 include the following:

Government-wide:

- The City's total net position was \$103,522,269 as of June 30, 2016. Of this total, \$62,936,984 was governmental net position and \$40,585,285 was business-type net position.
- Government-wide revenues was \$39,204,220. Of this total, governmental program revenues of \$6,327,606 and general revenues and transfers of \$22,816,353, for a total of \$29,143,959. Business-type program revenues and general revenues were \$10,060,261.
- Government-wide expenses were \$33,540,294. Of this total, \$22,298,601 was governmental expenses and \$11,241,693 was business-type expenses.

Fund Level:

- Governmental fund balances decreased \$276,886 or 0.3% in fiscal year 2016.
- Governmental fund revenues decreased \$1,408,704 or 6% in fiscal year 2016.
- Governmental fund expenditures decreased \$1,559,838 or 6% in fiscal year 2016.

General Fund:

- General Fund revenues of \$11,861,053 was \$1,472,892 or 14% higher than the prior year.
- General Fund expenditures of \$13,259,193 represented a decrease of \$604,293 or 5% over the prior year.
- General Fund balance of \$7,200,329 as of June 30, 2016, increased by \$934,722 or 15% from 2015 fiscal year's fund balance of \$6,265,607. The General Fund reserve level was approximately 36%, which is 4% higher than prior year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into three parts:

1. Government-wide financial statements;
2. Fund financial statements;
3. Notes to these financial statements.

Government-wide Financial Statements

The Government-wide financial statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

The Statement of Activities provides information about all the City's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in net position for the year.

All of the City's activities are grouped into government activities and business-type activities, as explained below. The amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities for the City as a whole.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – All of the City's basic services are considered to be governmental activities. These services are supported by the general City revenues such as taxes, and by specific program revenues such as user fees and charges.

Business-type Activities – The City's enterprise activities of water, wastewater and solid waste are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.

Fund Financial Statements

The fund financial statements report on the City's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. The concept of major funds, and the determination of which funds are major, was established by the Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

In the City's case, there are two major governmental funds are the General Fund and Patterson Public Financing Authority Debt Service Fund.

All of the City's enterprise funds are reported as major funds.

Fund financial statements include governmental and proprietary funds as discussed below.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements.

Proprietary funds financial statements are prepared on the full accrual basis, as in the past, and include all of their assets and liabilities, current and long-term.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. This includes resources related to the West Patterson Financing Authority, West Patterson Business Park, Heartland Ranch 2002, and PPFA 2013 Heartland Ranch Revenue Bonds.

Comparisons of budget and actual financial information are presented only for the General Fund and any major special revenue funds starting on page 64, as required by GASB No. 34.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net position and changes in net position of the City as a whole. The City's net position may serve over time as a useful indicator of a government's financial health or financial position. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Position and Statements of Activities, while Table 4 focuses on the City's Business-type Statement of Net Position and Statement of Activities.

Table 1
GOVERNMENTAL NET POSITION AT JUNE 30, 2016

	Governmental Activities 2016	Governmental Activities 2015
<u>ASSETS</u>		
Cash and investments	\$ 91,391,652	\$ 91,926,236
Other assets	5,435,491	3,402,654
Capital assets, net	<u>55,756,984</u>	<u>50,237,729</u>
TOTAL ASSETS	<u>152,584,127</u>	<u>145,566,619</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources	<u>2,378,205</u>	<u>1,288,983</u>
<u>LIABILITIES</u>		
Long-term liabilities	84,809,284	85,167,645
Other liabilities - includes current portion of long term	<u>6,253,580</u>	<u>4,483,513</u>
TOTAL LIABILITIES	<u>91,062,864</u>	<u>89,651,158</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources	<u>962,484</u>	<u>1,112,818</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	55,756,984	50,237,729
Restricted for:		
Capital Projects	-	224,725
Debt Service	73,000,253	81,663
Grants, taxes and fees	5,213,891	4,560,489
Unrestricted	<u>(71,034,144)</u>	<u>987,020</u>
TOTAL NET POSITION	<u>\$ 62,936,984</u>	<u>\$ 56,091,626</u>

The City's governmental net position amounted to \$62,936,984 as of June 30, 2016, an increase of \$6,845,358 over 2015. The City's net position as of June 30, 2016 comprised the following:

Cash and investments totaled \$18,072,764. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised \$2,518,311 of current receivables and loans receivable of \$1,950,615 that are due over longer periods of time as explained in Note 4.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

longer periods of time as explained in Note 4.

Capital assets of \$55,756,984 net of depreciation charges, which included all the City's capital assets used in governmental activities.

Current liabilities, including accounts payable, claims and other amounts due currently, totaled \$6,253,580.

Compensated absences payable to employees were \$335,975, as explained in Note 10 to the financial statements.

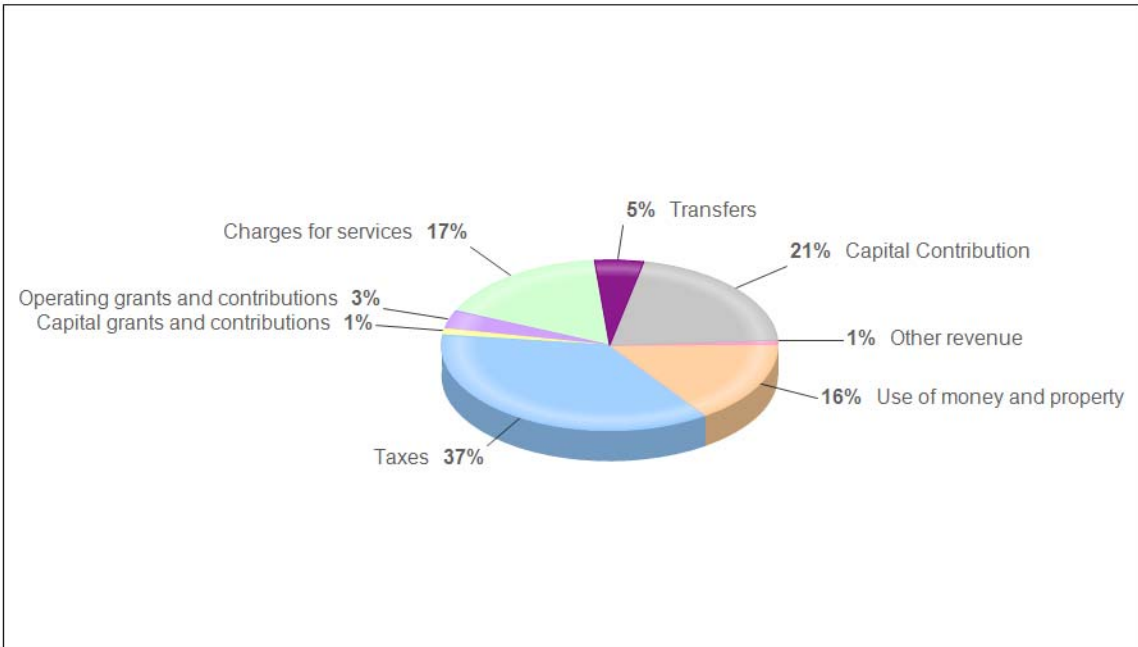
Long-term liabilities of \$84,809,284 consisted of \$6,513,593 related to the City's other postemployment benefits, \$5,050,700 in the Net Pension Liability, \$364,000 in a settlement liability, and \$72,880,991 of other long-term liabilities.

Net investment in capital assets of \$55,756,984, representing the City's investment in capital assets used in governmental activities, net of amounts borrowed to finance those investments.

Restricted net position of \$78,214,144 was comprised of \$5,213,891 restricted for grants, taxes, and fees; and \$73,000,253 restricted for debt service.

Unrestricted net position, the part of net position that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$1,831,382 as of June 30, 2016.

Governmental Activities
Sources of Revenues

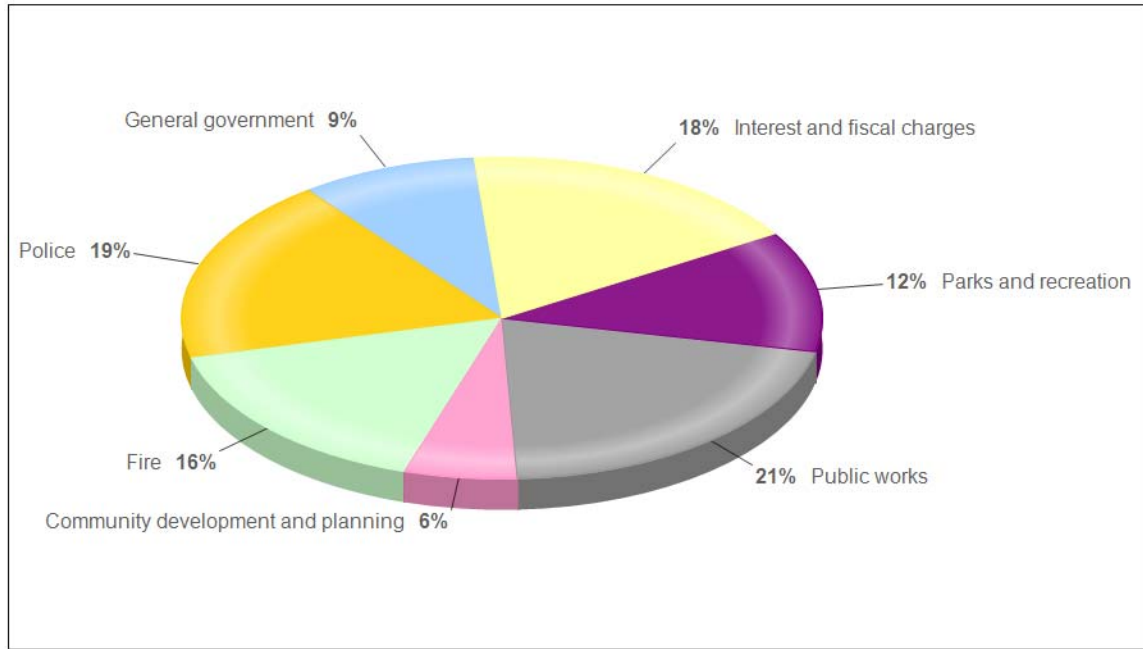


As the Governmental Activities Sources of Revenue chart above shows, \$10,650,030, or 37% of the City's fiscal year 2016 governmental activities revenue came from taxes, while \$4,986,617, or 17% came from charges for services, \$342,867 or 1%, came from capital grants and contributions, \$998,122 or 3% came from operating grants and contributions, and the remainder came from a variety of sources, as shown above.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

Governmental Activities

Functional Expenses



The Governmental Activities Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$2,003,932, or 9%, of total governmental expenses, community development and planning was \$1,258,725, or 6%, police was \$4,156,842, or 19%, fire was \$3,594,435, or 16%, public works was \$4,652,522, or 21%, parks and recreation was \$2,696,555, or 12%, and interest on long-term liabilities was the remaining amount.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these elements in the changes in governmental net position are summarized below.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

Table 2
CHANGE IN GOVERNMENTAL NET POSITION

	Governmental Activities 2016	Governmental Activities 2015
<u>EXPENSES</u>		
General government	\$ 2,003,932	\$ 2,650,997
Police	4,156,842	3,298,276
Fire	3,594,435	3,381,961
Community development and planning	1,258,725	1,213,617
Public works	4,652,522	4,043,774
Parks and recreation	2,696,555	2,558,315
Interest and fiscal charges	<u>3,935,590</u>	<u>4,118,232</u>
TOTAL EXPENSES	<u>22,298,601</u>	<u>21,265,172</u>
<u>REVENUES</u>		
Program revenues		
Charges for services	4,986,617	6,202,079
Operating grants and contributions	998,122	1,318,671
Capital grants and contributions	<u>342,867</u>	<u>556,120</u>
Total program revenues	<u>6,327,606</u>	<u>8,076,870</u>
General revenues		
Taxes	10,650,030	8,885,269
Use of money and property	4,530,279	4,491,782
Capital Contribution	6,075,652	-
Other	<u>1,560,392</u>	<u>2,277,170</u>
Total general revenues	<u>22,816,353</u>	<u>15,654,221</u>
TOTAL REVENUES	<u>29,143,959</u>	<u>23,731,091</u>
CHANGES IN NET POSITION	<u>\$ 6,845,358</u>	<u>\$ 2,465,919</u>

As Table 2 above shows, \$6,327,606 or 22%, of the City's fiscal year 2016 governmental revenue, came from program revenues and \$22,816,353, or 78%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$4,986,617, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$998,122 of operating grants and contributions, which included housing and police grants; and capital grants and contributions of \$342,867, that consisted mainly of Federal grants and reimbursements. General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

The increase in expenditures of approximately 5% is primarily due to an increase in Public Safety and Public Works expenditures.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

Table 3 presents the net expense or revenue of each of the City's governmental activities, including interest on long-term liabilities. Net expense is defined as total program cost less the revenues generated by those specific activities. The increase in net (expense) revenues in Public Works, Community Development and Planning, Park and Receptions relates to an increase in salaries and benefits and operational costs. The increase in the net (expense) revenues in Police and Fire is due to an increase in overall service cost and addition of 3 Paramedics. The decrease in net (expense) revenues for General Government is due to vacancy savings in the Engineering and Building department, increase in charges for services, and operating and capital grants and contributions..

Table 3
GOVERNMENTAL ACTIVITIES

	Net (Expense) Revenues from Services 2016	Net (Expense) Revenues from Services 2015
	<u>2016</u>	<u>2015</u>
General government	\$ (1,840,435)	\$ (2,393,452)
Police	(3,740,228)	(2,771,326)
Fire	(2,811,507)	(2,299,183)
Community development and planning	(545,135)	(166,661)
Public works	(2,206,230)	(661,245)
Parks and recreation	(891,870)	(778,203)
Interest and fiscal charges	<u>(3,935,590)</u>	<u>(4,118,232)</u>
Total	<u>\$ (15,970,995)</u>	<u>\$ (13,188,302)</u>

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

BUSINESS-TYPE ACTIVITIES

The Statement of Net Position and Statement of Activities present a summary of the City's Business-type activities that are composed of the City's enterprise funds.

Table 4
BUSINESS-TYPE NET POSITION AT JUNE 30, 2016

	<u>Business-type 2016</u>	<u>Business-type 2015</u>
<u>ASSETS</u>		
Cash and investments	\$ 8,605,703	\$ 10,506,656
Other assets	1,052,396	984,101
Capital assets, net	<u>51,743,048</u>	<u>51,883,341</u>
TOTAL ASSETS	<u>61,401,147</u>	<u>63,374,098</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources	<u>681,546</u>	<u>558,035</u>
<u>LIABILITIES</u>		
Long-term liabilities	19,752,333	20,213,578
Other liabilities	<u>1,533,640</u>	<u>1,601,532</u>
TOTAL LIABILITIES	<u>21,285,973</u>	<u>21,815,110</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred outflows of resources	<u>211,435</u>	<u>350,306</u>
<u>NET POSITION</u>		
Invested in capital, net of related debt	35,232,028	34,725,802
Restricted	4,102,582	5,303,232
Unrestricted	<u>1,250,675</u>	<u>1,737,683</u>
TOTAL NET POSITION	<u>\$ 40,585,285</u>	<u>\$ 41,766,717</u>

The net position of business-type activities decreased by \$1,181,432 in fiscal year 2016. The decrease of cash and investments of \$1,900,953 is due to the payment of Water and Sewer Bond principal and interest payments and increase in new capital assets. The decrease in long-term liabilities of \$461,245 was primarily due to the payment of Water and Sewer Bond principal. The decrease in other liabilities of \$67,892 was primarily due to the increase in accounts payable and accrued interest at year end.

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	<u>2016</u>	<u>2015</u>
Water	\$ (717,086)	\$ (1,091,674)
Sewer	(739,455)	(2,289,764)
Garbage	<u>275,109</u>	<u>65,172</u>
Total	<u>\$ (1,181,432)</u>	<u>\$ (3,316,266)</u>

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund property tax and sales tax increased by \$1,472,892 or 12% and \$1,313,083 or 35% respectively due to growth in business and industry in Patterson.

General Fund expenditures were \$13,259,193 a decrease of \$604,293 from the prior year due to an increase in general contract services, legal services and public safety operational costs.

As of June 30, 2016, the General Fund's fund balance totaled \$7,200,329. The unassigned portion of the fund balances represents available liquid resources.

Patterson Public Financing Authority Debt Service Fund

This fund accounts for 2013 Heartland Ranch Refunding Revenue Bonds, 2013 Heartland Ranch Authority Bonds, and WPFA 2013 Revenue Bonds. The fund's fiscal year end fund balance was \$72,948,480.

Proprietary Funds

Water Fund

Operating revenues and expenses decreased by \$582,983 and \$161,729 in fiscal year 2016, resulting in operating income of \$242,880. Revenue decrease is due to water conservancy. Increase in water expenses results from decreased personnel costs due to vacancy savings and professional services costs.

The fund's net position increase was \$19,146,535. Of this amount, \$14,881,173 was the net investment in capital assets, \$3,886,096 was restricted for debt services, and \$379,266 was unrestricted.

Sewer Fund

Operating revenues increased by \$450,995. Operating expenses increased by \$125,682. The fund's net position decreased by \$739,455 in fiscal year 2016. Revenue increase is due to increase in sewer rates. Sewer operating expenses increased as the result of increased professional services and operating costs.

As of June 30, 2016, the fund's net position was \$20,716,332, of which \$20,293,693 was the net investment in capital assets, \$216,486 was restricted, and \$206,153 was unrestricted.

Garbage Fund

Operating revenues increased by \$133,164. Operating expenses increased by \$11,401. The change in net position of the Garbage Fund resulted in an increase of \$275,109 in fiscal year 2016. Revenue increase is due to increase in garbage rates. Increase in garbage expenses results from an increase in controlled costs of contract services

As of June 30, 2016, the fund's net position was \$722,418, of which \$57,162 was the net investment in capital assets and \$665,256 was unrestricted.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

CAPITAL ASSETS

GASB No. 34 required the City to record all its capital assets including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2016, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2016, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 and 7 below:

The City's governmental activities net investment in capital assets for the current fiscal year increased \$5,519,254 or 11%. The following are the significant changes in capital assets compared to prior fiscal year:

- Improvement increased by \$685,991 or 5% due to various projects completions such as Slurry Seal Project Phase I, Roger's Road Rehab program and Community Center Relocation project.
- Streets and roads increased by \$2,492,462 or 13% due to various projects completions such as Fourth Street Infrastructure, I-5 Interchange PA&ED project.
- Equipment increased by \$296,834 or 6% due to purchase of vehicles and public safety equipment.
- Construction in progress increase by \$4,003,607
- Overall depreciation increased as well by \$1,959,640 or 12%.

Table 6
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS AT JUNE 30,

	2016	2015
Governmental Activities		
Capital assets not being depreciated		
Land	\$ 3,395,717	\$ 3,395,717
Construction in progress	6,026,285	2,022,678
Total capital assets not being depreciated	9,422,002	5,418,395
Capital assets being depreciated		
Buildings	23,972,872	23,972,872
Improvements	13,368,942	12,682,951
Streets and roads	21,792,730	19,300,268
Equipment	5,543,414	5,246,580
Total capital assets not being depreciated	64,677,958	61,202,671
Less: accumulated depreciation		
Buildings	(4,304,536)	(3,704,458)
Improvements	(5,384,257)	(4,772,891)
Streets and roads	(4,385,092)	(3,704,590)
Equipment	(4,269,091)	(4,201,397)
Total accumulated depreciation	(18,342,976)	(16,383,336)
Governmental activities capital assets, net	\$ 55,756,984	\$ 50,237,730

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

The City depreciates all its capital assets over their estimated useful lives, as required by GASB No. 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 1 and Note 5 to the financial statements.

The City's business-type activities net investment in capital assets for the current fiscal year decreased \$140,293 or 0.3%. Details on capital assets, current year additions and construction in progress can be found in Note 5.

The following are the significant changes in capital assets compared to prior fiscal year:

- Equipment decreased due to assets are fully depreciated such as vehicles.

Table 7
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS AS OF JUNE 30,

	2016	2015
Business-type Activities		
Capital assets not being depreciated		
Land	\$ 5,745,597	\$ 5,745,597
Construction in progress	1,152,823	2,174,475
Total capital assets not being depreciated	6,898,420	7,920,072
Capital assets being depreciated		
Infrastructure	62,884,881	59,991,193
Equipment	4,591,075	4,121,127
Total capital assets being depreciated	67,475,956	64,112,320
Less: accumulated depreciation		
Infrastructure	(20,519,564)	(18,362,638)
Equipment	(2,111,764)	(1,786,413)
Total accumulated depreciation	(22,631,328)	(20,149,051)
Business-type activities capital assets, net	\$ 51,743,048	\$ 51,883,341

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

DEBT ADMINISTRATION

The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Note 10 of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8
LONG-TERM LIABILITIES

	2016	2015
Governmental activities		
Compensated absences	\$ 335,975	\$ 348,184
PPFA 2013 Heartland Ranch revenue bonds	4,291,071	4,641,907
PPFA 2013 Series A revenue bonds	64,675,000	65,980,000
PPFA 2013 Series B revenue bonds	6,265,000	-
Total governmental activities	\$ 75,567,046	\$ 70,970,091
Business-type activities		
Water		
Compensated absences	\$ 77,302	\$ 78,018
2011 water revenue bond	8,810,000	9,020,000
Total for water fund	8,887,302	9,098,018
Sewer		
Compensated absences	82,429	75,782
Economic bank loan	200,000	300,000
State revolving fund loan	658,022	696,586
2009 sewer bonds	2,775,000	2,840,000
Banc of america loan	1,552,023	1,596,991
CEC loan	2,515,975	2,703,962
Total for sewer fund	7,783,449	8,213,321
Garbage		
Compensated absences	13,460	12,636
Total for garbage fund	13,460	12,636
Total business-type activities	\$ 16,684,211	\$ 17,323,975

Governmental activities bonded indebtedness, increased by \$4.6 million due to the issuance of new debt by the Patterson Public Financing Authority in the current year.

Business-type activities bond indebtedness decreased by \$639,764 due to principal payments of various debts.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2016

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

Patterson is a medium-sized city located in the state of California. With a population of 21,498 people and three constituent neighborhoods, Patterson is the 306th largest community in California.

Patterson's economy continues to grow after a lengthy recession. Housing prices have increased and stabilized after the recession. New single family residential construction continues to grow.

The City appears to be in a favorable position to continue attracting jobs and retail establishments. Sales tax revenues have trended higher over the past years. New establishments such as full service Travel Center, Shell and Mobil gas stations and other various retailers will add to the City's sales tax base.

Patterson has established itself as a prime location for the distribution and logistics industry, with several major national and international corporations operating distribution facilities in the City's Business Parks. The presence of Amazon and Restoration Hardware solidified this growing reputation. These facilities are bringing good paying jobs to the community and should result in other types of economic development in the near future.

NEXT YEAR'S BUDGET

The following factors were taken into consideration during the preparation of the City's budget for the fiscal year 2016/2017.

The recent signing of state legislation mandating a steady increase toward a minimum wage to \$15 per hour by 2022 point to further increases in weekly wages at an average yearly rate of 3.95% in 2017 and 4.51% in 2018.

An aging infrastructure for the City's sewer and water system continues to be addressed. Our Storm, water, and traffic master plans are reaching finality and a long range capital improvement plan will be adopted that will put funding and facility improvements in place. The City Council has approved a Proposition 218 compliant rate increase procedure that provided for sewer rate increases over time that will fund necessary maintenance and upgrades to this critical system. This same procedure will be completed for the water system following the completion of the Water Master Plan. Our concerns for the water rates will be based on the recent Chrome VI regulations and draught stipulations.

General Fund property tax, sales tax and motor vehicle in lieu revenues are projected to increase as new commercial and residential developments are completed and continuing growth in all business and industry in Patterson.

General Fund expenditures are projected to increase as well, as capital assets such as equipment need replacements and increase in salaries and benefits (3 MOU renew agreements), operations and maintenance expenditures.

General Fund's fund balance reserve is projected to be at 28% by end of fiscal year 2017.

Enterprise Fund water revenue is projected to decrease as water conservancy being mandated. However, Wastewater and Garbage revenues are projected to increase due to rate increase of 6% being implemented for Wastewater and increase in commercial and residential garbage services respectively.

Enterprise Fund expenses are projected to increase due to equipment need replacements and repairs and increase in salaries and benefits (3 MOU renew agreements), operations and maintenance expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the City's finances. Questions about this report should be directed to the City of Patterson, at 1 Plaza, Patterson, CA 95363.

CITY OF PATTERSON
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 3)	\$ 18,072,764	\$ 4,503,121	\$ 22,575,885
Receivables:			
Accounts	2,511,542	1,035,916	3,547,458
Interest	6,769	1,542	8,311
Notes and loans (Note 4)	1,950,615	-	1,950,615
Prepaid expenses	81,628	14,938	96,566
Deposits	884,937	-	884,937
Restricted cash and investments (Note 3)	73,318,888	4,102,582	77,421,470
Capital assets, net of accumulated depreciation (Note 5)	<u>55,756,984</u>	<u>51,743,048</u>	<u>107,500,032</u>
Total Assets	<u>152,584,127</u>	<u>61,401,147</u>	<u>213,985,274</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charges, net of amortization	-	110,302	110,302
Deferred outflow of resources - pensions (Note 14)	<u>2,378,205</u>	<u>571,244</u>	<u>2,949,449</u>
Total Deferred Outflow of Resources	<u>2,378,205</u>	<u>681,546</u>	<u>3,059,751</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	3,598,228	492,187	4,090,415
Unearned revenue	425,348	-	425,348
Deposits	-	137,500	137,500
Accrued interest	-	58,281	58,281
Accrued compensated absences (Note 10):			
Due within one year	335,975	173,191	509,166
Long-term liabilities (Note 10):			
Due within one year	1,582,029	672,481	2,254,510
Due in more than one year	72,880,991	15,838,539	88,719,530
Settlement liability (Note 9)			
Due within one year	312,000	-	312,000
Due in more than one year	364,000	-	364,000
Other postemployment benefits (Note 16)			
Due in more than one year	6,513,593	2,785,978	9,299,571
Net pension liability (Note 14)	<u>5,050,700</u>	<u>1,127,816</u>	<u>6,178,516</u>
Total Liabilities	<u>91,062,864</u>	<u>21,285,973</u>	<u>112,348,837</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflow of resources- deposits	29,175	-	29,175
Deferred inflow of resources - pensions (Note 14)	<u>933,309</u>	<u>211,435</u>	<u>1,144,744</u>
Total Deferred Inflow of Resources	<u>962,484</u>	<u>211,435</u>	<u>1,173,919</u>
<u>NET POSITION</u>			
Net investment in capital assets	55,756,984	35,232,028	90,989,012
Restricted for:			
Debt service	73,000,253	4,102,582	77,102,835
Grants, taxes, and fees	<u>5,213,891</u>	<u>-</u>	<u>5,213,891</u>
Total restricted net position	<u>78,214,144</u>	<u>4,102,582</u>	<u>173,305,738</u>
Unrestricted net position	<u>(71,034,144)</u>	<u>1,250,675</u>	<u>(69,783,469)</u>
Total Net Position	<u>\$ 62,936,984</u>	<u>\$ 40,585,285</u>	<u>\$ 103,522,269</u>

The accompanying notes are an integral part of these financial statements.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 2,003,932	\$ 108,119	\$ 55,378	\$ -	\$ (1,840,435)	\$ -	\$ (1,840,435)
Police	4,156,842	268,929	147,685	-	(3,740,228)	-	(3,740,228)
Fire	3,594,435	413,973	368,955	-	(2,811,507)	-	(2,811,507)
Community development and planning	1,258,725	390,721	322,869	-	(545,135)	-	(545,135)
Public works	4,652,522	2,000,190	103,235	342,867	(2,206,230)	-	(2,206,230)
Parks and recreation	2,696,555	1,804,685	-	-	(891,870)	-	(891,870)
Interest and fiscal charges	3,935,590	-	-	-	(3,935,590)	-	(3,935,590)
Total Governmental Activities	<u>22,298,601</u>	<u>4,986,617</u>	<u>998,122</u>	<u>342,867</u>	<u>(15,970,995)</u>	<u>-</u>	<u>(15,970,995)</u>
Business-type activities:							
Water	3,567,751	3,389,473	-	-	-	(178,278)	(178,278)
Sewer	4,221,112	3,857,074	-	(1,582)	-	(365,620)	(365,620)
Garbage	2,080,840	2,800,845	-	-	-	720,005	720,005
Total Business-type Activities	<u>9,869,703</u>	<u>10,047,392</u>	<u>-</u>	<u>(1,582)</u>	<u>-</u>	<u>176,107</u>	<u>176,107</u>
Total Primary Government	<u>\$ 32,168,304</u>	<u>\$ 15,034,009</u>	<u>\$ 998,122</u>	<u>\$ 341,285</u>	<u>\$ (15,970,995)</u>	<u>\$ 176,107</u>	<u>\$ (15,794,888)</u>
General Revenues:							
Taxes:							
Property tax					\$ 3,172,489	\$ -	\$ 3,172,489
Sales tax					5,045,260	-	5,045,260
Franchise tax					188,834	-	188,834
Motor vehicle in lieu					1,693,793	-	1,693,793
Other taxes					549,654	-	549,654
Use of money and property					4,530,279	14,451	4,544,730
Capital contribution					6,075,652	-	6,075,652
Other revenue					188,402	-	188,402
Transfers (Note 6)					1,371,990	(1,371,990)	-
Total General Revenues and Transfers					<u>22,816,353</u>	<u>(1,357,539)</u>	<u>21,458,814</u>
Change in Net Position					6,845,358	(1,181,432)	5,663,926
Net Position - July 1, 2015					<u>56,091,626</u>	<u>41,766,717</u>	<u>97,858,343</u>
Net Position - June 30, 2016					<u>\$ 62,936,984</u>	<u>\$ 40,585,285</u>	<u>\$ 103,522,269</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Patterson Public Financing Authority	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and investments	\$ 6,749,325	\$ -	\$ 11,323,439	\$ 18,072,764
Restricted cash and investments	-	73,318,888	-	73,318,888
Prepaid expenses	78,491	-	3,137	81,628
Deposits	932,113	-	-	932,113
Receivables:				
Accounts	1,930,280	-	581,262	2,511,542
Interest	2,236	1,401	3,132	6,769
Notes and loans	16,632	-	1,933,983	1,950,615
Due from other funds (Note 6)	904,099	-	-	904,099
 Total Assets	\$ 10,613,176	\$ 73,320,289	\$ 13,844,953	\$ 97,778,418
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 3,338,073	\$ 6,390	\$ 253,765	\$ 3,598,228
Due to other funds (Note 6)	-	365,419	538,680	904,099
Unearned Revenue	58,142	-	367,206	425,348
Deposits	-	-	47,176	47,176
 Total Liabilities	3,396,215	371,809	1,206,827	4,974,851
 DEFERRED INFLOWS OF RESOURCES:				
Deferred inflow of resources - Notes Receivable	16,632	-	1,933,983	1,950,615
 FUND BALANCES:				
Restricted	51,773	72,948,480	5,315,468	78,315,721
Committed	3,626,143	-	5,671,805	9,297,948
Assigned	1,879,546	-	105	1,879,651
Unassigned	1,642,867	-	(283,235)	1,359,632
 Total Fund Balances	7,200,329	72,948,480	10,704,143	90,852,952
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,613,176	\$ 73,320,289	\$ 13,844,953	\$ 97,778,418

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
RECONCILIATION OF THE
BALANCE SHEET
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Total fund balances of governmental funds	\$ 90,852,952
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$18,342,976.	55,756,984
Certain accounts, notes and loans receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.	1,950,615
Deferred outflows of resources related to 2016 pension contributions made subsequent to the measurement date and changes in the net pension liability.	2,378,205
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Long-term liabilities	(74,463,020)
Settlement Liability	(676,000)
Compensated absences	(335,975)
Net OPEB obligation	(6,513,593)
Net pension liability	(5,050,700)
Deferred inflows related to changes in the net pension liability and deposits	(962,484)
Net position of governmental activities	\$ 62,936,984

The accompanying notes are an integral part of these financial statements.

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

	<u>General Fund</u>	<u>Patterson Public Financing Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Taxes:				
Property	\$ 2,830,810	\$ -	\$ 341,679	\$ 3,172,489
Sales	5,045,260	-	-	5,045,260
Franchise	188,834	-	-	188,834
Motor vehicle in lieu	1,693,793	-	-	1,693,793
Other	110,223	-	439,431	549,654
License, permits, and fees	459,083	-	524,032	983,115
Charges for current services	346,817	-	3,416,749	3,763,566
Intergovernmental	684,188	-	656,802	1,340,990
Fines, forfeitures and penalties	239,936	-	-	239,936
Investment earnings	73,707	4,419,407	37,165	4,530,279
Miscellaneous revenues	<u>188,402</u>	<u>-</u>	<u>-</u>	<u>188,402</u>
 Total Revenues	 <u>11,861,053</u>	 <u>4,419,407</u>	 <u>5,415,858</u>	 <u>21,696,318</u>
<u>EXPENDITURES</u>				
General government	2,701,475	2,704	333	2,704,512
Police	4,290,965	-	-	4,290,965
Fire	1,900,167	-	1,374,667	3,274,834
Community development and planning	1,233,512	-	6,530	1,240,042
Public works	1,111,978	-	1,579,908	2,691,886
Parks and recreation	1,940,339	-	-	1,940,339
Capital outlay	80,757	41,857	1,309,596	1,432,210
Debt service:				
Principal	-	1,765,836	-	1,765,836
Interest and fiscal charges	<u>-</u>	<u>4,016,686</u>	<u>-</u>	<u>4,016,686</u>
 Total Expenditures	 <u>13,259,193</u>	 <u>5,827,083</u>	 <u>4,271,034</u>	 <u>23,357,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,398,140)</u>	<u>(1,407,676)</u>	<u>1,144,824</u>	<u>(1,660,992)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from loan repayments	-	-	12,116	12,116
Transfers in	2,537,862	-	2,173,803	4,711,665
Transfers out	<u>(205,000)</u>	<u>-</u>	<u>(3,134,675)</u>	<u>(3,339,675)</u>
 Total Other Financing Sources (Uses)	 <u>2,332,862</u>	 <u>-</u>	 <u>(948,756)</u>	 <u>1,384,106</u>
 Net Change in Fund Balances	 <u>934,722</u>	 <u>(1,407,676)</u>	 <u>196,068</u>	 <u>(276,886)</u>
Fund Balances - July 1, 2015	<u>6,265,607</u>	<u>74,356,156</u>	<u>10,508,075</u>	<u>91,129,838</u>
Fund Balances - June 30, 2016	<u>\$ 7,200,329</u>	<u>\$ 72,948,480</u>	<u>\$ 10,704,143</u>	<u>\$ 90,852,952</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balance - total governmental funds	\$	(276,886)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets.</p>		
Capital asset purchases capitalized		1,403,242
Depreciation expense		(1,959,640)
<p>Contributions of capital assets are not included in the governmental fund statements. Thus, the change in net position differs from the change in fund balance by the value of these asset contributions.</p>		
		6,075,652
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Loan principal payments		1,765,836
Bond discount costs		(28,446)
<p>Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenues and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.</p>		
		4,516
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences		12,209
Lawsuit settlement		370,333
Net pension liability		189,169
Interest expense		81,096
Other post employment benefits		<u>(791,723)</u>
Change in net position of governmental activities	\$	<u>6,845,358</u>

The accompanying notes are an integral part of these financial statements.

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

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Current Assets				
Cash and investments	\$ 1,987,235	\$ 1,687,240	\$ 828,646	\$ 4,503,121
Prepaid expenses	4,803	9,043	1,092	14,938
Accounts receivable	382,035	364,823	289,058	1,035,916
Interest receivable	<u>940</u>	<u>453</u>	<u>149</u>	<u>1,542</u>
Total Current Assets	<u>2,375,013</u>	<u>2,061,559</u>	<u>1,118,945</u>	<u>5,555,517</u>
Restricted cash and investments	3,886,096	216,486	-	4,102,582
Capital assets				
Land	2,877,956	2,867,641	-	5,745,597
Construction in progress	642,841	509,982	-	1,152,823
Infrastructure	25,679,979	37,204,902	-	62,884,881
Machinery and equipment	1,336,062	3,096,235	158,778	4,591,075
Less: accumulated depreciation	<u>(6,845,665)</u>	<u>(15,684,047)</u>	<u>(101,616)</u>	<u>(22,631,328)</u>
Total Capital Assets	<u>23,691,173</u>	<u>27,994,713</u>	<u>57,162</u>	<u>51,743,048</u>
Total Assets	<u>29,952,282</u>	<u>30,272,758</u>	<u>1,176,107</u>	<u>61,401,147</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred charges, net of amortization	72,914	37,388	-	110,302
Deferred outflows of resources	<u>264,533</u>	<u>264,829</u>	<u>41,882</u>	<u>571,244</u>
Total Deferred Outflows of Resources	<u>337,447</u>	<u>302,217</u>	<u>41,882</u>	<u>681,546</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	170,973	173,674	147,540	492,187
Deposits payable	137,500	-	-	137,500
Accrued interest	34,685	23,596	-	58,281
Compensated absences, current portion	77,302	82,429	13,460	173,191
Long-term liabilities, current portion	<u>215,000</u>	<u>457,481</u>	<u>-</u>	<u>672,481</u>
Total Current Liabilities	<u>635,460</u>	<u>737,180</u>	<u>161,000</u>	<u>1,533,640</u>
Long-term Liabilities				
Net OPEB obligation	1,293,312	1,257,204	235,462	2,785,978
Net pension liability	521,431	522,681	83,704	1,127,816
Long-term liabilities, net of current	<u>8,595,000</u>	<u>7,243,539</u>	<u>-</u>	<u>15,838,539</u>
Total Long-term Liabilities	<u>10,409,743</u>	<u>9,023,424</u>	<u>319,166</u>	<u>19,752,333</u>
Total Liabilities	<u>11,045,203</u>	<u>9,760,604</u>	<u>480,166</u>	<u>21,285,973</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources	<u>97,991</u>	<u>98,039</u>	<u>15,405</u>	<u>211,435</u>
<u>NET POSITION</u>				
Net investment in capital assets	14,881,173	20,293,693	57,162	35,232,028
Restricted for debt service	3,886,096	216,486	-	4,102,582
Unrestricted	<u>379,266</u>	<u>206,153</u>	<u>665,256</u>	<u>1,250,675</u>
Total Net Position	<u>\$ 19,146,535</u>	<u>\$ 20,716,332</u>	<u>\$ 722,418</u>	<u>\$ 40,585,285</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 3,248,310	\$ 3,531,104	\$ 2,689,409	\$ 9,468,823
Other governmental	-	201,748	-	201,748
Fees, fines, and penalties	140,108	102,000	111,321	353,429
Miscellaneous revenues	<u>1,055</u>	<u>22,222</u>	<u>115</u>	<u>23,392</u>
Total Operating Revenues	<u>3,389,473</u>	<u>3,857,074</u>	<u>2,800,845</u>	<u>10,047,392</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	1,436,274	1,429,406	313,353	3,179,033
Contractual and professional services	190,240	415,958	1,624,536	2,230,734
Supplies and operating costs	699,947	471,044	137,321	1,308,312
Depreciation	<u>820,132</u>	<u>1,656,516</u>	<u>5,630</u>	<u>2,482,278</u>
Total Operating Expenses	<u>3,146,593</u>	<u>3,972,924</u>	<u>2,080,840</u>	<u>9,200,357</u>
Operating Income (Loss)	<u>242,880</u>	<u>(115,850)</u>	<u>720,005</u>	<u>847,035</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	10,127	5,191	2,297	17,615
Interest expense	<u>(421,158)</u>	<u>(248,188)</u>	<u>-</u>	<u>(669,346)</u>
Total Non-Operating Revenues (Expenses)	<u>(411,031)</u>	<u>(242,997)</u>	<u>2,297</u>	<u>(651,731)</u>
Income (Loss) Before Transfers and Contributions	<u>(168,151)</u>	<u>(358,847)</u>	<u>722,302</u>	<u>195,304</u>
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Capital contributions	(1,582)	(1,582)	(1,582)	(4,746)
Transfers in	-	98,465	-	98,465
Transfers out	<u>(547,353)</u>	<u>(477,491)</u>	<u>(445,611)</u>	<u>(1,470,455)</u>
Total Transfers and Capital Contributions	<u>(548,935)</u>	<u>(380,608)</u>	<u>(447,193)</u>	<u>(1,376,736)</u>
Change in Net Position	<u>(717,086)</u>	<u>(739,455)</u>	<u>275,109</u>	<u>(1,181,432)</u>
Net Position - July 1, 2015	<u>19,863,621</u>	<u>21,455,787</u>	<u>447,309</u>	<u>41,766,717</u>
Net Position - June 30, 2016	<u>\$ 19,146,535</u>	<u>\$ 20,716,332</u>	<u>\$ 722,418</u>	<u>\$ 40,585,285</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 3,375,007	\$ 3,827,713	\$ 2,788,504	\$ 9,991,224
Cash paid to suppliers	(971,347)	(915,982)	(1,759,852)	(3,647,181)
Cash paid to employees	<u>(1,476,195)</u>	<u>(1,452,267)</u>	<u>(299,565)</u>	<u>(3,228,027)</u>
Net Cash Provided by Operating Activities	<u>927,465</u>	<u>1,459,464</u>	<u>729,087</u>	<u>3,116,016</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers out	<u>(547,353)</u>	<u>(379,026)</u>	<u>(445,611)</u>	<u>(1,371,990)</u>
Net Cash Used for Noncapital Financing Activities	<u>(547,353)</u>	<u>(379,026)</u>	<u>(445,611)</u>	<u>(1,371,990)</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>				
Principal payments on capital debt	(210,000)	(436,519)	-	(646,519)
Interest paid on capital debt	(421,158)	(248,188)	-	(669,346)
Capital contribution	(1,582)	(1,582)	(1,582)	(4,746)
Acquisition and construction of capital assets	<u>(1,997,238)</u>	<u>(314,568)</u>	<u>(30,180)</u>	<u>(2,341,986)</u>
Net Cash Used for Capital Financing Activities	<u>(2,629,978)</u>	<u>(1,000,857)</u>	<u>(31,762)</u>	<u>(3,662,597)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest income	<u>10,132</u>	<u>5,189</u>	<u>2,297</u>	<u>17,618</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>10,132</u>	<u>5,189</u>	<u>2,297</u>	<u>17,618</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>(2,239,734)</u>	<u>84,770</u>	<u>254,011</u>	<u>(1,900,953)</u>
Cash and Cash Equivalents - July 1, 2015	<u>8,113,065</u>	<u>1,818,956</u>	<u>574,635</u>	<u>10,506,656</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 5,873,331</u>	<u>\$ 1,903,726</u>	<u>\$ 828,646</u>	<u>\$ 8,605,703</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments	\$ 1,987,235	\$ 1,687,240	\$ 828,646	\$ 4,503,121
Restricted cash and investments	<u>3,886,096</u>	<u>216,486</u>	<u>-</u>	<u>4,102,582</u>
Total cash and investments	<u>\$ 5,873,331</u>	<u>\$ 1,903,726</u>	<u>\$ 828,646</u>	<u>\$ 8,605,703</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED BY OPERATING</u>				
<u>ACTIVITIES:</u>				
Operating Income (Loss)	\$ 242,880	\$ (115,850)	\$ 720,005	\$ 847,035
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	820,132	1,656,516	5,630	2,482,278
Amortization expense	2,976	1,625	-	4,601
Pension expense	(212,103)	(205,332)	(21,377)	(438,812)
Change in assets and liabilities:				
Increase in prepaid expenses	(4,803)	(9,043)	(1,092)	(14,938)
Increase in accounts receivable	(11,658)	(29,361)	(12,341)	(53,360)
Increase (decrease) in accounts payable	(79,333)	(21,563)	3,097	(97,799)
Decrease in customer deposits	(2,808)	-	-	(2,808)
(Decrease) increase in compensated absences	(716)	6,647	824	6,755
Increase in net OPEB obligation	<u>172,898</u>	<u>175,825</u>	<u>34,341</u>	<u>383,064</u>
Net Cash Provided by Operating Activities	<u>\$ 927,465</u>	<u>\$ 1,459,464</u>	<u>\$ 729,087</u>	<u>\$ 3,116,016</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and investments (Note 3)	\$ 7,040,188
Restricted cash and investments (Note 3)	11,764,843
Accounts receivable	138,660
Other assets	<u>967</u>
Total Assets	<u>\$ 18,944,658</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 10,400
Due to bondholders	<u>18,934,258</u>
Total Liabilities	<u>\$ 18,944,658</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Patterson (the City) operates under a Council-Manager form of government and provides the following services as authorized: public safety (police, fire and civil defense), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services. The City also provides water, garbage, and sewer service.

The accompanying basic financial statements present the financial activities of the City, which is the primary government presented.

The City participates in the following organization that meets the definition of a component unit:

Patterson Public Financing Authority: The Patterson Public Financing Authority was formed in 2001 pursuant to a joint exercise of powers agreement between the City of Patterson and the former Redevelopment Agency of the City of Patterson. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to, public entities, including the City and to provide financing for public capital improvements for lease to public entities, including the City. The members of the City Council also sit as the Board of Directors of the Authority.

The City also participates in the following organization that does not meet the definition of a component unit:

West Patterson Financing Authority: The West Patterson Financing Authority (the Authority) was formed in 2001 pursuant to a joint exercise of powers agreement between the City of Patterson and the former Redevelopment Agency of the City of Patterson. The primary activity of the Authority is issuing special tax bonds on behalf of the West Patterson Financing Authority Community Facilities District No. 2001-1 (Public Improvements). The proceeds of the special tax bonds are used to finance the costs of certain engineering, design, construction and other expenses related to public infrastructure improvements.

On October 18, 2005, pursuant to Resolution No. 2005-04 of the Board of Directors of the Authority, the Authority founded its Community Facilities District No. 2005-1 (West Patterson Business Park) and authorized special tax levies therein.

On June 2, 2016, pursuant to Resolution No. 2015-03 of the Board of the Board of Directors of the Authority, the Authority founded its Community Facilities District No. 2015-1 (Arambel-KND) and authorized special tax levies therein.

The financial activities of the Authority are included in the City's agency funds. Separate financial statements for the Authority may be obtained from the City at 1 Plaza, Patterson, CA 95363.

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 United States of America.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the City. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 for 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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Project Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (not included in government-wide statements)

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Major Funds

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Patterson Public Financing Authority - The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to, public entities, including the City and to provide financing for public capital improvements for lease to public entities, including the City.

The City reported the following major proprietary funds in the accompanying financial statements:

Water Fund - This fund accounts for all financial transactions relating to the City's water service. Services are on a user charge basis to residents and business owners in Patterson.

Sewer Fund - This fund accounts for all financial transactions relating to the City's wastewater treatment collection and treatment. Services are on a user charge basis to residents and business owners located in Patterson.

Garbage Fund - This fund accounts for all financial transactions relating to the City's solid waste service. Services are on a user charge basis to residents and business owners located in Patterson.

The City also reports the following fund type:

Agency Funds - These funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are 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.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenues of the water, sewer, and garbage enterprise funds are charges to customers for sales and services. Revenues are based on cycle billings rendered to customers. All residential and commercial utility customers are billed once a month. There is one billing cycle per month that includes all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County of Stanislaus levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year or levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Stanislaus. The Teeter Plan authorizes the Auditor/Controller of the County of Stanislaus to allocate 100% of the secured property taxes billed, but not yet paid. The County of Stanislaus remits tax monies to the City in three installments as follows:

55% remitted in January
40% remitted in May
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Stanislaus for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

The City pools the cash of all funds, except for monies deposited with fiscal agent in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. The Local Area Investment Fund (LAIF) determines the fair value of their portfolio quarterly and report a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

G. Capital Assets

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Years
Buildings	20-40
Improvements	40
Machinery and equipment	3-6
Streets and roads	20
Curbs, gutters, sidewalks, and median curbs	20
Storm drains	75

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

H. Compensated Absences

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. The City's liability for compensated absences is recorded in the government-wide Statement of Net Position for governmental funds and the Statement of Net Position for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon 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 at June 30, 2016. The amount of accrued sick pay is not due upon termination and therefore is not recorded as a liability for the City.

I. Long-Term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs except for insurance, are expenses in the period incurred.. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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/expenditures) 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 PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Transactions

Following is a description of the three basic types of interfund transactions made during the year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Operating transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

Transactions between funds of the City are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds on the balance sheet of the governmental funds.

L. Pensions

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

M. Equity Classifications

Government-wide Statements

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the government-wide level, and are described below:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. Assigned - Amounts that are constrained by the government's intent to be set for specific purposes, but are neither restricted or committed.
- e. Unassigned - Amounts representing the residual classification for the general fund.

Further detail about the City's fund balance classification is described in Note 13.

N. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

O. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2015, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 3.

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no significant impact to the City or their financial statements as a result of the implementation.

Government Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. Application of this statement is effective for the current year except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for the City's fiscal year ending June 30, 2017. There was no significant impact to the City or their financial statements as a result of the implementation.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The primary objective of this statement is to address issues regarding the (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016; however the City has elected to implement the statement in the current year. See Note 14.

Q. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2016 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB, and replaces Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

Government Accounting Standards Board Statement No. 80

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

NOTE 2: BUDGET

A. Budgets and Budgetary Accounting

The following procedures are performed by the City in establishing the budgetary data reflected in the financial statements:

- 1) The Finance Director submits a preliminary budget by June 30 of each year to City Council. This allows the City to continue normal operations until the final budget is adopted in September. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayers' comments.
- 3) The appropriated budget is prepared by fund, department, and division. The government department heads may make transfers of appropriation within a department. Transfers of appropriations between departments requires approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.
- 4) The budget is legally adopted through the passage of a council resolution.
- 5) The City Council may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same fund. All appropriations lapse at the end of the fiscal year to the extent they have not been expended. Capital project funds are based on a project time frame, rather than a fiscal year "operating" time frame reappropriating unused appropriations from year to year until project completion.
- 6) A budget review is presented to the City Council by the City Manager mid-year and approved additions or changes are legally adopted through Council resolution.
- 7) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Capital Project Funds.
- 8) Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with United States generally accepted accounting principles.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: BUDGET (continued)

B. Excess of Expenditures or Expense over Appropriations

The funds below incurred expenditures and transfers in excess of budgets in the amounts below. Sufficient resources were available in the fund balance of the funds.

<u>Fund</u>	<u>Amount</u>
HUD Fed Grant	\$ 16,086
CFD 2013-1	\$ 5,661
Public Safety CFD	\$ 71,248

C. Fund Deficits

The following funds had deficit fund balances at June 30, 2016:

<u>Fund</u>	<u>Deficit</u>
Patterson Gardens Fire Suppression Assessment	\$ 16,521
Public Safety	\$ 227,432
Federal CDBG Grant 2003	\$ 35,640
Senior Center	\$ 398
Heartland Ranch Infrastructure	\$ 3,244

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues and expenditure reductions.

NOTE 3: CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 were classified in the accompanying financial statements as follows:

	<u>Cash and investments</u>	<u>Restricted cash and investments</u>	<u>Total</u>
Governmental activities	\$ 18,072,764	\$ 73,318,888	\$ 91,391,652
Business-type activities	<u>4,503,121</u>	<u>4,102,582</u>	<u>8,605,703</u>
Total government-wide cash and investments	<u>22,575,885</u>	<u>77,421,470</u>	<u>99,997,355</u>
Fiduciary activities	<u>7,040,188</u>	<u>11,764,843</u>	<u>18,805,031</u>
Total cash and investments	<u>\$ 29,616,073</u>	<u>\$ 89,186,313</u>	<u>\$ 118,802,386</u>

Certain debt proceeds of the City's enterprise funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: CASH AND INVESTMENTS (continued)

Cash and investments were carried at fair value as of June 30, 2016 and consisted of the following:

Cash on hand	\$ 1,245
Deposits with financial institutions	<u>12,877,759</u>
Total cash	<u>12,879,004</u>
Municipal Bonds (WPFA)	71,334,049
Money market mutual funds	17,760,625
Central San Joaquin Valley Risk Management Authority (CSJVRMA)	3,641,566
Local Area Investment Fund (LAIF)	<u>13,187,142</u>
Total investments	<u>105,923,382</u>
Total cash and investments	<u>\$ 118,802,386</u>

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	2 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Money market Funds	N/A	None	None
Annuities	N/A	None	None
Mutual Funds	N/A	5%	None
Corporate Notes (Minimum rating of "AAA")	5 years	5%	None

Investments Authorized by Debt Agreements

Investment of debt issuances held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	2 years	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Money market Funds	None	None	None
Annuities	None	None	None
Mutual Funds	None	None	None
Corporate Notes (Minimum rating of "AAA")	None	None	None

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: CASH AND INVESTMENTS (continued)

Disclosure Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2016:

	Remaining Maturity				Fair Value
	12 months or less	1-5 years	6-10 years	Thereafter	
LAIF	\$ 13,187,142	\$ -	\$ -	\$ -	\$ 13,187,142
CSJVRMA	3,641,566	-	-	-	3,641,566
Money market funds	273,780	-	-	-	273,780
Municipal bonds (WPFA)	887,100	4,973,603	9,598,223	52,057,352	67,516,278
Municipal bonds (HR)	298,385	1,375,734	1,792,416	351,236	3,817,771
Held by bond trustee:					
Money market funds	<u>17,486,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,486,845</u>
	<u>\$ 35,774,818</u>	<u>\$ 6,349,337</u>	<u>\$ 11,390,639</u>	<u>\$ 52,408,588</u>	<u>\$ 105,923,382</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2016.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Minimum Legal Rating	Rating as of Fiscal Year End		
			S&P	Moody's	N/A
LAIF	\$ 13,187,142	N/A			Not rated
CSJVRMA	3,641,566	N/A			Not rated
Money market funds	273,780	N/A			Not rated
Municipal bonds (WPFA)	67,516,278	N/A			Not rated
Municipal bonds (HR)	3,817,771	N/A			Not rated
Held by bond trustee:					
Money market funds	<u>17,486,845</u>	N/A	AAAm	Aaa-mf	
	<u>\$ 105,923,382</u>				

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The City held the following investments in a single issuer (other than U.S. Treasury securities, external investment pools and mutual funds) that represented 5% or more of total City investment as of June 30, 2016.

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
West Patterson Financing Agency	Municipal Bonds	\$ 67,516,278

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the carrying amount of the City's deposits was \$12,877,759 and bank balances were \$12,974,575 of which \$12,724,575 was uninsured under the FDIC.

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The following tables set forth by level, within the fair value hierarchy, the City's assets at fair value as of June 30, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal bonds	\$ -	\$ 71,334,049	\$ -	\$ 71,334,049
Money Market Mutual Funds	<u>17,760,625</u>	<u>-</u>	<u>-</u>	<u>17,760,625</u>
Total assets at fair value	<u>\$ 17,760,625</u>	<u>\$ 71,334,049</u>	<u>\$ -</u>	<u>\$ 89,094,674</u>

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in these pools are reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: LOANS AND NOTES RECEIVABLE

The City engages in programs designed to encourage business enterprises, construction or improvements in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by deferred inflows of resources, as they are not expected to be repaid within the first 60 days of fiscal year 2017. These notes receivable comprised the following at June 30, 2016:

Housing Authority of the County of Stanislaus	\$ 290,000
Greater Valley Housing Development Corporation	900,000
Housing Rehabilitation and Affordable Housing	<u>760,615</u>
Total loans and notes receivable	<u>\$ 1,950,615</u>

Housing Authority of the County of Stanislaus

The City has a 30-year note receivable with the Housing Authority of the County of Stanislaus in the amount of \$290,000. The note does not bear interest and principal payments are deferred for 30 years. The balance of this note has been offset by deferred inflows of resources in the amount of \$290,000 in the fund financial statements.

Greater Valley Housing Development Corporation

On February 1, 2007 the City entered into a loan agreement with the Greater Valley Housing Development Corporation in the amount of \$900,000. These funds were used to build an elderly housing project for low income senior citizens known as the "Las Palmas Place Senior Apartments". Funding for this loan is derived from developer fees collected over the past few years. As of June 30, 2016 the City had advanced the full amount of \$900,000 to the Greater Valley Housing Development Corporation. The balance of this note has been offset by a related deferred revenue. There are no payments of principal and interest during the first three years of the initial term of this loan. Commencing on the fourth anniversary (February 2011) all accrued interest and principal shall be repaid as long as the Project is generating positive cash flow as determined by a formula in the promissory note. As positive cash flow was not generated during the year, the interest and principal amount is still outstanding.

Housing Rehabilitation and Affordable Housing

The City has provided loans to various homeowners and businesses for rehabilitation. The loans have various interest rates and payment dates. The balance of these notes receivable at June 30, 2016 was \$760,615.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS

Capital asset activity for the Governmental funds for the fiscal year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 3,395,717	\$ -	\$ -	\$ -	\$ 3,395,717
Construction in progress	<u>2,022,678</u>	<u>5,830,319</u>	<u>-</u>	<u>(1,826,712)</u>	<u>6,026,285</u>
Total capital assets not being depreciated	<u>5,418,395</u>	<u>5,830,319</u>	<u>-</u>	<u>(1,826,712)</u>	<u>9,422,002</u>
Capital assets being depreciated					
Buildings	23,972,872	-	-	-	23,972,872
Improvements	12,682,951	685,991	-	-	13,368,942
Streets and roads	19,300,268	665,750	-	1,826,712	21,792,730
Equipment	<u>5,246,580</u>	<u>296,834</u>	<u>-</u>	<u>-</u>	<u>5,543,414</u>
Total capital assets being depreciated	<u>61,202,671</u>	<u>1,648,575</u>	<u>-</u>	<u>1,826,712</u>	<u>64,677,958</u>
Less: accumulated depreciation					
Buildings	(3,704,458)	(600,078)	-	-	(4,304,536)
Improvements	(4,772,890)	(611,367)	-	-	(5,384,257)
Streets and roads	(3,819,263)	(565,829)	-	-	(4,385,092)
Equipment	<u>(4,086,725)</u>	<u>(182,366)</u>	<u>-</u>	<u>-</u>	<u>(4,269,091)</u>
Total accumulated depreciation	<u>(16,383,336)</u>	<u>(1,959,640)</u>	<u>-</u>	<u>-</u>	<u>(18,342,976)</u>
Governmental activities capital assets, net	<u>\$ 50,237,730</u>	<u>\$ 5,519,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,756,984</u>

During the fiscal year June 30, 2016, the West Patterson Financing Authority transferred assets to governmental activities totaling \$213,133.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS (continued)

Capital asset activity for the Business-type activities for the fiscal year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 5,745,597	\$ -	\$ -	\$ -	\$ 5,745,597
Construction in progress	<u>2,174,475</u>	<u>905,414</u>	<u>-</u>	<u>(1,927,066)</u>	<u>1,152,823</u>
Total capital assets not being depreciated	<u>7,920,072</u>	<u>905,414</u>	<u>-</u>	<u>(1,927,066)</u>	<u>6,898,420</u>
Capital assets being depreciated					
Infrastructure	59,991,192	966,623	-	1,927,066	62,884,881
Equipment	<u>4,121,127</u>	<u>474,693</u>	<u>(4,745)</u>	<u>-</u>	<u>4,591,075</u>
Total capital assets being depreciated	<u>64,112,319</u>	<u>1,441,316</u>	<u>(4,745)</u>	<u>1,927,066</u>	<u>67,475,956</u>
Less: accumulated depreciation					
Infrastructure	(18,362,640)	(2,156,924)	-	-	(20,519,564)
Equipment	<u>(1,786,410)</u>	<u>(325,354)</u>	<u>-</u>	<u>-</u>	<u>(2,111,764)</u>
Total accumulated depreciation	<u>(20,149,050)</u>	<u>(2,482,278)</u>	<u>-</u>	<u>-</u>	<u>(22,631,328)</u>
Business-type activities capital assets, net	<u>\$ 51,883,341</u>	<u>\$ (135,548)</u>	<u>\$ (4,745)</u>	<u>\$ -</u>	<u>\$ 51,743,048</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: CAPITAL ASSETS (continued)

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 as of June 30, 2016 were as follows:

Governmental Activities

General government	\$ 49,187
Fire	54,478
Public works	1,170,101
Parks and recreation	<u>685,874</u>
Total Governmental Activities	<u>\$ 1,959,640</u>

Business-type Activities

Water	\$ 820,132
Sewer	1,656,516
Garbage	<u>5,630</u>
Total Business-type Activities	<u>\$ 2,482,278</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2016 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Patterson Gardens Fire Suppression Assessment	Overdrawn Cash	\$ 24,472
General Fund	Federal CDBG Grant 2003	Overdrawn Cash	268,391
General Fund	Senior Center	Overdrawn Cash	398
General Fund	Patterson Public Financing Authority	Overdrawn Cash	365,419
General Fund	Public Safety	Overdrawn Cash	<u>245,419</u>
Total Interfund Receivables/Payables			\$ <u>904,099</u>

Transfer between funds during the fiscal year ended June 30, 2016 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
General Fund	Public Safety Fund	Administrative costs	\$ <u>205,000</u>
Total Major Governmental Funds Transfers			<u>205,000</u>
<u>Non-Major Governmental Funds</u>			
Landscape Maintenance District	General Fund	Administrative costs	213,353
Benefit Assessment Districts	General Fund	Administrative costs	86,145
Gas Tax	General Fund	Administrative costs	516,853
Benefit Assessment Districts	Sewer	Administrative costs	98,465
Benefit Assessment Districts	Street Project Fund	Capital projects	147,235
Patterson Gardens Fire Assessment	Public Safety	Fire assessments	395,000
Public Safety	General Fund	Administrative costs	339,240
Federal CDBG Grant 2003	General Fund	Administrative costs	13,400
Federal HOME Funds	General Fund	Administrative costs	4,400
Gas Tax	Street Project Fund	Capital projects	58,000
Local Transportation Fund	Street Project Fund	Capital projects	317,584
Street Improvement Impact Fee	Street Project Fund	Capital projects	<u>945,000</u>
Total Non-Major Governmental Funds Transfers			<u>3,134,675</u>
Total Governmental Interfund Transfers			\$ <u>3,339,675</u>
<u>Proprietary Funds</u>			
Garbage	General Fund	Administrative costs	\$ 345,611
Garbage	Street Project Fund	Capital projects	100,000
Sewer	General Fund	Administrative costs	471,507
Sewer	Sewer Impact	Administrative costs	5,984
Water	General Fund	Capital projects	<u>547,353</u>
Total Proprietary Interfund Transfers			\$ <u>1,470,455</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: OPERATING LEASES

The City has commitments to lease certain office equipment and property. The total rent expense during the year ended June 30, 2016 was \$152,276. Minimum future lease payments under non-cancelable operating leases as of June 30, 2016 are as follows:

<u>Fiscal year ended June 30,</u>	
2017	\$ <u>50,053</u>
Total	\$ <u><u>50,053</u></u>

NOTE 8: DEFERRED INFLOWS OF RESOURCES - NOTES RECEIVABLE

Governmental funds report deferred inflows of resources in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer inflows of resources recognition in connection with resources that have been received, but not yet earned. At June 30, 2016, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

Housing Authority of the County of Stanislaus	\$ 290,000
Greater Valley Housing Development Corporation	900,000
First Time Homebuyer	<u>760,615</u>
 Total Deferred Inflow of Resources	 \$ <u><u>1,950,615</u></u>

Of the amount of deferred inflow of resources in the governmental funds, \$6,265,000 was recognized as revenue in the Statement of Activities.

NOTE 9: SETTLEMENT LIABILITY

On June 20, 2012, the City filed a complaint against Keystone Corporation and the Keystone Pacific Business Park for breach of contract ("Keystone") based on Keystone's failure to pay its share of General Plan updates costs incurred by the City. After this filing, the City and Keystone immediately began settlement discussions and requested the case be stayed. Subsequently, a Request for Dismissal was filed on June 24, 2013. Following the dismissal, the City and Keystone had settlement discussions regarding possible money owed to Keystone for the environmental and engineering work performed in relation to the Keystone project, which was not the subject of the City's breach of contract claim.

Under the terms of the settlement agreement, the total amount the City will pay Keystone is \$1,300,000. Of that sum, \$936,000 will be paid in three annual installments, beginning July 15, 2014 with the final payment due in July 2016. The remaining amount of the settlement in the amount of \$364,000 will be paid to Keystone upon collection from the entitlement or development of undeveloped land in the West Patterson Business Park. The settlement agreement does not require payment of the \$364,000 in any particular time frame other than as early in the entitlement or development process as possible but no later than entering into development agreements or approving tentative maps or final maps on currently underdeveloped land in the West Patterson Business Park. As of June 30, 2016, the remaining balance of \$676,000 was recorded on the statement of net position.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES

The following is a summary of debt transactions of the City for the year ended June 30, 2016:

	<u>Original Issue Amount</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due within one year</u>
Governmental activities						
Compensated absences	\$ -	\$ 348,184	\$ 228,915	\$ (241,124)	\$ 335,975	\$ 335,975
PPFA 2013 Heartland Ranch revenue bonds	4,963,568	4,641,907	-	(350,836)	4,291,071	373,583
PPFA 2013-series A revenue bonds	67,190,000	65,980,000	-	(1,305,000)	64,675,000	1,095,000
Discount on bonds	(853,389)	(796,497)	-	28,446	(768,051)	28,446
PPFA 2013 series B revenue bonds	<u>6,465,000</u>	<u>6,375,000</u>	<u>-</u>	<u>(110,000)</u>	<u>6,265,000</u>	<u>85,000</u>
Total Governmental Activities	<u>\$ 77,765,179</u>	<u>\$ 76,548,594</u>	<u>\$ 228,915</u>	<u>\$ (1,978,514)</u>	<u>\$ 74,798,995</u>	<u>\$ 1,918,004</u>
Business-type activities						
Water						
Compensated absences	\$ -	\$ 78,018	\$ 62,241	\$ (62,957)	\$ 77,302	\$ 77,302
2011 Water revenue bonds	<u>10,200,000</u>	<u>9,020,000</u>	<u>-</u>	<u>(210,000)</u>	<u>8,810,000</u>	<u>215,000</u>
Total Water fund	<u>10,200,000</u>	<u>9,098,018</u>	<u>62,241</u>	<u>(272,957)</u>	<u>8,887,302</u>	<u>292,302</u>
Sewer						
Compensated absences	-	75,782	74,157	(67,510)	82,429	82,429
Economic Bank loan	652,144	300,000	-	(100,000)	200,000	100,000
State Revolving Fund loan	774,790	696,586	-	(38,564)	658,022	39,567
Banc of America loan	951,540	1,596,991	-	(44,968)	1,552,023	57,971
CEC loan	2,876,172	2,703,962	-	(187,987)	2,515,975	189,943
2009 Sewer revenue bonds	<u>3,195,000</u>	<u>2,840,000</u>	<u>-</u>	<u>(65,000)</u>	<u>2,775,000</u>	<u>70,000</u>
Total Sewer fund	<u>8,449,646</u>	<u>8,213,321</u>	<u>74,157</u>	<u>(504,029)</u>	<u>7,783,449</u>	<u>539,910</u>
Garbage						
Compensated absences	<u>-</u>	<u>12,636</u>	<u>10,577</u>	<u>(9,753)</u>	<u>13,460</u>	<u>13,460</u>
Total Business-type Activities	<u>\$ 18,649,646</u>	<u>\$ 17,323,975</u>	<u>\$ 146,975</u>	<u>\$ (786,739)</u>	<u>\$ 16,684,211</u>	<u>\$ 845,672</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

Governmental activities future debt obligations at June 30, 2016 consisted of the following:

2013 Heartland Ranch Revenue Bond

On July 30, 2013, the Patterson Public Financing Authority issued \$4,963,568 of revenue refunding bonds (Series 2013 Heartland Ranch Revenue Bonds) to repay, in part, the principal of the Authority's 2002 Heartland Ranch Revenue bond. Interest on the bonds is payable semi-annually on March 2 and September 2 of each year through September 2, 2027, beginning on March 2, 2014. The interest rates on the bonds is 3.73 percent. Principal payments are due annually beginning on September 2, 2014. The outstanding balance of the 2013 Heartland Ranch Revenue bonds at June 30, 2016 was \$4,291,071.

2013 Heartland Ranch Revenue Bond			
Years Ended June 30,	Principal	Interest	Total
2017	\$ 373,583	\$ 153,090	\$ 526,673
2018	385,717	138,929	524,646
2019	397,349	124,324	521,673
2020	408,446	109,296	517,742
2021	433,971	93,585	527,556
2022 - 2026	1,935,549	228,058	2,163,607
2027 - 2028	356,456	13,425	369,881
Totals	\$ 4,291,071	\$ 860,707	\$ 5,151,778

2013 PPFA Series A Bond

On August 14, 2013, the Patterson Public Financing Authority issued \$67,190,000 of special tax refunding bonds (Senior Series 2013A) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds Issued by the West Patterson Financing Authority. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rates on the bonds is 3.00 percent. Principal payments are due annually beginning on September 1, 2014. The notes are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2013 PPFA Series A bonds at June 30, 2016 was \$64,675,000.

2013 PPFA Series A Bond			
Years Ended June 30,	Principal	Interest	Total
2017	\$ 1,095,000	\$ 3,434,950	\$ 4,529,950
2018	1,220,000	3,394,125	4,614,125
2019	1,330,000	3,343,125	4,673,125
2020	1,440,000	3,287,725	4,727,725
2021	1,555,000	3,227,825	4,782,825
2022 - 2026	9,675,000	14,896,725	24,571,725
2027 - 2031	13,295,000	11,896,769	25,191,769
2032 - 2036	16,725,000	7,745,106	24,470,106
2037 - 2040	18,340,000	2,214,900	20,554,900
Totals	\$ 64,675,000	\$ 53,441,250	\$ 118,116,250

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

2013 PPFA Series B Bond

On August 14, 2013, the Patterson Public Financing Authority issued \$6,465,000 of special tax refunding bonds (Subordinate Series 2013B) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds Issued by the West Patterson Financing Authority. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rates on the bonds is 5.875 percent. Principal payments are due annually beginning on September 1, 2014. The notes are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2013 PPFA Series B bonds at June 30, 2016 was \$6,265,000.

2013 PPFA Series B Bond			
Years Ended June 30,	Principal	Interest	Total
2017	\$ 85,000	\$ 365,572	\$ 450,572
2018	100,000	360,138	460,138
2019	110,000	353,969	463,969
2020	125,000	347,066	472,066
2021	140,000	339,281	479,281
2022 - 2026	920,000	1,549,531	2,469,531
2027 - 2031	1,310,000	1,222,294	2,532,294
2032 - 2036	1,680,000	780,788	2,460,788
2037 - 2040	1,795,000	219,872	2,014,872
Totals	\$ 6,265,000	\$ 5,538,511	\$ 11,803,511

Total Governmental Activities:

Years Ended June 30,	Principal	Interest	Total
2017	\$ 1,553,583	\$ 3,953,612	\$ 5,507,195
2018	1,705,717	3,948,178	5,653,895
2019	1,837,349	3,887,023	5,724,372
2020	1,973,446	3,814,515	5,787,961
2021	2,128,971	3,736,302	5,865,273
2022 - 2026	12,530,549	16,674,314	29,204,863
2027 - 2031	14,961,456	13,132,488	28,093,944
2032 - 2036	18,405,000	8,525,894	26,930,894
2037 - 2041	20,135,000	2,434,772	22,569,772
Total	\$ 75,231,071	\$ 60,107,098	\$ 135,338,169

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

Business type activities future debt obligations at June 30, 2016 consisted of the following:

2011 Water Revenue Bonds:

In October 2010, the Patterson Public Financing Authority issued 2010 series water revenue bonds in the amount of \$10,200,000. The bonds were issued for certain improvements to the City's municipal water enterprise (the project). The proceeds will be used to (a) finance, together with available monies, the Project, (b) fund a reserve fund for the bonds, and (c) to pay to costs of issuance for the bonds. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2011; and principal payments are payable annually each June 1. Interest rates on the bonds vary from 0.60% - 5.00%. The bonds are secured by a pledge of revenues made by the City.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 215,000	\$ 416,223	\$ 631,223
2018	220,000	410,632	630,632
2019	225,000	404,363	629,363
2020	235,000	397,500	632,500
2021	245,000	388,100	633,100
2022 - 2026	1,390,000	1,776,900	3,166,900
2027 - 2031	1,770,000	1,401,750	3,171,750
2032 - 2036	2,260,000	912,250	3,172,250
2037 - 2041	<u>2,250,000</u>	<u>288,250</u>	<u>2,538,250</u>
Totals	\$ <u>8,810,000</u>	\$ <u>6,395,968</u>	\$ <u>15,205,968</u>

Economic Bank Loan:

In November 2007, the City entered into an agreement with the County of Stanislaus for an Economic Bank Loan up to \$706,329 to fund economic development projects. The loan bears no interest and the first annual payment was due on July 1, 2012.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	-	\$ 100,000
2018	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Totals	\$ <u>200,000</u>	\$ <u>-</u>	\$ <u>200,000</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

State Revolving Fund Loan:

In 2008, the City entered into an agreement with the State Water Resource Board for a loan in the amount of \$1,069,602. However, the project for the loan did not commence until the current fiscal year. The loan amount is based on the amount of draws by the City for reimbursable costs. The loan does not bear interest, however has a grant charge of 2.6%. The loan matures in October 2029.

Years Ended June 30,	Principal	Interest	Total
2017	\$ 39,567	\$ 17,109	\$ 56,676
2018	40,596	16,080	56,676
2019	41,651	15,024	56,675
2020	42,734	13,941	56,675
2021	43,845	12,830	56,675
2022 - 2026	236,930	46,448	283,378
2027 - 2031	<u>212,699</u>	<u>14,003</u>	<u>226,702</u>
Totals	\$ <u>658,022</u>	\$ <u>135,435</u>	\$ <u>793,457</u>

Banc of America Loan

In 2014, the City entered into an agreement with Banc of America Public Capital for a loan in the amount of \$1,668,961 which has been partially allocated in the General and Sewer Funds. Interest is calculated at 3.46% per annum payable each April and October 25. Principal payments are due semi-annually on April 25 and October 25 are payable from energy savings within the different funds from solar panels, streetlights, and energy efficient fixtures. In 2015 the remaining General Fund balance of \$686,473 was transferred to the Sewer fund.

Years Ended June 30,	Principal	Interest	Total
2017	\$ 57,971	\$ 53,202	\$ 111,173
2018	72,017	51,076	123,093
2019	9,433	49,121	58,554
2020	23,602	48,673	72,275
2021	38,946	47,725	86,671
2022 - 2026	471,447	190,065	661,512
2027 - 2030	<u>878,607</u>	<u>58,377</u>	<u>936,984</u>
Total	\$ <u>1,552,023</u>	\$ <u>498,239</u>	\$ <u>2,050,262</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

CEC Loan

In 2014, the City entered into an agreement with the California Energy Commission for a loan in the amount of \$2,876,172. Interest is calculated at 1.0% per annum payable each June and December 22. Principal payments are due semi-annually on June 22 and December 22 and are paid from energy savings within the different funds from solar panels, streetlights, and energy efficient fixtures.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 189,943	\$ 24,688	\$ 214,631
2018	191,847	22,783	214,630
2019	193,770	20,860	214,630
2020	195,662	16,956	212,618
2021	197,674	16,956	214,630
2022 - 2026	1,018,468	54,684	1,073,152
2027 - 2031	<u>528,611</u>	<u>7,966</u>	<u>536,577</u>
Total	\$ <u>2,515,975</u>	\$ <u>164,893</u>	\$ <u>2,680,868</u>

2009 Sewer Revenue Bonds

In May 2009, the Patterson Financing Authority authorized the issuance of \$3,195,000 of revenue bonds (Series 2009) to (i) finance, together with other available moneys, certain wastewater system improvements, (ii) fund a reserve for the bonds, and (iii) to pay the cost of issuance of the bonds. The bonds were issued at a discount of \$9,180 and issuance costs totaled \$219,345. Principal is payable on June 1 of each year through June 2039. Interest is payable semi-annually, on each June 1 and December 1. The bonds are secured by a pledge an lien on the net revenues of the City's municipal wastewater enterprise.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 70,000	\$ 146,287	\$ 216,287
2018	70,000	143,488	213,488
2019	75,000	140,687	215,687
2020	75,000	137,688	212,688
2021	80,000	134,125	214,125
2022 - 2026	455,000	609,587	1,064,587
2027 - 2031	595,000	474,100	1,069,100
2032 - 2036	780,000	291,775	1,071,775
2037 - 2039	<u>575,000</u>	<u>64,625</u>	<u>639,625</u>
Totals	\$ <u>2,775,000</u>	\$ <u>2,142,362</u>	\$ <u>4,917,362</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: LONG TERM LIABILITIES (continued)

Total Business-type Activities:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 672,481	\$ 657,509	\$ 1,329,990
2018	694,460	644,059	1,338,519
2019	544,854	630,055	1,174,909
2020	571,998	614,758	1,186,756
2021	605,465	599,736	1,205,201
2022 - 2026	3,571,845	2,677,684	6,249,529
2027 - 2031	3,984,917	1,956,196	5,941,113
2032 - 2036	3,040,000	1,204,025	4,244,025
2037 - 2041	<u>2,825,000</u>	<u>352,875</u>	<u>3,177,875</u>
Totals	\$ <u>16,511,020</u>	\$ <u>9,336,897</u>	\$ <u>25,847,917</u>

Compensated Absences

The net changes of the compensated absences liability were allocated to functions on the Statements of Activities as follows:

	<u>Total Current Portion</u>	<u>Total Compensated Absences</u>
<u>Government Wide</u>		
General government	\$ 40,467	\$ 40,467
Fire	126,134	126,134
Public works	32,183	32,183
Community development and planning	40,329	40,329
Parks and recreation	<u>96,862</u>	<u>96,862</u>
Total Government Wide	<u>\$ 335,975</u>	<u>\$ 335,975</u>
<u>Business-type Activities</u>		
Water	\$ 82,429	\$ 82,429
Sewer	77,302	77,302
Garbage	<u>13,460</u>	<u>13,460</u>
Total Business-type Activities	<u>\$ 173,191</u>	<u>\$ 173,191</u>

The General Fund has been used to liquidate compensated absences for the governmental funds.

CITY OF PATTERSON
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage.

Public entity risk pools are formally organized and separated entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influences by member municipalities beyond their representation of that board. Obligations and liabilities of these risk pools are not the City's responsibility.

Since 1986, the City has joined together with other cities to form a public entity risk pool known as the Central San Joaquin Valley Risk Management Authority - CSJVRMA (the Authority), a joint powers authority established in accordance with the California government code. The relationship between the City and the Authority is such that the Authority is not a component unit of the City for financial reporting purposes. Financial statements for the Authority may be obtained from the Authority's management.

The Authority is currently operating as a common risk management and insurance program for 54 member cities. The program's general objectives are to formulate, develop, and administer, on the behalf of the member cities, a program of insurance, to obtain lower cost for that coverage, and to develop a comprehensive loss control program. A member may withdraw from the Authority only by giving six months notice. Cities applying for membership in the Authority may do so on approval of a two-thirds vote of the board of the Authority.

The programs are an insurance pool provided through the deposits of the member cities. The Authority is not an insurance company. Liability coverage provided by the Authority is completely self-insured by its member cities, and all losses and related costs are paid for by those member cities. All losses and costs of the program are shared among the other member cities in the pool. Sharing is accomplished in this program by determining the amount of risk each member city brings to the pool. The individual city's share is expressed as a "relative risk" of the member. The Joint Powers Authority Agreement provides that the Authority will be self-sustaining through member premiums and assessments and will reinsure through commercial insurance products for claims in excess of \$500,000 per each insured event. Each city has a Self-Insured Retention (SIR) based on the risk of the City. This is the amount for which the city is self-insured. The City of Patterson's self-insured amount is \$25,000. If a claim exceeds the SIR of the member city, the amount that exceeds the SIR is paid by the various pool layers. The rate in which the city absorbs pooled claims is based on the "losses per \$100 of payroll."

NOTE 12: DEBT WITHOUT CITY COMMITMENT

Special assessment districts in various parts of the City have issued debt finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but does not have direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the general long-term liabilities of the City. The outstanding balance of each of these issues as of June 30, 2016 was as follows:

Heartland Ranch Authority Bonds	\$ 3,817,771
Community Facilities District No. 2013-A1 Special Tax Bonds	34,720,569
Community Facilities District No. 2013-A2 Special Tax Bonds	28,603,119
Community Facilities District No. 2013-B Special Tax Bonds	4,192,590
Community Facilities District No. 2005-1 Business Park	9,630,000
Community Facilities District No. 2015-1 Special Tax Bonds	<u>4,775,000</u>

Total Debt without City Commitment	\$ <u>85,739,049</u>
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CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13: FUND BALANCE

The City established the following fund balance procedures:

Committed Fund Balance: The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Assigned Fund Balance: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Manager and the Finance Director for the purpose of reporting these amounts in the annual financial statements.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2016, fund balances consisted of the following:

	General Fund	Patterson Public Financing Authority	Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted:				
Grants	\$ -	\$ -	\$ 2,671,265	\$ 2,671,265
Debt service	51,773	72,948,480	-	73,000,253
Taxes, fees, and assessments	-	-	2,644,203	2,644,203
Total Restricted	<u>51,773</u>	<u>72,948,480</u>	<u>5,315,468</u>	<u>78,315,721</u>
Committed:				
Contingencies	3,626,143	-	-	3,626,143
Capital projects	-	-	5,671,805	5,671,805
Total Committed	<u>3,626,143</u>	<u>-</u>	<u>5,671,805</u>	<u>9,297,948</u>
Assigned:				
General government operations	394,490	-	105	394,595
Capital projects	513,343	-	-	513,343
OPEB	971,713	-	-	971,713
Total Assigned	<u>1,879,546</u>	<u>-</u>	<u>105</u>	<u>1,879,651</u>
Unassigned	<u>1,564,376</u>	<u>-</u>	<u>(283,235)</u>	<u>1,281,141</u>
Nonspendable	<u>78,491</u>	<u>-</u>	<u>-</u>	<u>78,491</u>
Total Fund Balance	<u>\$ 7,200,329</u>	<u>\$ 72,948,480</u>	<u>\$ 10,704,143</u>	<u>\$ 90,852,952</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN

A. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Special Death Benefit (Safety only), the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Hire Date	Miscellaneous	
	Classic Prior to January 1, 2013	(PEPRA) On or After January 1, 2013
Benefit Formula	2.7% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.7%	2.0%
Required Employee Contribution Rates	8.000%	6.250%
Required Employer Contribution Rates	11.008%	6.555%
Hire Date	Safety	
	Classic Prior to January 1, 2013	Classic On or After January 1, 2013
Benefit Formula	3.0% @ 50	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	50 - 57
Monthly Benefits, as a % of Eligible Compensation	3.0%	2.0% to 2.7%
Required Employee Contribution Rates	9.000%	11.500%
Required Employer Contribution Rates	17.557%	11.153%

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The City's contributions to the Plan for the measurement period ending June 30, 2016 were \$1,113,454.

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

As of June 30, 2016, the City reported net pension liability for its proportionate share of the net pension liability of the Plan of \$6,178,516.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.0844%
Proportion - June 30, 2015	0.0900%
Change - Increase (Decrease)	0.0056%

For the year ended June 30, 2016, the City recognized pension expense of \$672,803. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 1,005,682	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	566,171	-
Differences between actual and expected experience	12,664	12,665
Changes in assumptions	-	674,691
Adjustment due to differences in proportions	1,364,932	117,944
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>339,444</u>
Total	<u>\$ 2,949,449</u>	<u>\$ 1,144,744</u>

\$1,005,682 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)

Measurement Period Ended June 30,			
2016	\$	173,579	
2017	\$	160,774	
2018	\$	36,451	
2019	\$	428,219	

Actuarial Assumptions

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

	Cost-Sharing Miscellaneous & Safety Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% net of pension plan investment and administrative expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 201 Experience Study Report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2014.

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

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u></u>	<u>Discount Rate -1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Net Pension Liability (Asset)	\$ 9,647,041	\$ 6,178,516	\$ 3,321,374

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 15: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their current salary until future years. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them. Distributions are not available to the employees until termination, retirement, death or unforeseeable emergency as defined by the Plan.

NOTE 16: POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

Description of the Plan

The City sponsors and administers a single-employer health care plan for its employees. The plan provides medical, dental, and vision plan coverage. Medical coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. In addition, the City extends coverage to retirees and their dependents in its self insured dental plan as well as the VSP Vision plan; retirees pay the full cost of this coverage.

For the year ended June 30, 2016, the City reported 96 active and 20 retired employees. Of the actives, 2 are not currently participating but retain the right to elect coverage in the future and have been included in the valuation. Of the retirees, 7 have waived coverage and are assumed not to participate in the future.

Funding Policy

Employees become eligible to retire under PEMHCA and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City has selected the unequal contribution method, where it contributes a percent of the amount paid for actives to its eligible retirees. The percent increases each year until the City's contribution for retirees eventually equals that for similarly stated active employees. The City currently covers 100% of the cost of medical coverage for active employees and their dependents up to, but not exceeding, the dollar amount of the family premium for the lowest cost HMO. As of June 30, 2016, the City had not established a formal funding policy or trust to maintain future required contributions. The City is currently funding the benefits on a pay-as-you-go basis.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16: POST RETIREMENT BENEFITS OTHER THAN RETIREMENT (continued)

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2016, the City's annual cost for the healthcare plan was \$1,264,632. The net OPEB obligation for governmental activities was \$6,513,593 as of June 30, 2016, and the net OPEB obligation for business-type activities was \$2,785,978 as of June 30, 2016. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2016 were as follows:

Annual required contribution		
Service cost at year-end	\$	900,000
30-year amortization of unfunded liability		437,000
Interest		325,000
Amortization of net OPEB obligation		<u>(397,368)</u>
 Total annual required contribution		 <u>1,264,632</u>
 Employer contributions		 (89,845)
 Net OPEB obligation at July 1, 2015		 <u>8,124,784</u>
 Net OPEB obligation at June 30, 2016	\$	 <u><u>9,299,571</u></u>

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2014	\$ 1,155,570	\$ 46,154	4.0 %	\$ 6,992,509
June 30, 2015	\$ 1,264,632	\$ 89,845	7.1 %	\$ 8,124,784
June 30, 2016	\$ 1,446,687	\$ 44,300	3.1 %	\$ 9,299,571

Funded Status and Funding Progress

The funded status of the plan based on the most recent actuarial study (2013) using age-adjusted premiums as of June 30, 2016, was as follows:

Actuarial accrued liability (AAL)		
Active employees	\$	5,914,000
Retired employees		<u>2,882,000</u>
		<u>8,796,000</u>
 Actuarial value of plan assets		 <u>-</u>
 Unfunded actuarial accrued liability (UAAL)	\$	 <u><u>8,796,000</u></u>
 Funded Ratio (actuarial value of plan assets / AAL)		 0 %
 Covered payroll (active plan members)	\$	5,139,000
 UAAL as a percentage of covered payroll		 171 %

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16: POST RETIREMENT BENEFITS OTHER THAN RETIREMENT (continued)

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age normal cost method was used. The asset valuation method was based on the market value of assets. The actuarial assumptions included a 4.0% interest rate. Salary increases were assumed to be 3.25% per year. Current active and retired participants are assumed to continue their current election through retirement. Non-participating actives are assigned a 50% probability of electing coverage at retirement. Existing elections for spousal coverage are assumed to be maintained through retirement and surviving spouses retain coverage until their death.

NOTE 17: CONTINGENT LIABILITIES AND COMMITMENTS

The City has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Eli Development Corporation Reimbursement

On September 17, 2013, Eli Development Corporation submitted a reimbursement request to the City, pursuant to the development agreement between the City and Northeast Territories Patterson, LP, entered into as of December 19, 2006. The City has received the requested evidence from Eli Development Corporation and has determined that only a portion of the amount requested is subject to reimbursement. At present, the City believes the Eli Development Corporation may be entitled to a maximum of \$2.5 million if they are able to present adequate evidence.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PATTERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Taxes				
Property	\$ 2,880,700	\$ 2,880,700	\$ 2,830,810	\$ (49,890)
Sales	3,855,000	3,855,000	5,045,260	1,190,260
Franchise	177,000	177,000	188,834	11,834
Motor vehicle in lieu	1,600,000	1,600,000	1,693,793	93,793
Other	107,000	107,000	110,223	3,223
License, permits, and fees	897,173	897,173	459,083	(438,090)
Charges for current services	338,177	338,177	346,817	8,640
Intergovernmental	758,476	758,476	684,188	(74,288)
Fines, forfeitures and penalties	288,415	288,415	239,936	(48,479)
Investment earnings	31,850	31,850	73,707	41,857
Miscellaneous revenues	<u>142,260</u>	<u>142,260</u>	<u>188,402</u>	<u>46,142</u>
Total Revenues	<u>11,076,051</u>	<u>11,076,051</u>	<u>11,861,053</u>	<u>785,002</u>
<u>EXPENDITURES</u>				
General government	2,290,149	2,290,149	2,701,475	(411,326)
Police	4,466,077	4,466,077	4,290,965	175,112
Fire	2,091,953	2,091,953	1,900,167	191,786
Community development and planning	1,234,684	1,234,684	1,233,512	1,172
Public works	1,189,790	1,189,790	1,111,978	77,812
Parks and recreation	2,037,218	2,037,218	1,940,339	96,879
Capital outlay	160,180	160,180	80,757	79,423
Debt service:				
Principal	19,337	19,337	-	19,337
Interest and fiscal charges	<u>23,594</u>	<u>23,594</u>	<u>-</u>	<u>23,594</u>
Total Expenditures	<u>13,512,982</u>	<u>13,512,982</u>	<u>13,259,193</u>	<u>253,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,436,931)</u>	<u>(2,436,931)</u>	<u>(1,398,140)</u>	<u>1,038,791</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	2,920,727	2,920,727	2,537,862	(382,865)
Transfers out	<u>-</u>	<u>(265,246)</u>	<u>(205,000)</u>	<u>60,246</u>
Total Other Financing Sources (Uses)	<u>2,920,727</u>	<u>2,655,481</u>	<u>2,332,862</u>	<u>(322,619)</u>
Net Change in Fund Balance	<u>\$ 483,796</u>	<u>\$ 218,550</u>	<u>934,722</u>	<u>\$ 716,172</u>
Fund Balance - July 1, 2015			6,265,607	
Fund Balance - June 30, 2016			<u>\$ 7,200,329</u>	

CITY OF PATTERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
PATTERSON PUBLIC FINANCING AUTHORITY
JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Investment earnings	\$ -	\$ -	\$ 4,419,407	\$ 4,419,407
Total Revenues	-	-	4,419,407	4,419,407
<u>EXPENDITURES</u>				
General government	-	-	2,704	(2,704)
Capital outlay	-	617,960	41,857	576,103
Debt service:				
Principal	-	1,470,836	1,765,836	(295,000)
Interest and fiscal charges	-	4,035,550	4,016,686	18,864
Total Expenditures	-	6,124,346	5,827,083	297,263
Excess (deficiency) of revenues over (under) expenditures	-	(6,124,346)	(1,407,676)	4,122,144
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	5,506,386	-	(5,506,386)
TOTAL OTHER FINANCING SOURCES (USES)	-	5,506,386	-	(5,506,386)
Net Change in Fund Balance	\$ -	\$ (617,960)	(1,407,676)	\$ (1,384,242)
Fund Balance - July 1, 2015			74,356,156	
Fund Balance - June 30, 2016			\$ 72,948,480	

**CITY OF PATTERSON
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Prepared for the City's Miscellaneous and Safety Plans, Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years ***

	Measurement Period	
	2015	2014
Proportion of the net pension liability	0.09000 %	0.08440 %
Proportionate share of the net pension liability	\$ 6,178,516	\$ 5,299,962
Covered - employee payroll	\$ 5,333,366	\$ 4,913,896
Proportionate share of the net pension liability as a percentage of covered - employee payroll	115.85 %	107.86 %
Plan fiduciary net position as a percentage of the total pension liability	78.40 %	77.84 %

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

**CITY OF PATTERSON
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS
Prepared for the City's Miscellaneous and Cost Sharing Plans,
Cost Sharing Defined Benefit Pension Plans
As of June 30, 2016
Last 10 Years ***

	Fiscal Year-End	
	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,113,454	\$ 1,008,661
Contributions in relation to the actuarially determined contributions	<u>1,113,454</u>	<u>1,008,661</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 5,333,366	\$ 4,913,896
Contributions as a percentage of covered - employee payroll	20.88 %	20.53 %

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

CITY OF PATTERSON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2010	\$ 8,845,000	\$ -	\$ 8,845,000	0%	\$ 4,159,809	213 %
June 30, 2013	\$ 6,767,000	\$ -	\$ 6,767,000	0%	\$ 4,821,000	140 %
June 30, 2016	\$ 8,796,000	\$ -	\$ 8,796,000	0%	\$ 5,333,366	165 %

SUPPLEMENTARY INFORMATION

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>				
	<u>Landscape Maintenance District</u>	<u>Benefit Assessment Districts</u>	<u>CSA #15 Assessment District</u>	<u>Patterson Gardens Fire Suppression Assessment</u>	<u>Public Safety</u>
<u>ASSETS</u>					
Cash and investments	\$ 1,031,183	\$ 1,413,446	\$ 13,388	\$ -	\$ -
Prepaid expenses	-	-	-	-	3,137
Receivables:					
Accounts	39,831	13,786	-	7,951	20,291
Interest	326	479	3	-	-
Notes and loans	-	-	-	-	-
Total Assets	<u>\$ 1,071,340</u>	<u>\$ 1,427,711</u>	<u>\$ 13,391</u>	<u>\$ 7,951</u>	<u>\$ 23,428</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 111,531	\$ 9,854	\$ 887	\$ -	\$ 5,441
Due to other funds	-	-	-	24,472	245,419
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Total Liabilities	<u>111,531</u>	<u>9,854</u>	<u>887</u>	<u>24,472</u>	<u>250,860</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	959,809	1,417,857	12,504	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(16,521)	(227,432)
Total Fund Balances (Deficits)	<u>959,809</u>	<u>1,417,857</u>	<u>12,504</u>	<u>(16,521)</u>	<u>(227,432)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,071,340</u>	<u>\$ 1,427,711</u>	<u>\$ 13,391</u>	<u>\$ 7,951</u>	<u>\$ 23,428</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>				
	<u>Beautification Committee</u>	<u>CDBG HA Loan Fund</u>	<u>State HCD Rehab Program</u>	<u>Federal CDBG Grant 2003</u>	<u>First Time Home Buyers</u>
<u>ASSETS</u>					
Cash and investments	\$ 38,974	\$ -	\$ 145,248	\$ -	\$ 23,619
Prepaid expenses	-	-	-	-	-
Receivables:					
Accounts	-	-	-	253,038	-
Interest	11	-	44	-	6
Notes and loans	-	290,000	57,464	-	-
	<u>-</u>	<u>290,000</u>	<u>57,464</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 38,985</u>	<u>\$ 290,000</u>	<u>\$ 202,756</u>	<u>\$ 253,038</u>	<u>\$ 23,625</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	268,391	-
Unearned revenue	-	-	1	20,287	-
Deposits	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>288,678</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1</u>	<u>288,678</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	<u>-</u>	<u>290,000</u>	<u>57,464</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):					
Restricted	38,880	-	145,291	-	23,625
Committed	-	-	-	-	-
Assigned	105	-	-	-	-
Unassigned	-	-	-	(35,640)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,640)</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>38,985</u>	<u>-</u>	<u>145,291</u>	<u>(35,640)</u>	<u>23,625</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 38,985</u>	<u>\$ 290,000</u>	<u>\$ 202,756</u>	<u>\$ 253,038</u>	<u>\$ 23,625</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>				
	<u>Federal HOME Funds</u>	<u>Local Law Enforcement Block Grant</u>	<u>Gas Tax</u>	<u>Local Transportation Fund</u>	<u>Street Project Fund</u>
ASSETS					
Cash and investments	\$ 46,763	\$ 1,402	\$ 28,121	\$ 539,553	\$ 1,155,910
Prepaid expenses	-	-	-	-	-
Receivables:					
Accounts	2,500	-	37,817	-	206,048
Interest	15	-	43	118	-
Notes and loans	<u>430,418</u>	<u>30,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 479,696</u>	<u>\$ 31,878</u>	<u>\$ 65,981</u>	<u>\$ 539,671</u>	<u>\$ 1,361,958</u>
LIABILITIES AND FUND BALANCES					
(DEFICITS)					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 975	\$ 31,616
Due to other funds	-	-	-	-	-
Unearned revenue	7,500	-	-	309,470	22,845
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>310,445</u>	<u>54,461</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	<u>430,418</u>	<u>30,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):					
Restricted	41,778	1,402	65,981	229,226	1,307,497
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>41,778</u>	<u>1,402</u>	<u>65,981</u>	<u>229,226</u>	<u>1,307,497</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 479,696</u>	<u>\$ 31,878</u>	<u>\$ 65,981</u>	<u>\$ 539,671</u>	<u>\$ 1,361,958</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>				<u>Capital Project</u>	
	<u>Developer Housing In-Lieu Fee</u>	<u>Police Equipment</u>	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>
<u>ASSETS</u>						
Cash and investments	\$ 856,293	\$ 7,125	\$ 62,679	\$ -	\$ 153,986	\$ 204,996
Prepaid expenses	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Interest	150	-	18	-	31	43
Notes and loans	<u>1,125,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,982,068</u>	<u>\$ 7,125</u>	<u>\$ 62,697</u>	<u>\$ -</u>	<u>\$ 154,017</u>	<u>\$ 205,039</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 1,561	\$ -
Due to other funds	-	-	-	398	-	-
Unearned revenue	-	7,103	-	-	-	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>7,103</u>	<u>-</u>	<u>398</u>	<u>1,561</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows of resources	<u>1,125,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):						
Restricted	856,443	22	62,697	-	152,456	-
Committed	-	-	-	-	-	205,039
Assigned	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>856,443</u>	<u>22</u>	<u>62,697</u>	<u>(398)</u>	<u>152,456</u>	<u>205,039</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,982,068</u>	<u>\$ 7,125</u>	<u>\$ 62,697</u>	<u>\$ -</u>	<u>\$ 154,017</u>	<u>\$ 205,039</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital Project</u>				
	<u>General Government Impact Fee</u>	<u>Public Safety Impact Fee</u>	<u>Parkland In-Lieu Fee</u>	<u>Street Improvement Impact Fee</u>	<u>Water Impact Fee</u>
<u>ASSETS</u>					
Cash and investments	\$ 603,573	\$ 672,049	\$ 67,622	\$ 2,172,168	\$ 333,438
Prepaid expenses	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Interest	187	235	9	907	65
Notes and loans	-	-	-	-	-
Total Assets	<u>\$ 603,760</u>	<u>\$ 672,284</u>	<u>\$ 67,631</u>	<u>\$ 2,173,075</u>	<u>\$ 333,503</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 75,763	\$ 10,320	\$ -	\$ 2,685	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Total Liabilities	<u>75,763</u>	<u>10,320</u>	<u>-</u>	<u>2,685</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	-	-
Committed	527,997	661,964	67,631	2,170,390	333,503
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>527,997</u>	<u>661,964</u>	<u>67,631</u>	<u>2,170,390</u>	<u>333,503</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 603,760</u>	<u>\$ 672,284</u>	<u>\$ 67,631</u>	<u>\$ 2,173,075</u>	<u>\$ 333,503</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital Project</u>				
	<u>Storm Drain Impact Fee</u>	<u>Sewer Impact Fee</u>	<u>Delta Mendota Storm Gate</u>	<u>Aquatic Center Construction</u>	<u>Future Water Acquisition</u>
<u>ASSETS</u>					
Cash and investments	\$ 1,205,170	\$ 121,850	\$ 166,281	\$ 46,047	\$ 164,173
Prepaid expenses	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Interest	332	19	49	12	17
Notes and loans	-	-	-	-	-
Total Assets	<u>\$ 1,205,502</u>	<u>\$ 121,869</u>	<u>\$ 166,330</u>	<u>\$ 46,059</u>	<u>\$ 164,190</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 3,132	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Total Liabilities	<u>3,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	-	-
Committed	1,202,370	121,869	166,330	46,059	164,190
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>1,202,370</u>	<u>121,869</u>	<u>166,330</u>	<u>46,059</u>	<u>164,190</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,205,502</u>	<u>\$ 121,869</u>	<u>\$ 166,330</u>	<u>\$ 46,059</u>	<u>\$ 164,190</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2016

	Capital Project		Total Non-major Governmental Funds
	Heartland Ranch Infrastructure	WTPP Construction	
<u>ASSETS</u>			
Cash and investments	\$ 43,920	\$ 4,462	\$ 11,323,439
Prepaid expenses	-	-	3,137
Receivables:			
Accounts	-	-	581,262
Interest	12	1	3,132
Notes and loans	-	-	1,933,983
	<u>43,932</u>	<u>4,463</u>	<u>13,844,953</u>
Total Assets	<u>\$ 43,932</u>	<u>\$ 4,463</u>	<u>\$ 13,844,953</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>(DEFICITS)</u>			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 253,765
Due to other funds	-	-	538,680
Unearned revenue	-	-	367,206
Deposits	47,176	-	47,176
	<u>47,176</u>	<u>-</u>	<u>1,206,827</u>
Total Liabilities	<u>47,176</u>	<u>-</u>	<u>1,206,827</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources	-	-	1,933,983
	<u>-</u>	<u>-</u>	<u>1,933,983</u>
FUND BALANCES (DEFICITS):			
Restricted	-	-	5,315,468
Committed	-	4,463	5,671,805
Assigned	-	-	105
Unassigned	(3,244)	-	(283,235)
	<u>(3,244)</u>	<u>-</u>	<u>(283,235)</u>
Total Fund Balances (Deficits)	<u>(3,244)</u>	<u>4,463</u>	<u>10,704,143</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 43,932</u>	<u>\$ 4,463</u>	<u>\$ 13,844,953</u>

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

	Special Revenue				
	Landscape Maintenance District	Benefit Assessment Districts	CSA #15 Assessment District	Patterson Gardens Fire Suppression Assessment	Public Safety
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	1,529,068	576,049	8,500	388,564	903,856
Intergovernmental	-	-	-	-	73,000
Investment earnings	<u>3,016</u>	<u>4,687</u>	<u>37</u>	<u>1</u>	<u>-</u>
Total Revenues	<u>1,532,084</u>	<u>580,736</u>	<u>8,537</u>	<u>388,565</u>	<u>976,856</u>
EXPENDITURES					
General government	-	-	-	-	-
Fire	-	-	-	4,993	1,369,674
Public works	1,416,717	112,441	400	-	-
Community development and planning	-	-	5,980	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,416,717</u>	<u>112,441</u>	<u>6,380</u>	<u>4,993</u>	<u>1,369,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,367</u>	<u>468,295</u>	<u>2,157</u>	<u>383,572</u>	<u>(392,818)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	600,000
Transfers out	<u>(213,353)</u>	<u>(331,845)</u>	<u>-</u>	<u>(395,000)</u>	<u>(339,240)</u>
Total Other Financing Sources (Uses)	<u>(213,353)</u>	<u>(331,845)</u>	<u>-</u>	<u>(395,000)</u>	<u>260,760</u>
Net Change in Fund Balances	<u>(97,986)</u>	<u>136,450</u>	<u>2,157</u>	<u>(11,428)</u>	<u>(132,058)</u>
Fund Balances (Deficits) - July 1, 2015	<u>1,057,795</u>	<u>1,281,407</u>	<u>10,347</u>	<u>(5,093)</u>	<u>(95,374)</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 959,809</u>	<u>\$ 1,417,857</u>	<u>\$ 12,504</u>	<u>\$ (16,521)</u>	<u>\$ (227,432)</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016
Special Revenue

	<u>Beautification Committee</u>	<u>CDBG HA Loan</u>	<u>State HCD Rehab Program</u>	<u>Federal CDBG Grant 2003</u>	<u>First Time Home Buyers</u>
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	325,369	-
Investment earnings	<u>122</u>	<u>-</u>	<u>470</u>	<u>-</u>	<u>2,964</u>
Total Revenues	<u>122</u>	<u>-</u>	<u>470</u>	<u>325,369</u>	<u>2,964</u>
EXPENDITURES					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	-	550	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,021</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,571</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>122</u>	<u>-</u>	<u>470</u>	<u>8,798</u>	<u>2,964</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loan repayments	-	-	566	-	2,792
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,400)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>566</u>	<u>(13,400)</u>	<u>2,792</u>
Net Change in Fund Balances	<u>122</u>	<u>-</u>	<u>1,036</u>	<u>(4,602)</u>	<u>5,756</u>
Fund Balances (Deficits) - July 1, 2015	<u>38,863</u>	<u>-</u>	<u>144,255</u>	<u>(31,038)</u>	<u>17,869</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 38,985</u>	<u>\$ -</u>	<u>\$ 145,291</u>	<u>\$ (35,640)</u>	<u>\$ 23,625</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016
Special Revenue

	Federal HOME Funds	Local Law Enforcement Block Grant	Gas Tax	Local Transportation Fund	Street Project Fund
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	439,431	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	(2,500)	-	-	-	95,442
Investment earnings	<u>573</u>	<u>211</u>	<u>131</u>	<u>1,214</u>	<u>2,745</u>
Total Revenues	<u>(1,927)</u>	<u>211</u>	<u>439,562</u>	<u>1,214</u>	<u>98,187</u>
EXPENDITURES					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	43,908
Community development and planning	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>975</u>	<u>664,947</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>975</u>	<u>708,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,927)</u>	<u>211</u>	<u>439,562</u>	<u>239</u>	<u>(610,668)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loan repayments	2,132	376	-	-	-
Transfers in	-	-	-	-	1,567,819
Transfers out	<u>(4,400)</u>	<u>-</u>	<u>(574,853)</u>	<u>(317,584)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,268)</u>	<u>376</u>	<u>(574,853)</u>	<u>(317,584)</u>	<u>1,567,819</u>
Net Change in Fund Balances	<u>(4,195)</u>	<u>587</u>	<u>(135,291)</u>	<u>(317,345)</u>	<u>957,151</u>
Fund Balances (Deficits) - July 1, 2015	<u>45,973</u>	<u>815</u>	<u>201,272</u>	<u>546,571</u>	<u>350,346</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 41,778</u>	<u>\$ 1,402</u>	<u>\$ 65,981</u>	<u>\$ 229,226</u>	<u>\$ 1,307,497</u>

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

	<u>Special Revenue</u>					<u>Capital Projects</u>
	<u>Developer Housing In-Lieu Fee</u>	<u>Police Equipment</u>	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>
REVENUES						
Taxes						
Property	\$ 341,679	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-
License, permits, and fees	-	-	-	-	51,509	82,640
Charges for current services	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment earnings	<u>2,111</u>	<u>22</u>	<u>198</u>	<u>-</u>	<u>435</u>	<u>663</u>
Total Revenues	<u>343,790</u>	<u>22</u>	<u>198</u>	<u>-</u>	<u>51,944</u>	<u>83,303</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Public works	-	-	-	-	5,661	-
Community development and planning	-	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,413</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,661</u>	<u>23,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>343,790</u>	<u>22</u>	<u>198</u>	<u>-</u>	<u>46,283</u>	<u>59,890</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from loan repayments	6,250	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>6,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>350,040</u>	<u>22</u>	<u>198</u>	<u>-</u>	<u>46,283</u>	<u>59,890</u>
Fund Balances (Deficits) - July 1, 2015	<u>506,403</u>	<u>-</u>	<u>62,499</u>	<u>(398)</u>	<u>106,173</u>	<u>145,149</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 856,443</u>	<u>\$ 22</u>	<u>\$ 62,697</u>	<u>\$ (398)</u>	<u>\$ 152,456</u>	<u>\$ 205,039</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016
Capital Projects

	General Government Impact Fee	Public Safety Impact Fee	Parkland In-Lieu Fee	Street Improvement Impact Fee	Water Impact Fee
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	39,343	19,318	34,832	64,884	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	-	114,390
Investment earnings	<u>1,784</u>	<u>2,140</u>	<u>212</u>	<u>7,405</u>	<u>1,055</u>
Total Revenues	<u>41,127</u>	<u>21,458</u>	<u>35,044</u>	<u>72,289</u>	<u>115,445</u>
EXPENDITURES					
General government	-	333	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	-	-	-
Capital outlay	<u>142,666</u>	<u>113,915</u>	<u>176</u>	<u>15,525</u>	<u>-</u>
Total Expenditures	<u>142,666</u>	<u>114,248</u>	<u>176</u>	<u>15,525</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,539)</u>	<u>(92,790)</u>	<u>34,868</u>	<u>56,764</u>	<u>115,445</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(945,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(945,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(101,539)</u>	<u>(92,790)</u>	<u>34,868</u>	<u>(888,236)</u>	<u>115,445</u>
Fund Balances (Deficits) - July 1, 2015	<u>629,536</u>	<u>754,754</u>	<u>32,763</u>	<u>3,058,626</u>	<u>218,058</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 527,997</u>	<u>\$ 661,964</u>	<u>\$ 67,631</u>	<u>\$ 2,170,390</u>	<u>\$ 333,503</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016
Capital Projects

	Storm Drain Impact Fee	Sewer Impact Fee	Delta Mendota Storm Gate	Aquatic Center Construction	Future Water Acquisition
REVENUES					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	128,767	-	-	-	102,739
Charges for current services	-	-	-	6,423	4,289
Intergovernmental	-	51,101	-	-	-
Investment earnings	<u>3,629</u>	<u>182</u>	<u>526</u>	<u>146</u>	<u>334</u>
Total Revenues	<u>132,396</u>	<u>51,283</u>	<u>526</u>	<u>6,569</u>	<u>107,362</u>
EXPENDITURES					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	781	-	-	-	-
Community development and planning	-	-	-	-	-
Capital outlay	<u>31,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>32,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,657</u>	<u>51,283</u>	<u>526</u>	<u>6,569</u>	<u>107,362</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	5,984	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,984</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>99,657</u>	<u>57,267</u>	<u>526</u>	<u>6,569</u>	<u>107,362</u>
Fund Balances (Deficits) - July 1, 2015	<u>1,102,713</u>	<u>64,602</u>	<u>165,804</u>	<u>39,490</u>	<u>56,828</u>
Fund Balances (Deficits) - June 30, 2016	<u>\$ 1,202,370</u>	<u>\$ 121,869</u>	<u>\$ 166,330</u>	<u>\$ 46,059</u>	<u>\$ 164,190</u>

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

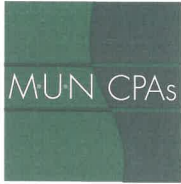
Capital Projects

	Heartland Ranch Infrastructure	WWTP Construction	Total Non-major Governmental Funds
REVENUES			
Taxes			
Property	\$ -	\$ -	\$ 341,679
Taxes	-	-	439,431
License, permits, and fees	-	-	524,032
Charges for current services	-	-	3,416,749
Intergovernmental	-	-	656,802
Investment earnings	<u>138</u>	<u>14</u>	<u>37,165</u>
Total Revenues	<u>138</u>	<u>14</u>	<u>5,415,858</u>
EXPENDITURES			
General government	-	-	333
Fire	-	-	1,374,667
Public works	-	-	1,579,908
Community development and planning	-	-	6,530
Capital outlay	<u>-</u>	<u>-</u>	<u>1,309,596</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,271,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>138</u>	<u>14</u>	<u>1,144,824</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from loan repayments	-	-	12,116
Transfers in	-	-	2,173,803
Transfers out	<u>-</u>	<u>-</u>	<u>(3,134,675)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(948,756)</u>
Net Change in Fund Balances	<u>138</u>	<u>14</u>	<u>196,068</u>
Fund Balances (Deficits) - July 1, 2015	<u>(3,382)</u>	<u>4,449</u>	<u>10,508,075</u>
Fund Balances (Deficits) - June 30, 2016	<u><u>\$ (3,244)</u></u>	<u><u>\$ 4,463</u></u>	<u><u>\$ 10,704,143</u></u>

CITY OF PATTERSON
COMBINING SCHEDULE OF NET POSITION
AGENCY FUNDS
JUNE 30, 2016

	<u>West Patterson Financing Authority</u>	<u>West Patterson Business Park</u>	<u>Heartland Ranch 2002</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and investments	\$ 3,293,744	\$ 3,080,480	\$ 665,964	\$ 7,040,188
Restr. cash and investments	3,957,292	7,807,551	-	11,764,843
Accounts receivable	93,905	38,253	6,502	138,660
Other assets	<u>-</u>	<u>797</u>	<u>170</u>	<u>967</u>
Total Assets	<u>\$ 7,344,941</u>	<u>\$ 10,927,081</u>	<u>\$ 672,636</u>	<u>\$ 18,944,658</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 10,400	\$ 10,400
Due to bondholders	<u>7,344,941</u>	<u>10,927,081</u>	<u>662,236</u>	<u>18,934,258</u>
Total Liabilities	<u>\$ 7,344,941</u>	<u>\$ 10,927,081</u>	<u>\$ 672,636</u>	<u>\$ 18,944,658</u>

OTHER REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Patterson
Patterson, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Patterson, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Patterson's basic financial statements, and have issued our report thereon dated July 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Patterson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Patterson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Patterson's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2016-001.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2016-002 and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Patterson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-004.

City of Patterson's Responses to Findings

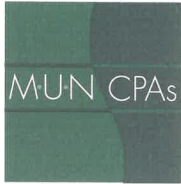
City of Patterson's responses to the findings were identified in our audit are described in the accompanying schedule of findings and responses and questioned costs. City of Patteron's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Man-Viet-Nhuc CPAs

Sacramento, California
July 6, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council of
the City of Patterson
Patterson, California

Report on Compliance for Each Major Federal Program

We have audited the City of Patterson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Patterson's major federal programs for the year ended June 30, 2016. The City of Patterson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Patterson's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Patterson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Patterson's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Patterson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-004. Our opinion on each major federal program is not modified with respect to this matter.

The City of Patterson's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Patterson's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Patterson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Patterson's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Patterson's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
July 6, 2017

**CITY OF PATTERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Transportation			
Pass-Through State of California Department of Transportation:			
Highway Planning and Construction	20.205	CML-5244(027)	\$ <u>3,435</u>
Total U.S. Department of Transportation			<u>3,435</u>
U.S Department of Housing and Urban Development			
Pass-Through City of Turlock:			
Community Development Block Grants/ Entitlement Grants	14.218	Home Loan	493,374
Community Development Block Grants/ Entitlement Grants	14.218	Program Income	<u>2,698</u>
Total Community Development Block Grants/Entitlement Grants			<u><u>496,072</u></u>
Community Development Block Grants	14.228	CDBG Program Income	2,792
Community Development Block Grants	14.228	Beginning Loan Balance	30,852
Community Development Block Grants	14.228	B-14-UC-06-0100	<u>316,686</u>
Total Community Development Block Grants			<u>350,330</u>
Total U.S. Department of Housing and Urban Development			<u>846,402</u>
Total Expenditures of Federal Awards			\$ <u><u>849,837</u></u>

**CITY OF PATTERSON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Patterson. The City of Patterson reporting entity is defined in Note 1 of the City's Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's basic financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The City of Patterson has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

**CITY OF PATTERSON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 5: LOANS OUTSTANDING WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs require servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. In accordance with the Uniform Guidance, the City has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2016, along with the value of total outstanding and new loans made during the current year.

The programs listed below had the following aggregate federally funded loans outstanding at June 30, 2016:

Federal CFDA Number	Program Title	June 30, 2016
14.218	HOME Investment Partnership Program	
	Beginning Balance	\$ 493,374
	Less: Payments	<u>(5,491)</u>
	Ending Balance	\$ 487,883
14.228	Community Development Block Grant	
	Beginning Balance	\$ 30,852
	Less: Payments	<u>(376)</u>
	Ending Balance	\$ 30,476
	Total Loans Outstanding	<u>\$ 518,359</u>

NOTE 6: INDIRECT COSTS

The City elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2016.

**CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance	Yes
Identification of Major Programs:	
Department of Housing and Urban Development: Community Development Block Grants/ Entitlement Grants 14.218	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001: Year End Close (Material Weakness)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we noted that the processes utilized for closing and reporting of financial activity for the fiscal year year ended June 30, 2016 were not effective, which contributed to the delayed closing of the City's trial balances and resulted in excess of 30 adjustments to the original trial balance. Additionally we noted major errors in the recording of investments, grants receivable, notes receivable, capital assets, compensated absences, long term debt, transfers, revenue, and expenses which ultimately required adjustments to correct.

Cause

The City has not assessed the staffing needs of the finance department.

Recommendation

We recommend that the City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Management Response

The City is in agreement with this finding and recommendation. The City has struggled with competing demands in the department and the loss of key personnel such as the Finance Director. The City began hiring an interim Finance Director in September 2015 and a permanent position new Finance Director in February 2016 with increased skills, expertise and knowledge of municipal finance. Since then the new Finance Director has been dealing with a number of substantial City's needs such as preparation of FY 2016-2017 Budget with compressed timeline, FY 2014 Single Audit and PPFA Audit. As the City increased activities in both operations and borrowings, the volume of transaction activities and account analysis increased without increase in resource in Finance. Management has reviewed year end close process and improvement has been made and establish the following in fiscal year 2017:

- Establish Year-end close procedure and checklist for fiscal year 2017.
- Identify critical due dates and develop a listing of assignment.
- Hold periodic meetings to monitor the progress of assignments and responsibilities.
- Conduct management review of financial statements and audit schedules prior to presenting them to the auditor.
- Thorough review and segregation of duties in journal entry preparation, review, and approval.
- Finance Director has proposed an additional staff Accounting Technician during FY 2016-17 Budget and was asked to bring back to mid-year budget review due to funding priority and constraint. Council approved Accounting Technician position in November 2016 and the position is filled in April 2017.

**CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-002 Grant Reporting (Significant Deficiency)

Criteria

In order to properly record financial information pertaining to grant funding, it is necessary for information relating to grant reimbursements and expenditures to be conveyed to the finance department.

Condition

The City of Patterson's grant expenditures are not being communicated timely to the finance department or granting agencies. This has resulted in significant delays in receiving reimbursements for expenditures and errors in accounting for revenues and expenditures.

Cause

The City does not have a system in place which requires grant information to be submitted to the finance department in a timely manner.

Recommendation

We recommend that the City implement procedures that require timely communication between personnel managing grants and the finance department.

Management's Response

The City is in agreement with this finding and recommendation. Management has reviewed grant reporting process and established the following in fiscal year 2017:

- Training is now being provided to existing personnel in areas of federal grants, accounting, accounting close, and documentation.

**CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-003 Financial Reporting (Significant Deficiency)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we discovered that monthly financial packets previously provided to City Council had been discontinued during the year. Timely and accurate financial information is instrumental in order for Management and Governance to perform their fiduciary duties.

Cause

The City has not assessed the staffing needs of the finance department.

Recommendation

We recommend that the City resume the control procedures established for financial reporting.

Management's Response

The City is in agreement with this finding and recommendation. Finance staff took every effort to be in compliance with laws and regulations in the area of financial reporting. Finance staff has been providing monthly warrant/disbursement report to Councils via email. The 1st and 2nd quarter of Fiscal Year 2017 financial report was provided to Council on February 21, 2017. Due to lack of resource and conflicting priorities in Finance, a monthly or quarterly financial reports to Council has been a challenge to Finance team. We will continue to assess the staffing needs in Finance department and with Council approved Accounting Technician position we are able to fill the position in April 2017. Finance staff will provide at minimum quarterly financial report to Council in FY 2017-18.

**CITY OF PATTERSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2016-004: Noncompliance with reporting requirement

Criteria

The Single Audit reporting package and data collection form are required to be submitted to the Federal Audit Clearing-House (FAC) nine months after year end.

Condition

The 2016 Single Audit reporting package and data collection form have not been submitted to the Federal Audit Clearing-House. The filing deadline was March 31, 2017.

Cause

Management was not prepared timely for the 2016 annual audit and single audit.

Recommendation

We recommend that Management close the year-end accounting and be prepared for the audit within 3 months after year-end in order to complete the audit and single audit timely and file on time with the Federal Audit Clearing-House.

Management Response

The City is in agreement with this finding and recommendation. Finance staff took every effort to keep the City current in reporting requirement and remain compliance with laws and regulations. However, Finance Director inherited 2 years of reporting backlog and submitted Single Audit FY 2014 package in July 2016. PPFA Audit FY 2014 was issued in October 2016. City, PPFA, WPFA and TDA Financial Audits FY 2015 were issued in October 2016. As the City increased activities in both operations and borrowings, the volume of transaction activities and account analysis increased without increase in resource in Finance. Therefore, the FY 2016 transactions were not caught up until March 2017. Finance Director has put in place year end close process, schedule staff assignment with date of expected date of completion and working with City Staff of year end closing expectation. The new auditor is scheduled to start interim audit in August 2017 with Field work begin in November 2017.

**CITY OF PATTERSON
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

Finding 2015-01: Year End Close (Significant Deficiency)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we noted that the processes utilized for closing and reporting of financial activity for the fiscal year year ended June 30, 2015 were not effective, which contributed to the delayed closing of the City's trial balances. Additionally we noted major differences in revenue, net assets, and investments which ultimately required adjustments to correct.

Cause

The City has not assessed the staffing needs of the finance department.

Recommendation

We recommend that the City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Status

Recommendation not implemented. See current year finding.

**CITY OF PATTERSON
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

Finding 2015-02 Grant Reporting (Significant Deficiency)

Criteria

In order to properly record financial information pertaining to grant funding, it is necessary for information relating to grant reimbursements and expenditures to be conveyed to the finance department.

Condition

The City of Patterson's grant expenditures are not being communicated timely to the finance department or granting agencies. This has resulted in significant delays in receiving reimbursements for expenditures and errors in accounting for revenues and expenditures.

Cause

The City does not have a system in place which requires grant information to be submitted to the finance department in a timely manner.

Recommendation

We recommend that the City implement procedures that require timely communication between personnel managing grants and the finance department.

Status

Recommendation not implemented. See current year finding.

**CITY OF PATTERSON
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
JUNE 30, 2016**

Finding 2015-03 Deferred Inflows of Resources (Significant Deficiency)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we noted that balances were recorded for existing loan receivables, however no deferred inflows of resources were recorded in the governmental fund for amounts not received within 60 days. This resulted in an overstatement of net income in prior years and required a prior period adjustment to correct.

Cause

The City has not assessed the staffing needs of the finance department.

Recommendation

We recommend that the City incorporate review procedures and checklists over the City's financial reporting process to ensure accurate and complete preparation of the City's financial statements.

Status

Recommendation implemented. No current year finding noted.

STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

The Statistical Section is required by the Governmental Accounting Standards Board (GASB) to be reported in the following sections:

	<u>Page</u>
<u>Contents</u>	
Financial Trends Information	101-107
Helps readers understand how the City's financial position and well-being have changed over time.	
Revenue Capacity Information	108-114
Helps readers understand and assess the City's ability to generate its own sources of revenue, the most significant local revenue source being sales and use tax.	
Demographic and Economic Information	115-116
Help readers understand the socioeconomic environment within which the City's financial activities take place, and provides information to facilitate comparisons of financial statement information over time and among other governments.	
Operating Information	117-120
Information about the City's operations and resources to help readers use financial information to understand and assess the related services the City provides and the activities it performs.	

CITY OF PATTERSON
 TABLE 1
 Net Position By Classification
 Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 55,756,984	\$ 50,237,700	\$ 47,460,440	\$ 46,822,970	\$ 42,804,314	\$ 41,633,066	\$ 39,108,419	\$ 34,065,197	\$ 33,510,894	\$ 24,743,999
Non-Spendable	78,491	-	-	-	-	-	-	-	-	-
Restricted	5,270,127	4,867,200	4,866,877	4,983,481	5,670,040	5,875,879	-	-	-	-
Unrestricted net position	1,831,382	987,000	7,418,444	11,140,880	15,213,609	18,288,877	27,742,898	31,214,878	33,160,787	31,801,980
Total Net Asset	\$ 62,936,984	\$ 56,091,900	\$ 59,745,761	\$ 62,947,331	\$ 63,687,963	\$ 65,797,822	\$ 66,851,317	\$ 65,280,075	\$ 66,671,681	\$ 56,545,979
Business-type activities:										
Net investment in capital assets	35,232,028	34,725,800	34,941,039	36,814,164	38,967,545	40,214,015	47,602,499	40,631,090	34,722,152	33,274,529
Restricted	4,102,582	5,303,228	5,437,345	5,772,477	5,809,966	6,393,524	-	-	-	-
Unrestricted net position	1,250,675	1,737,680	4,704,599	3,395,687	2,879,695	2,491,841	(301,507)	6,064,149	3,545,478	3,715,112
Total Net Asset	\$ 40,585,285	\$ 41,766,708	\$ 45,082,983	\$ 45,982,328	\$ 47,657,206	\$ 49,099,380	\$ 47,300,992	\$ 46,695,239	\$ 38,267,630	\$ 36,989,641

Note: Some prior year balances may have been restated from previous financial statements to reflect the new GASB implementations or prior period reinstatements

Source: City of Patterson Finance Department

CITY OF PATTERSON
TABLE 2
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental activities:					
General Government	\$ 2,003,932	\$ 2,650,997	\$ 3,945,285	\$ 2,807,815	\$ 2,333,516
Police	4,156,842	3,298,276	3,987,323	3,821,033	3,261,512
Fire	3,594,435	3,381,961	3,339,030	2,809,442	2,245,100
Community development and planning	1,258,725	1,213,617	1,460,591	1,136,097	1,116,622
Public Works	4,652,522	4,043,774	4,412,453	3,835,002	3,509,406
Parks and recreation	2,696,555	2,558,315	2,463,941	2,223,206	2,157,614
Interest and fiscal charges	3,935,590	4,118,232	80,122	60,882	68,414
Total Governmental Activities	\$ 22,298,601	\$ 21,265,172	\$ 19,688,745	\$ 16,693,477	\$ 14,692,184
Business-type activities:					
Water	\$ 3,567,751	\$ 3,734,709	\$ 3,474,567	\$ 3,363,991	\$ 3,216,668
Sewer	4,221,112	4,091,034	3,867,142	3,406,173	3,386,088
Garbage	2,080,840	2,069,439	1,971,695	2,003,563	1,666,878
Total Business-type Activities	9,869,703	9,895,182	9,313,404	8,773,727	8,269,634
Total Expenses	\$ 32,168,304	\$ 31,160,354	\$ 29,002,149	\$ 25,467,204	\$ 22,961,818
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ 108,119	\$ 166,427	\$ 38,738	\$ 92,657	\$ 74,190
Police	268,929	392,009	217,030	244,926	207,306
Fire	413,973	681,690	376,520	505,790	334,540
Community development and planning	390,721	885,242	385,554	676,548	676,078
Public Works	2,000,190	2,296,599	1,802,849	1,716,066	1,957,980
Parks and recreation	1,804,685	1,780,112	1,628,009	1,557,024	1,521,838
Operating grants and contributions	998,122	1,318,671	1,236,474	1,173,683	1,121,738
Capital grants and contributions	342,867	556,120	861,536	2,061,872	601,377
Total Governmental Activities	\$ 6,327,606	\$ 8,076,870	\$ 6,546,710	\$ 8,028,566	\$ 6,495,047
Business-type activities:					
Water	\$ 3,389,473	\$ 3,972,456	\$ 4,156,756	\$ 4,039,314	\$ 3,528,681
Sewer	3,855,492	3,406,079	3,275,496	3,004,341	2,708,584
Garbage	2,800,845	2,667,681	2,475,705	2,274,016	2,147,980
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	(1,582)	-	-	-	-
Total Business-type Activities	10,045,810	10,046,216	9,907,957	9,317,671	8,385,245
Total Revenue	\$ 16,373,416	\$ 18,123,086	\$ 16,454,667	\$ 17,346,237	\$ 14,880,292
Change in Net Assets					
Governmental activities	\$ (15,970,995)	\$ (13,188,302)	\$ (13,142,035)	\$ (8,664,911)	\$ (8,197,137)
Business-type activities	176,107	151,034	594,553	543,944	115,611
Total	\$ (15,794,888)	\$ (13,037,268)	\$ (12,547,482)	\$ (8,120,967)	\$ (8,081,526)

CITY OF PATTERSON
 TABLE 2
 Changes in Net Position
 Last Ten Fiscal Years

	Fiscal Year				
	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
General Government	\$ 1,137,344	\$ 2,048,675	\$ 1,751,864	\$ 1,932,332	\$ 2,130,732
Police	3,305,964	2,943,414	3,074,123	2,855,203	3,082,594
Fire	1,957,740	2,031,411	1,874,633	1,373,809	585,066
Community development and planning	1,585,362	3,094,621	2,146,734	2,147,422	3,002,933
Public Works	3,564,561	4,336,645	4,701,557	3,398,456	1,197,528
Parks and recreation	1,755,783	1,794,052	1,794,251	1,589,328	2,004,037
Interest and fiscal charges	125,929	21,599	30,168	98,518	96,858
Total Governmental Activities	\$ 13,432,683	\$ 16,270,417	\$ 15,373,330	\$ 13,395,068	\$ 12,099,748
Business-type activities:					
Water	\$ 2,524,277	\$ 1,812,872	\$ 1,948,774	\$ 1,985,340	\$ 1,630,272
Sewer	3,048,082	2,779,975	2,455,620	2,628,182	1,237,677
Garbage	1,735,341	1,641,995	1,670,589	1,767,936	1,504,925
Total Business-type Activities	7,307,700	6,234,842	6,074,983	6,381,458	4,372,874
Total Expenses	\$ 20,740,383	\$ 22,505,259	\$ 21,448,313	\$ 19,776,526	\$ 16,472,622
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ 132,150	\$ 432,761	\$ 38,893	\$ 181,211	\$ 712,653
Police	445,911	286,581	165,375	144,492	124,876
Fire	327,501	551,112	434,000	141,656	12,608
Community development and planning	228,818	580,185	368,444	311,391	534,123
Public Works	1,791,514	1,749,392	1,673,858	1,639,249	1,663,919
Parks and recreation	1,352,457	1,373,768	1,407,250	1,156,594	1,077,627
Operating grants and contributions	1,514,416	886,004	1,645,700	2,227,226	1,802,407
Capital grants and contributions	1,111,481	4,951,831	2,169,742	1,646,392	1,394,460
Total Governmental Activities	\$ 6,904,248	\$ 10,811,634	\$ 7,903,262	\$ 7,448,211	\$ 7,322,673
Business-type activities:					
Water	\$ 3,183,221	\$ 3,273,525	\$ 3,177,195	\$ 3,157,170	\$ 3,109,207
Sewer	2,505,838	2,384,185	2,256,588	1,918,646	1,760,685
Garbage	1,953,379	1,784,026	1,721,426	1,694,244	1,656,089
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,138,000	-	7,862,204	-	-
Total Business-type Activities	8,780,438	7,441,736	7,155,209	6,770,060	6,525,981
Total Revenue	\$ 15,684,686	\$ 18,253,370	\$ 15,058,471	\$ 14,218,271	\$ 13,848,654
Change in Net Assets					
Governmental activities	\$ (6,528,435)	\$ (5,458,783)	\$ (7,470,068)	\$ (5,946,857)	\$ (4,777,075)
Business-type activities	1,472,738	1,206,894	1,080,226	388,602	2,153,107
Total	\$ (5,055,697)	\$ (4,251,889)	\$ (6,389,842)	\$ (5,558,255)	\$ (2,623,968)

CITY OF PATTERSON
 TABLE 3
 Fund Balance, Governmental Funds
 Last Ten Fiscal Years

	FISCAL YEAR				
	2016	2015	2014	2013	2012
FUND BALANCES:					
General Fund					
Nonspendable	\$ 78,491	\$ -	\$ 850	\$ 850	\$ -
Restricted	51,773	40,508	81,663	209,823	173,885
Committed	3,626,143	3,605,039	3,605,039	3,594,200	3,580,604
Assigned	1,879,546	2,051,675	2,246,696	3,555,248	5,389,558
Unassigned	1,564,376	568,385	283,289	-	195,478
Total General Fund	\$ 7,200,329	\$ 6,265,607	\$ 6,217,537	\$ 7,360,121	\$ 9,339,525
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	78,162,371	78,664,140	2,935,022	3,445,665	4,024,858
Committed	5,734,508	6,335,270	5,833,844	6,516,526	6,465,547
Assigned	38,985	105	-	-	-
Unassigned	(283,235)	(135,283)	(152,677)	(25,708)	(35,484)
Total All Other Governmental Funds	83,652,629	84,864,232	8,616,189	9,936,483	10,454,921
Total Fund Balance	\$ 90,852,958	\$ 91,129,839	\$ 14,833,726	\$ 17,296,604	\$ 19,794,446

	FISCAL YEAR				
	2016	2015	2014	2013	2012
General Fund					
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
Total General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds					
Reserved for:					
Redevelopment	\$ -	\$ -	\$ -	\$ -	\$ -
Low and moderate housing	-	-	-	-	-
Special projects	-	-	-	-	-
Endowments	-	-	-	-	-
Unreserved reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated	-	-	-	-	-
Total All Other Governmental Funds	-	-	-	-	-
Total Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF PATTERSON
 TABLE 3
 Fund Balance, Governmental Funds
 Last Ten Fiscal Years

	FISCAL YEAR				
	2011	2010	2009	2008	2007
FUND BALANCES:					
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	294,037	-	-	-	-
Committed	3,564,292	-	-	-	-
Assigned	6,476,305	-	-	-	-
Unassigned	239,958	-	-	-	-
Total General Fund	\$ 10,574,592	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	5,385,329	-	-	-	-
Committed	6,322,805	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(151,513)	-	-	-	-
Total All Other Governmental Funds	11,556,621	-	-	-	-
Total Fund Balance	\$ 22,131,213	\$ -	\$ -	\$ -	\$ -
General Fund					
Reserved	-	-	-	-	-
Unreserved	-	11,005,441	11,978,257	-	-
Total General Fund	\$ -	\$ 11,005,441	\$ 11,978,257	\$ -	\$ -
All Other Governmental Funds					
Reserved for:					
Redevelopment	\$ -	\$ 832,576	\$ 803,468	\$ -	\$ -
Low and moderate housing	-	552,306	472,420	0	262,617
Special projects	-	287,278	287,278	0	309,383
Endowments	-	32,000	92,185	43,535	0
Unreserved reported in:					
Special revenue funds	-	2,238,533	2,041,661	0	0
Capital project funds	-	9,384,631	9,948,728	0	2,100,168
Undesignated	-	0	0	29,633,307	25,523,542
Total All Other Governmental Funds	-	13,327,324	13,645,740	29,676,842	28,195,710
Total Fund Balance	\$ -	\$ 24,332,765	\$ 25,623,997	\$ 29,676,842	\$ 28,195,710

CITY OF PATTERSON
 TABLE 4
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years

	FISCAL YEAR				
	2016	2015	2014	2013	2012
Revenues:					
Taxes:					
Property	\$ 3,172,489	\$ 2,657,306	\$ 2,068,125	\$ 2,103,703	\$ 1,900,394
Sales	5,045,260	3,732,177	3,394,908	2,358,667	1,542,190
Franchise	188,834	179,313	174,558	161,946	168,451
Motor vehicle in lieu	1,693,793	1,596,755	1,288,025	1,238,447	1,199,856
Other	549,654	719,718	769,476	595,982	676,915
License, permits, and fees	983,115	2,016,921	557,204	1,165,199	1,152,693
Charges for current services	3,763,566	4,021,749	3,680,478	3,497,197	3,426,554
Intergovernmental	1,340,990	1,844,850	2,138,010	1,437,603	1,723,115
Fines, forfeitures and penalties	239,936	193,350	211,018	130,614	192,685
Investment earnings	4,530,279	4,577,761	117,176	205,181	159,602
Miscellaneous revenues	188,402	1,565,122	416,362	307,229	217,324
Total Revenues	\$ 21,696,318	\$ 23,105,022	\$ 14,815,340	\$ 13,201,768	\$ 12,359,779
Expenditures:					
Current:					
General government	2,704,512	2,744,062	2,602,651	2,260,009	1,756,247
Police	4,290,965	4,039,064	3,916,598	3,800,959	3,229,131
Fire	3,274,834	3,069,601	2,822,442	2,500,294	2,096,942
Community development and planning	1,240,042				
		1,374,632	1,254,394	973,757	991,918
Public Works	2,691,886	2,746,358	3,114,271	2,736,664	2,811,602
Parks and recreation	1,940,339	1,841,033	1,741,109	1,555,750	1,182,646
Capital outlay	1,432,210	1,873,381	3,344,428	2,464,827	1,548,410
Debt service:					
Principal	1,765,836	3,105,901	286,833	282,583	300,578
Interest and fiscal charges	4,016,686	4,123,116	80,122	60,882	68,414
Total Expenditures	23,357,310	24,917,148	19,162,848	16,635,725	13,985,888
Excess (deficiency) of revenue over (under) expenditures	(1,660,992)	(1,812,126)	(4,347,508)	(3,433,957)	(1,626,109)
Other financing sources (USES)					
Proceeds from capital leases	-	-	-	-	-
Proceeds from loan repayments	12,116	760	717,421	208,962	197,739
Transfers In	4,711,665	4,655,106	3,295,570	2,435,589	2,668,660
Transfers Out	(3,339,675)	(3,223,826)	(2,212,070)	(1,779,196)	(1,877,076)
Total Other Financing Sources	1,384,106	1,432,040	1,800,921	865,355	989,323
Net Change in Fund Balance	(276,886)	(380,086)	(2,546,587)	(2,568,602)	(2,185,827)

Source: City of Patterson Finance Department

CITY OF PATTERSON
TABLE 4
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years

	FISCAL YEAR				
	2011	2010	2009	2008	2007
Revenues:					
Taxes:					
Property	\$ 2,113,461	\$ 2,481,955	\$ 3,166,290	4,102,061	3,619,552
Sales	1,385,013	1,270,488	1,404,074	1,429,651	1,391,311
Franchise	173,004	137,236	137,306	135,465	138,704
Motor vehicle in lieu	1,326,975	1,351,624	1,677,243	2,180,203	1,861,006
Other	622,234	443,787	458,266	453,032	766,653
License, permits, and fees	368,757	1,120,652	448,116	762,175	1,116,793
Charges for current services	3,450,489	3,362,429	3,513,433	3,705,970	3,339,218
Intergovernmental	2,542,044	1,429,692	2,233,724	2,841,579	2,774,003
Fines, forfeitures and penalties	459,105	231,789	126,271	138,487	119,196
Investment earnings	202,762	306,255	783,864	1,080,252	1,121,133
Miscellaneous revenues	196,721	512,444	251,062	160,298	122,405
Total Revenues	\$ 12,840,565	\$ 12,648,351	\$ 14,199,649	\$ 16,989,173	16,369,974
Expenditures:					
Current:					
General government	1,319,972	1,664,066	1,614,829	1,648,579	1,911,915
Police	3,305,964	2,943,414	3,071,336	2,760,223	2,858,874
Fire	1,790,490	1,759,305	1,577,585	1,227,715	522,022
Community development and planning					
	1,287,622	2,899,000	1,842,813	2,075,987	2,784,994
Public Works	2,433,966	3,253,016	3,222,578	2,891,500	1,404,687
Parks and recreation	1,053,444	1,138,479	1,178,685	1,196,074	1,599,467
Capital outlay	3,687,843	1,928,937	1,587,486	3,138,639	3,690,652
Debt service:					
Principal	334,669	333,687	344,875	331,732	299,021
Interest and fiscal charges	77,048	85,443	92,313	98,518	96,858
Total Expenditures	15,291,018	16,005,347	14,532,500	15,368,967	15,168,490
Excess (deficiency) of revenue over (under) expenditures	(2,450,453)	(3,356,996)	(332,851)	1,620,206	1,201,484
Other financing sources (USES)					
Proceeds from capital leases	-	-	58,814	41,906	387,691
Proceeds from loan repayments	192,348	187,109	182,013	177,055	172,227
Transfers In	2,328,731	1,587,393	1,751,638	1,544,391	1,259,455
Transfers Out	(2,630,211)	(966,441)	(1,127,301)	(1,902,426)	(660,029)
Total Other Financing Sources	(109,132)	808,061	865,164	(139,074)	1,159,344
Net Change in Fund Balance	(2,559,585)	(2,548,935)	532,313	1,481,132	2,360,828

Source: City of Patterson Finance Department

CITY OF PATTERSON
 TABLE 5
 Tax Revenues by Source
 Last Ten Fiscal Years

	FISCAL YEAR										% Change 2007 (or inception to 2015)	
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007		
Revenues:												
Taxes:												
Property	\$ 3,172,489	\$ 2,657,306	\$ 2,068,125	\$ 2,103,703	\$ 1,900,394	\$ 2,113,461	\$ 2,481,955	\$ 3,166,290	4,102,061	3,619,552	-27%	
Sales	5,045,260	3,732,177	3,394,908	2,358,667	1,542,190	1,385,013	1,270,488	1,404,074	1,429,651	1,391,311	168%	
Franchise	188,834	179,313	174,558	161,946	168,451	173,004	137,236	137,306	135,465	138,704	29%	
Motor vehicle in lieu	1,693,793	1,596,755	1,288,025	1,238,447	1,199,856	1,326,975	1,351,624	1,677,243	2,180,203	1,861,006	-14%	
Other	549,654	719,718	769,476	595,982	676,915	622,234	443,787	458,266	453,032	766,653	-6%	
Total Revenues	\$ 10,650,030	\$ 8,885,269	\$ 7,695,092	\$ 6,458,745	\$ 5,487,806	\$ 5,620,687	\$ 5,685,090	\$ 6,843,179	\$ 8,300,412	\$ 7,777,226	14%	

Source: City of Patterson Finance Department

CITY OF PATTERSON

TABLE 6

City-Wide Assessed Value and Estimated Actual Value of Taxable Property
Last Fiscal Years

	Fiscal Year End				
	2011-12	2012-13	2013-14	2014-15	2015-16*
Residential Property	-	-	-	-	1,067,738,189
Commercial Property	-	-	-	-	106,365,150
Industrial Property	-	-	-	-	278,228,208
Other Property	1,146,822,457	1,174,200,272	1,243,040,268	1,490,319,496	187,566,714
Unsecured Property	21,466,697	22,827,604	22,211,957	69,354,774	81,491,675
Less Tax-Exempt Property	19,891,800	19,583,220	18,900,554	18,375,785	35,591,679
Taxable Assessed Value	1,148,397,354	1,177,444,656	1,246,351,671	1,541,298,485	1,685,798,257
Total Direct Tax Rate (1)	1.124542	1.132936	1.126574	1.092819	1.097113
Estimated Actual Taxable Value (2)	1,148,397,354	1,177,444,656	1,246,351,671	1,541,298,485	2,474,212,386
Factor of Taxable Assessed Value (2)	1.000000	1.000000	1.000000	1.000000	1.467680

Source: Muni Services, LLC

2015-16 is the city first CAFR publication, therefore prior year data availability is limited.

(-) indicates data not available

*Other property includes state unitary in the amount of \$476,983

(1) Total Direct Tax Rate is represented by TRA 5-001

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

CITY OF PATTERSON

TABLE 7

Taxable Property by Use Code, City-Wide
Last Fiscal Year

Category	2015-16
Agriculture	13,022,637
Commercial	106,365,150
Industrial	278,228,208
Institution	-
Miscellaneous	51,126
Residential	1,067,738,189
Rural	739,952
Unknown	138,855,433
Vacant	34,897,566
Unitary	476,983
	<hr/>
Gross Secured Value	1,640,375,244
Unsecured	81,014,692
Exemptions	35,591,649
	<hr/>
Net Taxable Value	1,685,798,287

Source: Stanislaus County Assessor data, MuniServices, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

CITY OF PATTERSON

TABLE 8

Direct and Overlapping Property Tax Rates
Last Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16
Basic City and County Levy:					
City of Patterson	0.188770	0.188770	0.188770	0.188770	0.188770
All Others:					
County General Fund	0.241442	0.241442	0.241442	0.241442	0.241442
Co Supt of Schools	0.003947	0.003947	0.003947	0.003947	0.003947
County Fire Service	0.005658	0.005658	0.005658	0.005658	0.005658
Patterson Cemetry	0.007696	0.007696	0.007696	0.007696	0.007696
Patterson Hospital District	0.034410	0.034410	0.034410	0.034410	0.034410
Turlock Mosquito Abatement	0.011318	0.011318	0.011318	0.011318	0.011318
Patterson Unified School District	0.386426	0.386426	0.386426	0.386426	0.386426
Yosemite Community College	0.070620	0.070620	0.070620	0.070620	0.070620
County School Service Fund	0.020908	0.020908	0.020908	0.020908	0.020908
Schools-equalization aid	0.018355	0.018355	0.018355	0.018355	0.018355
Schools-tuition	0.010450	0.010450	0.010450	0.010450	0.010450
TOTAL	1.000000	1.000000	1.000000	1.000000	1.000000
Override Assessments					
Patterson U - 1996	0.017613	0.018016	0.016664	0.011640	0.010596
Patterson U - 01A	0.070130	0.074108	0.069589	0.045680	0.043932
Patterson U - 01B	0.012167	0.012052	0.011402	0.008691	0.007974
Patterson U - 2008A	0.000000	0.000000	0.001938	0.004985	0.007691
YCCD 2005 A	0.005962	0.000000	0.000000	0.000000	0.000000
YCCD 2007 C	0.018004	0.020892	0.019024	0.015663	0.011618
YCCD 2010 D	0.000666	0.000399	0.000390	0.000334	0.000467
YCCD 2012 Ref	0.000000	0.007469	0.007567	0.005826	0.008285
YCCD 2015 Ref	0.000000	0.000000	0.000000	0.000000	0.006550
TOTAL	0.124542	0.132936	0.126574	0.092819	0.097113
TOTAL TAX RATE	1.124542	1.132936	1.126574	1.092819	1.097113

Source: Stanislaus County Assessor data, MuniServices, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

TRA 5-001 is represented for this report

*In 1978, California voters enacted Proposition 13 which held property taxes to 1% of the assessed value. Taxing entity's do not impose mileage rates but instead receive a share of the total 1% tax.

CITY OF PATTERSON
 TABLE 9
 Principal Property Tax Payers

Taxpayer	2015-16		2006-07	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
W W Grainger Inc.	95,450,426	5.66%		
US Real Estate Ltd.. Partnersh	65,127,942	3.86%		
Longs Drug Stores California I	59,485,160	3.53%	17,461,030	1.62%
Golden State FC LLC	56,936,600	3.38%		
WR Griffin Patterson LLC	43,746,431	2.59%		
Kohl S Department Stores Inc.	41,564,600	2.47%	17,136,000	1.59%
Patterson Industrial Center LLC	33,594,807	1.99%		
Wal Mart Real Estate Business	25,249,872	1.50%		
Sierra Pacific Refrig Serv LTD	13,248,285	0.79%	10,477,182	0.97%
Traina Pacific LLC	8,837,512	0.52%		
Ramos John J Brenda J	8,714,984	0.52%	6,474,140	0.60%
Patterson Marketplace LLC	6,959,112	0.41%		
Boersma Properties LLC	5,411,615	0.32%		
Save Mart Supermarkets	5,070,344	0.30%	5,174,983	0.48%
Three D Patterson LLC	5,040,000	0.30%		
Arambel Jeffery E	4,910,656	0.29%		
Ormond Peter M	4,407,670	0.26%		
Gea Mechanical Equipment Us In	4,386,987	0.26%		
Snider Paul H	4,071,645	0.24%		
Proto	3,921,000	0.23%		
Beth Christensen	3,863,780	0.23%		
Patterson Plaza Assoc LLC	3,359,437	0.20%		
525 Baldwin LLC	2,974,500	0.18%		
Westside Property Mgmt	2,915,949	0.17%	3,780,184	0.35%
VOP North LLC	2,737,145	0.16%		
Shea Homes Limited Partnership			32,014,154	2.97%
Patterson Frozen Foods Inc			24,038,237	2.23%
Morrison Homes Inc			18,727,500	1.74%
Patterson Creekside Meadows Lp			15,415,088	1.43%
Kimball Hill Reflections Llc			14,052,590	1.30%
Reflections Investors Llc			11,398,703	1.06%
Ryland Homes Of Calif Inc			10,312,090	0.96%
Pacific-Mountain Partners Llc			8,652,830	0.80%
Keystone Flex Ii Associates Ll			7,367,000	0.68%
WI Patterson D2 Associates Llc			7,350,684	0.68%
Bright Development			7,153,732	0.66%
Meritage Homes Of California			6,585,401	0.61%
Patterson Hotel Associates			5,355,155	0.50%
Patterson Seniors Llc			4,885,860	0.45%
Richmond American Homes Of Cal			4,697,457	0.44%
Sperry Commercial Lp			3,774,000	0.35%
Pacific Triple E Lp			3,612,118	0.33%
Kit Fox R V Park Llc			2,964,987	0.27%
Scheuber Duane A			2,841,512	0.26%
Total Top 25 Taxpayers	511,986,459	30.37%	251,702,617	23.33%
Total Taxable Value	1,685,798,257	100.00%	1,078,913,946	100.00%

Source: Stanislaus County Assessor data, MuniServices, LLC

CITY OF PATTERSON
 TABLE 10
 Principal Sales Tax Producers

2015-16		2006-07	
Taxpayer	Business Type	Taxpayer	Business Type
76	Service Stations	76	Service Stations
76	Service Stations	76	Service Stations
AGI Farms	Food Service Equip	Auto Zone	Auto Repair
Auto Zone	Auto Repair	Carlisle Syntec Inc	Transportation - Non Auto
Chevron	Service Stations	Chevron	Service Stations
Chevron	Service Stations	Del Don Chemical	Garden/Ag Supplies
CVS	Drug Stores	Dennys	Restaurants
Del Don Chemical	Garden/Ag Supplies	G's Food Mart	Food Markets
Dennys	Restaurants	J M Equipment	Garden/Ag Supplies
G's Food Mart	Food Markets	Jack In The Box	Restaurants
J M Equipment	Garden/Ag Supplies	Johns Mini Mart	Food Market
Jack In The Box	Restaurants	KFC/A&W	Restaurants
Kwik Serv Gas	Service Stations	Kwik Serv Gas	Service Stations
McAuley Ford	Auto Sales - New	Longs	Drug Stores
McDonalds	Restaurants	M T Gasoline	Service Stations
Premier Packaging	Light Industrial Printer	McAuley Ford	Auto Sales - New
Primax Shoring	Contractor	McDonalds	Restaurants
San Joaquin Equip.	Garden/Ag Supplies	Mountain Mikes Pizza	Restaurants
Save Mart	Food Markets	Patterson Frozen Food	Food Service Equip
Taco Bell	Restaurants	Phillin Station	Service Stations
Thompson Chevrolet	Auto Sales - New	Save Mart	Food Markets
True Valey	Hardware	Sears	Department Store
WWGrainger	Light Industrial Printer	Thompson Chevrolet	Auto Sales - New
Walgreen's Drug Stores	Drug Stores	True Value	Hardware
Walmart Supercenter	Discount Dept Store	Vieira Petroleum	Petroleum Prod/Equip

Source: HdL Companies

CITY OF PATTERSON

TABLE 11

HISTORICAL SALES TAX AMOUNTS BY BENCHMARK YEAR

Last Fiscal Years

CATEGORY NAME	2007 Q1	2008 Q1	2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q1	2015 Q1	2016 Q1
All Other Outlets	43,984	18,430	18,706	30,616	31,538	16,502	254,533	339,350	389,253	592,368
Apparel Stores	51	177	264	255	245	301	357	233	799	597
Auto Dealers & Auto	58,536	62,994	58,180	62,059	61,021	63,804	71,100	89,599	107,648	104,804
Bldg. Matrl. & Farm	23,151	37,346	35,002	44,236	48,476	56,007	60,320	59,860	102,671	62,643
Drug Stores	3,976	7,903	7,904	10,175	11,371	13,143	10,176	9,079	9,002	8,922
Eating & Drinking Pl	32,143	29,445	45,125	32,565	35,574	41,980	44,396	51,559	53,868	58,015
Food Stores	25,020	22,697	20,564	19,857	19,300	19,509	15,938	14,677	18,922	16,884
Home Furnishings & A	2,389	2,464	2,264	2,384	2,361	2,624	3,255	4,366	5,519	9,228
General Merchandise	-11,924	6,060	3,105	3,409	3,274	3,517	77,738	91,259	72,612	79,659
Other Retail Stores	2,735	2,812	2,675	2,126	2,313	898	1,392	1,655	3,149	3,345
Packaged Liquor Stor	6	651	1,813	193	608	550	467	1,209	689	997
Service Station	69,793	72,665	49,841	64,959	76,802	84,261	79,145	80,038	73,795	63,428
TOTAL	249,860	263,644	245,443	272,834	292,883	303,096	618,817	742,884	837,927	1,000,890

Source: HdL Companies

CITY OF PATTERSON

TABLE 12

Demographic and Economic Statistics

Last Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (4)	**Public School Enrollment	County Unemployment Rate (%) (3)	City Unemployment Rate (%) (3)	County Population (1)
2009-10	20,404	357,845,352	17,538	29.1	-	-	-	514,003
2010-11	20,560	371,971,520	18,092	29.2	-	-	-	517,685
2011-12	20,634	381,048,078	18,467	29.7	5,834	-	-	519,940
2012-13	20,846	390,591,502	18,737	30.1	5,888	11.7%	16.1%	524,124
2013-14	20,922	398,375,802	19,041	30.4	6,023	13.0%	17.8%	526,042
2014-15	21,094	402,136,016	19,064	30.5	6,024	9.8%	9.3%	532,297
2015-16	22,590	436,077,360	19,304	30.5	6,031	9.5%	9.0%	540,214

Source: MuniServices, LLC, U.S. Census Bureau, 2015 American Community Survey.

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

(-) indicates data not available

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

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

2.) Income Data is provided by the U.S. Census Bureau, 2015 American Community Survey.

3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

4.) Median Age reflects the U.S. Census data estimation table.

**Student Enrollment reflects the total number of students enrolled in Patterson Joint Unified

CITY OF PATTERSON

TABLE 13

Principal Employers

Business Name	2015-16	
	Number of Employees	Percent of Total Employment (%)
Amazon Fulfillment Center	1,000	10.99%
Patterson Joint Unified School District	617	5.12%
CVS Caremark Distribution Center	466	3.80%
Grainger Distribution Center	346	2.65%
Walmart Supercenter	241	2.47%
City of Patterson*	225	1.10%
Restoration Hardware	122	1.34%
King's Roofing	100	1.10%
Savemart	73	0.80%
Brake Parts Inc (BPI) Distribution Center	56	0.62%
Total Top 10 Employers	3,246	29.99%
Total City Labor Force (1)	9,100	

Source: MuniServices, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

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

*Includes full and part time

Kohl's Distribution Center count was unavailable

(1) Total City Labor Force provided by EDD Labor Force Data.

CITY OF PATTERSON

TABLE 14

Direct and Overlapping Governmental Activities Debt

2015-16 Assessed Valuation: \$1,704,007,987

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt		City's Share of
	<u>6/30/2016</u>	<u>% Applicable (1)</u>	<u>Debt 6/30/16</u>
Yosemite Community College District	\$288,021,051	2.97%	\$8,554,225
Patterson Joint Unified School District	26,307,517	70.087	18,438,149
City of Patterson Community Facilities District No. 2001-1	70,895,000	100	70,895,000
City of Patterson Community Facilities District No. 2005-1	9,630,000	100	9,630,000
City of Patterson 1915 Act Bonds	4,291,071	100	<u>4,291,071</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$111,808,445
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Stanislaus County Certificates of Participation	\$37,130,000	4.07%	\$1,512,676
Stanislaus County Board of Education Certificates of Participation	3,105,000	4.074	126,498
City of Patterson	0	100	<u>0</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$1,639,174
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$113,447,619
COMBINED TOTAL DEBT			\$113,447,619 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	6.56%
Total Direct Debt	0.00%
Combined Total Debt	6.66%

AB:(\$475)

CITY OF PATTERSON

TABLE 15

Full-Time Equivalent City Governemnt Employees

By Function/Program/Department

Last Fiscal Years

	Number Authorized	Number Authorized	Number Authorized
	13-14	14-15	15-16
Administration			
City Manager	1	1	1
Human Resources Director	0	0	0
Human Resources Manager	1	1	1
City Clerk	1	1	1
HR Analyst	0	0	0
Secretary - Confidential	1	1	1
Administrative Assistant	0	0	1
Finance			
Finance Director	1	1	1
Supervising Accountant	0	0	0
Revenue & Utility Billing Manager	1	1	1
Accountant	1	1	1
Accounting Technician	0	0	0
Account Clerk, Senior	4	4	4
Account Clerk	0	1	1
Recreation & Community Services			
Recreation & Community Services Director	1	1	1
Recreation & Community Services Manager	0	0	0
Recreation & Community Services Supervisor	0	1	1
Account Clerk, Senior	1	0	0
Recreation Coordinator II	2	1	1
Recreation Coordinator I	0	2	2
Account Clerk	0	0	1
Facilities & Maintenance Supervisor	0	1	1
Maintenance Worker III	1	1	1
Maintenance Worker I	0	0	0
Fire			
Chief	1	1	1
Division Chief	2	2	2
Fire Captain - Paramedic		0	1
Fire Captain	7	6	5
Fire Engineer - Paramedic			
Fire Engineer	4	5	5
Fire Fighters - Paramedic		0	4
Fire Fighters	2	2	1
Fire Marshall			
Fire Prevention Specialist	1	1	1
Administrative Manager	1	1	1
Secretary II	1	1	1
Code Enforcement Officer II	1	1	1
Code Enforcement Officer I	1	1	1
Planning			
Planner	1	1	1
Associate Planner	1	1	1
Planning Technician II	2	2	2

CITY OF PATTERSON

TABLE 15

Full-Time Equivalent City Governemnt Employees

By Function/Program/Department

Last Fiscal Years

	Number Authorized	Number Authorized	Number Authorized
	13-14	14-15	15-16
Engineering, Building & Capital Projects			
Director of Engineering	1	1	1
Associate Engineer	0	1	1
Assistant Engineer	1	1	1
Secretary I	0	1	1
Capital Projects			
Capital Project Manager	1	1	1
Building & Permits			
Building Official	1	0	0
Permit Technician II	1	1	1
Secretary I	1	0	0
Public Works			
Director of Public Works	1	1	1
Deputy Director of Public Works Ops & Maint	1	1	1
Sr. Administrative Manager	0	1	1
Administrative Manager	1	0	0
Public Works Inspector III	1	1	1
Public Works Inspector I			
Management Analyst	2	2	2
Secretary II	2	3	3
Senior Account Clerk	1	0	0
Equipment Mechanic			
Mechanic - Crew Leader	1	1	1
Mechanic II	1	0	0
Mechanic I	0	1	1
Building Maintenance			
Maintenance Worker II	1	1	1
Parks			
Parks Supervisor	1	0	1
Maintenance Worker III	7	7	5
Maintenance Worker II	0	1	1
Maintenance Worker I	0	0	0
Streets			
Public Works Supervisor - Streets	0.5	0.5	0.5
Maintenance Worker II	2	1	1
Maintenance Worker I	0	1	1
Urban Forestry			
Public Works Supervisor - Tree	1	1	1
Maintenance Worker III	0	0	1
Maintenance Worker II	2	2	2
Maintenance Worker I	1	1	1

CITY OF PATTERSON

TABLE 15

Full-Time Equivalent City Governemnt Employees

By Function/Program/Department

Last Fiscal Years

		Number Authorized	Number Authorized	Number Authorized
		13-14	14-15	15-16
Water				
	Public Works Supervisor - Water	1	1	1
	Water Operator III	2	2	2
	Water Operator II	1	1	3
	Electrical & Instrumentation Manager			
	Electrician - Crew Leader			
	Electrician Technician			
Sewer				
	Wastewater Manager	1	1	1
	Chief Waste Water Operator	1	1	1
	Wastewater Operator III	1	1	1
	Wastewater Operator II	2	1	2
	Wastewater Operator I	1	0	0
	Electrical & Instrumentation Manager			
	Electrician - Crew Leader			
	Electrician Technician			
	Maintenance Worker I	0	1	1
Collection				
	Public Works Supervisor - Collections	0.5	0.5	0.5
	Maintenance Worker III	1	1	2
	Maintenance Worker II	2	2	1
Total Allocated Positions		87	89	97

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.