

CITY OF PATTERSON COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017-2018





CITY OF PATTERSON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF PATTERSON, CALIFORNIA

Prepared and Issued by
Finance Department

SAADIAH RYAN
Finance Director

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For the Year Ended June 30, 2018
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City of Patterson

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

January 30, 2019

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's ("City") Comprehensive Annual Financial Report ("CAFR") for the year ending June 30, 2018. 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 22,000 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 which includes, Detectives, Communications, Patrol, Investigations and Traffic and Parking Enforcement divisions, as well as Fire with Emergency Services, Prevention Services, Code Enforcement and Advance Life Support Services (ALS).

Community Development includes Economic Development, Housing, and Planning.

Engineering includes Building, Capital Projects, and Engineering.

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

Parks and Recreation includes Community Services, Senior Center and Programs, 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 2017-18. This has been achieved through the City's economy, which has been relatively strong, and several General Fund revenue categories have significantly improved. In FY 2018-19, City Council have approved 6 new Cannabis businesses to operate in the City. This new revenue stream will increase General Fund revenue in the future.

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;
- Other Postemployment Benefits (OPEB)

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 with or without modifications.

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 2017-18 budget process:

- Enforce fiscal sustainability in all City programs and services;
- Significant community enhancement, including enhancing our infrastructure, new amenities, and dining opportunities;

Some of the specific projects underway in Fiscal Year 2017-18 included the following:

- Bridge widening for CA Aquaduct - design (\$1,050,000)
- Intersection Improvement Sperry-Del Puerto (\$1,140,257)
- Measure L Street Maintenance projects (\$875,441)
- SBI Street Maintenance projects (\$700,000)

New Commercial Development included:

- Keystone Distribution Center
- Patterson Mobil
- The Peoples Remedy
- Les Schwabb
- Westside Self Storage

Acknowledgements

This is the second year the City prepared a Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

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 The PUN Group, 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
2017 - 2018
City Council

MAYOR
Deborah M. Novelli

COUNCIL MEMBERS
Dominic Farinha
Dennis McCord
Joshua Naranjo
Alfred Parham

Executive Staff

Kenneth Irwin, City Manager

Maricela Vela, City Clerk

Jeff Dirkse, Chief of Police

Jeffery Gregory, Chief of Fire

Di Smith, Director of Human Resource

Michael Willett, Director of Public Works

Fernando Ulloa, Director of Engineering, Building & Capital Projects

Saadiah Ryan, Director of Finance

Juliene Flanders, Recreation & Community Services Director

David James, Community Development Director

Thomas Hallinan, City Attorney

Douglas L. White, Deputy City Attorney



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 basic financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position as of July 1, 2017 as described in Note 14 to the financial statements. In addition, the total other post employment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$10,873,000 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation to the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion, Analysis, the Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Plan Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, supplementary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information are the responsibility of management and were derived from and related 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 supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

To the Honorable Mayor and Members
of the City Council of the City of Patterson
Patterson, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Perini Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 30, 2019

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City of Patterson
Management's Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2018

As management of the City of Patterson, California, (City) we offer readers of the City of Patterson's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- **Changes in Net Position:** The government's total net position decreased by \$702,291. The governmental activities increased by \$852,378 and business-type activities decreased by \$1,554,669 at the end of fiscal year June 30, 2018. The decreased in total net position is related to increase in salaries and benefits of General Government 9%, Parks and Recreation 64%, increased in maintenance expenditures in Public Works of 77% and Police contract of 9%.
- **Long Term Debt:** The City of Patterson's total debt increased by \$372,289, because of the effect of 2018 Lease Revenue Bonds and 2017 Sewer Refunding Revenue Bond and scheduled debt service payments.
- **Governmental Funds:** As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$87,029,632 a decrease of \$3,491,029 in comparison with the prior year due to increase in capital outlay and scheduled debt service payment. Approximately 12.57 percent of the ending fund balance, \$10,938,947, is available for spending at the government's discretion as either a committed, assigned, and unassigned fund balance within the guidelines of the funding sources.
- **Proprietary Funds:** As of June 30, 2018, the City's total net position decreased by \$1,623,765 due to increase in operation costs and 4 months of increase in water rate of 11%.
- **General Fund:** At June 30, 2018, committed, assigned and unassigned fund balance of the general fund was \$7,317,420. All but \$6,562,207 of these funds are committed or assigned for specific purposes in accordance with City policies and budgetary guidelines.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Patterson's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City of Patterson's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference between the four reported as *net positions*. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the City of Patterson is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Both of the government-wide financial statements distinguish functions of the City of Patterson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Patterson include general government, public safety, community development, public works and parks and recreation.

The government-wide financial statements include the City of Patterson and a component unit the Patterson Public Financing Authority. Financial information for this component unit is reported within the funds of the City.

The government-wide financial statements can be found on pages 18 – 21 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances on spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

The City of Patterson maintains thirty-seven governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other thirteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* in the supplementary information.

The City of Patterson adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget in the required supplementary information. Budgetary comparisons for other funds are provided in the supplementary information of this report.

The governmental fund financial statements can be found on pages 27 – 30 of this report.

Proprietary funds. The City of Patterson maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Patterson uses enterprise funds to account for its Water, Sewer and Garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Garbage operations.

The proprietary fund financial statements can be found on pages 32 – 35 of this report.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Patterson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on page 38 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 – 85 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Patterson's General Fund budgetary comparison schedule, pension and changes in net pension liabilities and related ratio schedules, pension contribution schedules, and other post-employment funding progress schedule. Required supplementary information can be found on pages 89 – 95 of this report.

The combining statements referred to earlier in connection with other governmental funds and agency funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 99 – 114 of this report.

Government-wide Financial Analysis

As noted earlier, net positions may serve over time as a useful indicator of a government's financial position. In the case of the City of Patterson, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$102,233,547 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 94,246,577	\$ 95,838,933	\$ 9,912,529	\$ 10,092,766	\$ 104,159,106	\$ 105,931,699
Capital assets	60,819,764	55,750,903	49,282,639	50,588,871	110,102,403	106,339,774
Total Assets	155,066,341	151,589,836	59,195,168	60,681,637	214,261,509	212,271,473
Deferred Outflow of Resources	2,753,619	3,258,235	1,767,493	1,152,286	4,521,112	4,410,521
Long-term liabilities outstanding	85,082,253	83,873,450	21,277,457	20,193,818	106,359,710	104,067,268
Other liabilities	7,420,399	6,656,849	1,490,468	2,104,079	8,910,867	8,760,928
Total Liabilities	92,502,652	90,530,299	22,767,925	22,297,897	115,270,577	112,828,196
Deferred Inflow of Resources	822,512	487,992	455,985	160,989	1,278,497	648,981
Net Positions:						
Net Investment in Capital Assets	60,721,785	55,621,936	37,346,159	38,857,717	98,067,944	94,479,653
Restricted	8,385,204	6,391,176	469,905	-	8,855,109	6,391,176
Unrestricted	(4,612,193)	1,816,668	(77,313)	517,320	(4,689,506)	2,333,988
Net Position	\$ 64,494,796	\$ 63,829,780	\$ 37,738,751	\$ 39,375,037	\$ 102,233,547	\$ 103,204,817

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

By far, the largest portion of the City of Patterson's net positions, 95.93 percent, reflects its net investment in capital assets (i.e. land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress). The City of Patterson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Patterson's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Additional portion of the City of Patterson's net position, 8.20 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$4,219,601) may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs.

At the end of the current fiscal year, the City of Patterson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 98.96 percent of the City of Patterson's business-type activities' net assets were invested in capital assets.

	Changes in Net Position					
	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	\$ 5,162,882	\$ 5,773,260	\$ 11,622,256	\$ 10,612,689	\$ 16,785,138	\$ 16,385,949
Operating grants and contributions	2,794,266	1,590,404	68,852	701,283	2,863,118	2,291,687
Capital grants and contributions	1,877,817	1,112,733	-	-	1,877,817	1,112,733
Total program revenues	9,834,965	8,476,397	11,691,108	11,313,972	21,526,073	19,790,369
General revenues						
Taxes	11,316,093	11,174,150	-	-	11,316,093	11,174,150
Investment earnings	4,131,216	4,312,058	74,144	31,002	4,205,360	4,343,060
Capital Contribution	-	-	-	-	-	-
Other	3,305,701	1,529,288	(706,484)	(869,312)	2,599,217	659,976
Total general revenues	18,753,010	17,015,496	(632,340)	(838,310)	18,120,670	16,177,186
TOTAL REVENUES	28,587,975	25,491,893	11,058,768	10,475,662	39,646,743	35,967,555
EXPENSES						
General government	3,408,080	2,259,261	-	-	3,408,080	2,259,261
Police	6,888,086	4,458,567	-	-	6,888,086	4,458,567
Fire	2,720,043	3,532,864	-	-	2,720,043	3,532,864
Community development and planning	1,724,228	3,024,928	-	-	1,724,228	3,024,928
Public works	4,901,136	2,631,811	-	-	4,901,136	2,631,811
Parks and recreation	4,283,486	3,277,134	-	-	4,283,486	3,277,134
Interest and fiscal charges	3,810,538	3,955,958	-	-	3,810,538	3,955,958
Water	-	-	4,917,985	4,481,750	4,917,985	4,481,750
Sewer	-	-	5,297,929	4,893,962	5,297,929	4,893,962
Garbage	-	-	2,397,523	2,310,200	2,397,523	2,310,200
TOTAL EXPENSES	27,735,597	23,140,523	12,613,437	11,685,912	40,349,034	34,826,435
CHANGES IN NET POSITION	\$ 852,378	\$ 2,351,370	\$ (1,554,669)	\$ (1,210,250)	\$ (702,291)	\$ 1,141,120

Additional information on the change in net position can be found on page 20 – 21 of this report.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Governmental activities. Overall, governmental revenues increased by \$3,096,082 or 12.0 percent from prior year. Key elements of the change are as follows:

- Operating grants increased by \$1,203,862 mainly due to the City receive various grant such as CDBG Federal Grant, Salary Reimbursement from Fire District, Safer Grant and SJVAPCD grant.
- Charges for service decreased by 11.0 percent or (\$610,378) due to unavailable revenue reclassification related to Community Development and Planning charges for service.
- Capital grants and contributions increased by \$765,084 mainly due to the City receive Gas tax SBI and Measure L tax measures for street projects.
- Sale taxes decreased by \$475,092 due to the sales tax one-time bump in the business and industry that was received in prior year and none in current year.
- The 5.0 percent increase in property tax revenue of \$144,086 is mainly due to the increase in residential and commercial developments.
- Other revenue increased by \$1,776,413 or 116 percent due to increase in revenue from fiduciary funds and transfer in.

Overall, expenses increased by \$4,595,074 or 20.0 percent compared to prior year. Major increase in expenditures was in general government, police, public works and park and recreation due to ongoing capital improvement projects, maintenance expenditures and increase staffing level that trigger in increase in salaries and benefits.

Additional information on activities and change in net position can be found on pages 20 – 21 of this report.

Business-type activities. Water operating revenue and expenses increased by \$506,173 and \$417,186 in fiscal year 2018, resulting in operating income of (\$251,696). Revenue increased due to increase in number of customers and 4 months of water rate increase by 11%. Increase in water expense was due to increase in salaries and benefits and operating costs. The Water funds's net position was \$18,054,829. Of this amount, \$18,604,334 was invested in net investment in capital assets, and (\$549,505) was unrestricted.

Sewer operating revenue and expenses increased by \$382,674 and \$429,128 in fiscal year 2018. The increased was due to sewer rate increase and increased in salaries and benefits and operating costs. As of June 30, 2018, Sewer fund's net position was \$18,681,583. Of this amount, \$18,670,628 was invested in net investment in capital assets, \$469,905 was restricted and (\$458,950) was unrestricted.

Garbage operating revenue and expenses increased by \$158,654 and \$87,323 in fiscal year 2018. The increased was due to garbage rate increase and number of customers and increased in controlled costs of contract services. As of June 30, 2018, the Garbage fund's net position was \$1,002,339. Of this amount \$71,197 was invested in net investment in capital assets and \$931,142 was unrestricted.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Patterson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Patterson's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

As of the end of the current fiscal year, the City of Patterson's governmental funds reported combined ending fund balances of \$87,029,632, a decrease of \$3,491,029 in comparison with the prior year. The decrease was due to increase in Police, Park and Recreation, Public Works operating costs, capital outlay and debt service payments. \$10,938,947 of the City's governmental funds ending fund balances or 12.57 percent constitute committed, assigned and unassigned fund balance, which is available for spending at the government's discretion within the guidelines of the funding sources. The remainder of fund balance, \$76,090,685, is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws or regulations of other governments or through enabling legislation.

Proprietary funds. The City of Patterson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Funds at the end of the year amounted to (\$77,313), a decrease of \$594,633 from the prior year. This fund will be used to fund water, sewer and garbage operations and planned capital improvements. Other factors concerning the finance of these funds have already been addressed in the discussion of the City of Patterson's business-type activities.

General Fund Financial Highlights

The General Fund is the chief operating fund of the City of Patterson. At the end of the current fiscal year, committed, assigned and unassigned fund balance of the general fund was \$7,317,420, while total fund balance was \$7,634,774. The general fund's ending fund balance decreased by \$602,714 in comparison with the prior year. As a measure of the General Fund's liquidity, it may be useful to compare only the committed, assigned and unassigned fund balance to total fund expenditures. Committed, assigned and unassigned fund balance represents 37.99 percent of the total general fund expenditures, most of which is committed or assigned to meet the City's long-term obligations.

Overall, General Fund revenues (including transfers in) increased year-over-year by \$3,429,110 and expenditures (including transfers out) increased by \$5,154,141. Tax related revenue decreased by \$331,006, due to decreased in sales tax related to one-time sales tax revenue adjustment in prior year not received in current year and increase in property tax. Motor vehicle in lieu and Licenses, permits and fees was up \$102,856 and \$351,128 respectively. Franchise fee decreased by \$68,438 and intergovernmental grants experienced an overall increased of \$196,886. Charges for services increased by \$17,505 due to increase in Cannabis revenue. The overall increase in expenditures was attributed to increase in operation costs.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2018, General Fund's final amended budget increased over the original budget by \$2,720,928 and actual expenditures were \$491,349 lower than the final amended budget. These can be briefly summarized as follows:

- Legal services was lower than final amended budget by \$112,000.
- Park and Recreation overall expenditures actual was lower than final amended budget by \$151,000.
- Non-Departmental overall expenditures actual was lower than final amended budget by \$121,000.
- Public Works overall expenditures actual was lower than final amended budget by \$60,000.

Capital Asset and Debt Administration

Capital assets. The City of Patterson's net investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$110,102,403, a decrease of \$3,762,629 or 3.54 percent of total capital assets over prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and streets.

	Capital Assets (Net of depreciation)			
	Governmental Activities		Business - Type Activities	
	2018	2017	2018	2017
Land	\$ 5,898,011	\$ 3,395,717	\$ 6,145,970	\$ 5,745,597
Construction in progress	8,729,084	6,240,053	2,625,894	1,911,235
Infrastructure	46,192,669	46,115,133	40,510,775	42,932,039
Total	\$ 60,819,764	\$ 55,750,903	\$ 49,282,639	\$ 50,588,871

Additional information on the City of Patterson's capital assets can be found in Note 5 to the basic financial statements.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Long-term debt. At the end of the current fiscal year, the City of Patterson's total long-term debt outstanding increased to \$90,031,691 an increase of \$372,289 attributable to the new debt and normal scheduled debt service payments. Revenue bonds and loan payable of \$7,282,379 are to be paid out of sewer revenues. Revenue bonds of \$8,375,000 is to be paid out of water revenues.

	<u>2018</u>	<u>2017</u>
Governmental activities		
Compensated absences	\$ 409,006	\$ 394,320
PPFA 2013 Heartland Ranch Revenue Bonds	3,531,771	3,917,488
PPFA 2013 Series A revenue bonds	61,278,881	62,640,415
PPFA 2013 Series B revenue bonds	6,030,000	6,160,000
2018 Lease Revenue bonds	2,429,000	-
Capital leases	97,979	128,967
Settlement payable	364,000	364,000
Total governmental activities	<u>74,140,637</u>	<u>73,605,190</u>
Business-type activities		
Water		
Compensated absences	104,166	94,096
2011 Water revenue bond	8,375,000	8,595,000
Total for water fund	<u>8,479,166</u>	<u>8,689,096</u>
Sewer		
Compensated absences	111,689	104,752
Economic bank loan	-	100,000
State revolving fund loan	577,860	618,456
2009 sewer bonds	490,000	2,705,000
2017 Sewer Refunding Revenue Bond	2,658,300	-
Banc of america loan	1,422,034	1,494,052
CEC loan	2,134,185	2,326,032
Total for sewer fund	<u>7,394,068</u>	<u>7,348,292</u>
Garbage		
Compensated absences	17,820	16,824
Total for garbage fund	<u>17,820</u>	<u>16,824</u>
Total business-type activities	<u>\$ 15,891,054</u>	<u>\$ 16,054,212</u>

Additional information on the City of Patterson's long-term debt can be found in Note 6 to the basic financial statements.

Economic Condition, Outlook and Activity

The City has enjoyed strong economic growth over the last several years. There are no indications that the economy will be cooling off to recessionary levels. Factors that will impact our economic strength are the online sales which, in some instances, do not provide the City with a "point-of-sale" taxable nexus. The City is still fortunate to have a more diverse revenue structure which can continue to benefit from Measure L the 1/2cents sales tax over 25 years, new establishments such as a hotel/Arco gas station, Villa Del Lago mini golf, Burger King restaurant, Cannabis retail, and various residential and commercial developments.

Based on our recent approval of the Water Master Plan, the City recently approved a water rate study and rate increase of 11% over 5years. This will allow for much needed maintenance of some of our deteriorating water infrastructure in our older areas in town.

City of Patterson
Management's Discussion and Analysis (Unaudited) (Continued)
For The Year Ended June 30, 2018

Our budget provides for a continuation of high levels of service, funding of capital improvements to further improve the City, and increase in public safety staffing, and new programs to enhance community quality of life for the City's population.

Several new businesses opened their doors in Patterson last year and more are getting ready for construction. Businesses such as Mobile gas/Baja Fresh, Burger King, a new truck wash, and a new hotel will be under construction over the next 12 months and the 700,000 sf building in the Keystone Business Park is reaching completion. Our infill homes continue to be purchased and Self-Help Enterprise has broken ground to start construction of approximately 40 new affordable homes.

Next Year's Budget

The following factors were taken into consideration during the preparation of the City's budget for the fiscal year 2018-2019.

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.

During the water rate study, the City incorporated the 5 year long range capital improvement plan. The City will begin the improvement of the water line projects, clarifier replacement project and street projects to enhance and improve the quality of our community's water, sewer and streets infrastructure.

This budget includes the approval of 1 Deputy and 1 code enforcement officer to provide the additional services we believe can address public concern on the safety of our citizens and monitor the changes made with the legalization of cannabis.

The City's Sewer, Water, and Storm Drain Master Plans were all completed last year with great support from Staff, Stakeholders, and Council. These Master Plans will help provide organized and quality growth of the City as will continue to attract small and large businesses of all types.

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. We expect new revenue from the Cannabis pilot project that will increase General Fund revenue.

General Fund expenditures are projected to increase as well, as capital assets such as equipment need replacements and increase operations and maintenance expenditures.

General Fund's fund balance reserve is projected to be at 30.54% by end of fiscal year 2019.

Enterprise Fund water revenue is projected to increase as water rate study being approved by council and went into effect March 2018. 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 maor capital projects, repairs and increase in operations and maintenance expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Patterson, 1 Plaza, Patterson, CA 95363.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Patterson
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 18,875,819	\$ 4,655,108	\$ 23,530,927
Restricted cash and investments	-	469,905	469,905
Receivables:			
Accounts	3,589,663	1,383,166	4,972,829
Interest	42,279	9,276	51,555
Due from Fiduciary Funds	108,424	-	108,424
Prepaid items	76,391	9,931	86,322
Total current assets	22,692,576	6,527,386	29,219,962
Noncurrent assets:			
Cash and investments with fiscal agents	1,259,036	3,385,143	4,644,179
Investments held in trust	68,397,963	-	68,397,963
Notes receivable	1,897,002	-	1,897,002
Capital assets, net	60,819,764	49,282,639	110,102,403
Total noncurrent assets	132,373,765	52,667,782	185,041,547
Total assets	155,066,341	59,195,168	214,261,509
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	348,275	348,275
OPEB-related deferred outflows of resources	125,850	55,150	181,000
Pension-related deferred outflows of resources	2,627,769	1,364,068	3,991,837
Total deferred outflows of resources	2,753,619	1,767,493	4,521,112

City of Patterson
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	2,910,396	491,781	3,402,177
Accrued liabilities	201,228	-	201,228
Accrued interest payable	992,186	61,338	1,053,524
Unearned revenue	435,824	-	435,824
Deposits payable	481,719	131,320	613,039
Due within one year:			
Compensated absences	409,006	233,675	642,681
Long-term debt	1,990,040	572,354	2,562,394
Total current liabilities	7,420,399	1,490,468	8,910,867
Noncurrent liabilities:			
Due in more than one year:			
Long-term debt	71,377,591	15,085,025	86,462,616
Settlement liabilities	364,000	-	364,000
Total OPEB liability	7,570,858	3,302,142	10,873,000
Aggregate net pension liability	5,769,804	2,890,290	8,660,094
Total noncurrent liabilities	85,082,253	21,277,457	106,359,710
Total liabilities	92,502,652	22,767,925	115,270,577
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	-	12,519	12,519
OPEB-related deferred inflows of resources	668,794	347,207	1,016,001
Pension-related deferred inflows of resources	153,718	96,259	249,977
Total deferred inflows of resources	822,512	455,985	1,278,497
NET POSITION			
Net investment in capital assets	60,721,785	37,346,159	98,067,944
Restricted for:			
Special programs	8,385,204	469,905	8,855,109
Total restricted	8,385,204	469,905	8,855,109
Unrestricted	(4,612,193)	(77,313)	(4,689,506)
Total net position	\$ 64,494,796	\$ 37,738,751	\$ 102,233,547

City of Patterson
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,408,080	\$ 136,307	\$ 233,200	\$ -
Police	6,888,086	274,555	152,907	-
Fire	2,720,043	720,761	622,906	-
Community development and planning	1,724,228	42,010	428,198	-
Public Works	4,901,136	2,362,593	1,350,880	1,877,817
Parks and recreation	4,283,486	1,626,656	6,175	-
Interest and fiscal charges	3,810,538	-	-	-
Total governmental activities	<u>27,735,597</u>	<u>5,162,882</u>	<u>2,794,266</u>	<u>1,877,817</u>
Business-type Activities:				
Water	4,917,985	4,197,555	-	-
Sewer	5,297,929	4,344,858	68,852	-
Garbage	2,397,523	3,079,843	-	-
Total business-type activities	<u>12,613,437</u>	<u>11,622,256</u>	<u>68,852</u>	<u>-</u>
Total primary government	<u>\$ 40,349,034</u>	<u>\$ 16,785,138</u>	<u>\$ 2,863,118</u>	<u>\$ 1,877,817</u>

City of Patterson
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Governmental Activities:			
General government	\$ (3,038,573)	\$ -	\$ (3,038,573)
Police	(6,460,624)	-	(6,460,624)
Fire	(1,376,376)	-	(1,376,376)
Community development and planning	(1,254,020)	-	(1,254,020)
Public Works	690,154	-	690,154
Parks and recreation	(2,650,655)	-	(2,650,655)
Interest and fiscal charges	(3,810,538)	-	(3,810,538)
Total governmental activities	(17,900,632)	-	(17,900,632)
Business-type Activities:			
Water	-	(720,430)	(720,430)
Sewer	-	(884,219)	(884,219)
Garbage	-	682,320	682,320
Total business-type activities	-	(922,329)	(922,329)
Total primary government	(17,900,632)	(922,329)	(18,822,961)
General revenues and transfers:			
General revenues:			
Taxes:			
Property taxes	3,417,541	-	3,417,541
Sales taxes	5,027,535	-	5,027,535
Franchise taxes	206,354	-	206,354
Motor vehicle in lieu	1,947,375	-	1,947,375
Other taxes	717,288	-	717,288
Total taxes	11,316,093	-	11,316,093
Investment earnings	4,131,216	74,144	4,205,360
Revenue from Fiduciary Fund	1,681,843	500,786	2,182,629
Miscellaneous	352,105	64,483	416,588
Transfers	1,271,753	(1,271,753)	-
Total general revenues and transfers	18,753,010	(632,340)	18,120,670
Changes in net position	852,378	(1,554,669)	(702,291)
Net Position:			
Beginning of year, as restated (Note 14)	63,642,418	39,293,420	102,935,838
End of year	\$ 64,494,796	\$ 37,738,751	\$ 102,233,547

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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City of Patterson
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Patterson Public Financing Authority</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and investments	\$ 6,245,140	\$ -	\$ 12,630,679	\$ 18,875,819
Cash and investments with fiscal agents	-	1,259,036	-	1,259,036
Investments held in trust	-	68,397,963	-	68,397,963
Receivables:				
Accounts	1,743,274	-	1,846,389	3,589,663
Interest	12,439	-	29,840	42,279
Notes and loans	16,632	-	1,880,370	1,897,002
Due from other funds	1,994,830	-	-	1,994,830
Due from Fiduciary Funds	108,424	-	-	108,424
Prepaid Items	73,526	-	2,865	76,391
Total assets	<u>\$ 10,194,265</u>	<u>\$ 69,656,999</u>	<u>\$ 16,390,143</u>	<u>\$ 96,241,407</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,831,494	\$ 185,386	\$ 893,516	\$ 2,910,396
Accrued liabilities	201,228	-	-	201,228
Due to other funds	-	551,747	1,443,083	1,994,830
Unearned revenue	120,971	-	314,853	435,824
Deposit and other liabilities	405,798	-	75,921	481,719
Total liabilities	<u>2,559,491</u>	<u>737,133</u>	<u>2,727,373</u>	<u>6,023,997</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	3,187,778	3,187,778
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,187,778</u>	<u>3,187,778</u>
FUND BALANCES				
Nonspendable	73,526	-	2,865	76,391
Restricted	243,828	68,919,866	6,850,600	76,014,294
Committed	3,668,980	-	4,905,500	8,574,480
Assigned	2,893,227	-	-	2,893,227
Unassigned (deficit)	755,213	-	(1,283,973)	(528,760)
Total Fund Balances	<u>7,634,774</u>	<u>68,919,866</u>	<u>10,474,992</u>	<u>87,029,632</u>
Total Liabilities, Deferred Inflows of Resource, and Fund Balances	<u>\$ 10,194,265</u>	<u>\$ 69,656,999</u>	<u>\$ 16,390,143</u>	<u>\$ 96,241,407</u>

City of Patterson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Patterson Public Financing Authority</u>	<u>Other Governmental Funds</u>	
REVENUES:				
Taxes:				
Property	\$ 3,075,768	\$ -	\$ 341,773	\$ 3,417,541
Sales	5,027,535	-	-	5,027,535
Franchise	206,354	-	-	206,354
Motor vehicle in lieu	1,947,375	-	-	1,947,375
Other	131,701	-	-	131,701
Licenses, permits, and fees	921,631	-	1,134,098	2,055,729
Charges for current services	447,261	-	3,775,938	4,223,199
Intergovernmental:				
Federal grant and subsidies	48,857	-	451,605	500,462
Other governmental	737,324	-	2,098,242	2,835,566
Fines and forfeitures and penalties	146,100	-	-	146,100
Use of money and property	-	-	60,412	60,412
Interest	(29,654)	4,049,910	110,958	4,131,214
Revenue from Fiduciary Fund	1,152,340	529,503	-	1,681,843
Miscellaneous	294,500	-	70,808	365,308
Total revenues	<u>14,107,092</u>	<u>4,579,413</u>	<u>8,043,834</u>	<u>26,730,339</u>
EXPENDITURES:				
Current:				
General government	2,608,862	-	127,275	2,736,137
Police	4,619,631	-	1,764,790	6,384,421
Fire	2,437,226	-	21,025	2,458,251
Community development and planning	1,647,730	-	6,391	1,654,121
Public works	1,540,742	-	2,136,597	3,677,339
Park and recreation	3,530,225	-	-	3,530,225
Capital outlay	2,731,120	1,065,988	3,580,482	7,377,590
Debt service:				
Principal	-	1,905,717	30,988	1,936,705
Interest and fiscal charges	74,731	4,089,183	3,418	4,167,332
Total expenditures	<u>19,190,267</u>	<u>7,060,888</u>	<u>7,670,966</u>	<u>33,922,121</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,083,175)</u>	<u>(2,481,475)</u>	<u>372,868</u>	<u>(7,191,782)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of bonds	2,429,000	-	-	2,429,000
Transfers in	2,121,624	-	1,985,868	4,107,492
Transfers out	(70,163)	-	(2,765,576)	(2,835,739)
Total financing sources (uses)	<u>4,480,461</u>	<u>-</u>	<u>(779,708)</u>	<u>3,700,753</u>
Net change in fund balances	<u>(602,714)</u>	<u>(2,481,475)</u>	<u>(406,840)</u>	<u>(3,491,029)</u>
FUND BALANCES:				
Beginning of year	<u>8,237,488</u>	<u>71,401,341</u>	<u>10,881,832</u>	<u>90,520,661</u>
End of year	<u>\$ 7,634,774</u>	<u>\$ 68,919,866</u>	<u>\$ 10,474,992</u>	<u>\$ 87,029,632</u>

City of Patterson
Reconciliation of the Governmental Funds
Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2018

Total fund balances of governmental funds	<u>\$ 87,029,632</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds.	60,819,764
Pension-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Pension-related deferred outflows of resources	2,627,769
Pension-related deferred inflows of resources	(153,718)
OPEB-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
OPEB-related deferred outflows of resources	125,850
OPEB-related deferred inflows of resources	(668,794)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(992,186)
Unavailable revenues reported on the Governmental Fund Financial Statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	3,187,778
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	
Long-term debt	(73,367,631)
Settlement payable	(364,000)
Compensated absences	(409,006)
Total OPEB liability	(7,570,858)
Aggregated net pension liability	<u>(5,769,804)</u>
Net position of governmental activities	<u><u>\$ 64,494,796</u></u>

City of Patterson
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ (3,491,029)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	7,377,590
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds.	(2,308,729)
Issuance of long-term liabilities provides current financial resources to governmental funds, but the issuance increased long-term liabilities in the Government-Wide Statement of Net Position.	
Lease revenue bonds	(2,429,000)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position	
Principal payment of long-term debt	1,936,705
Amortization of bond discount	(28,466)
Interest expenses on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. This amount represented the changes in accrued interest from prior year.	385,260
Compensated absences expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(14,685)
Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.	585,883
Certain pension expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Changes in pension related deferred outflows of resources	(630,466)
Changes in net pension liabilities	(148,771)
Changes in pension related deferred inflows of resources	334,274
Certain OPEB expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Changes in OPEB related deferred outflows of resources	3,950
Changes in Total OPEB liabilities	(51,344)
Changes in OPEB related deferred inflows of resources	(668,794)
Change in net position of governmental activities	\$ 852,378

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Patterson
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major Funds			Total
	Water	Sewer	Garbage	
ASSETS				
Current assets:				
Cash and investments	\$ 1,678,464	\$ 1,761,869	\$ 1,214,775	\$ 4,655,108
Restricted cash and investments	-	469,905	-	469,905
Accounts receivable	498,992	547,824	336,350	1,383,166
Interest receivable	3,305	3,579	2,392	9,276
Prepaid items	3,701	4,667	1,563	9,931
Total current assets	<u>2,184,462</u>	<u>2,787,844</u>	<u>1,555,080</u>	<u>6,527,386</u>
Noncurrent assets:				
Cash and investments with fiscal agents	3,320,471	64,672	-	3,385,143
Capital assets, net	23,591,901	25,619,541	71,197	49,282,639
Total noncurrent assets	<u>26,912,372</u>	<u>25,684,213</u>	<u>71,197</u>	<u>52,667,782</u>
Total assets	<u>29,096,834</u>	<u>28,472,057</u>	<u>1,626,277</u>	<u>59,195,168</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	66,962	281,313	-	348,275
OPEB-related deferred outflows of resources	25,275	25,083	4,792	55,150
Pension-related deferred outflows of resources	589,620	668,046	106,402	1,364,068
Total deferred outflows of resources	<u>681,857</u>	<u>974,442</u>	<u>111,194</u>	<u>1,767,493</u>
LIABILITIES				
Current liabilities:				
Accounts payable	123,672	202,394	165,715	491,781
Deposits payable	131,320	-	-	131,320
Accrued interest	33,697	27,641	-	61,338
Compensated absences - due within one year	104,166	111,689	17,820	233,675
Long-term liabilities - due within one year	225,000	347,354	-	572,354
Total current liabilities	<u>617,855</u>	<u>689,078</u>	<u>183,535</u>	<u>1,490,468</u>
Noncurrent liabilities:				
Long-term liabilities - due in more than one year	8,150,000	6,935,025	-	15,085,025
Net OPEB liability	1,516,337	1,499,499	286,306	3,302,142
Aggregate net pension liability	1,249,331	1,415,506	225,453	2,890,290
Total noncurrent liabilities	<u>10,915,668</u>	<u>9,850,030</u>	<u>511,759</u>	<u>21,277,457</u>
Total liabilities	<u>11,533,523</u>	<u>10,539,108</u>	<u>695,294</u>	<u>22,767,925</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	-	12,519	-	12,519
OPEB-related deferred inflows of resources	148,731	166,147	32,329	347,207
Pension-related deferred inflows of resources	41,608	47,142	7,509	96,259
Total deferred inflows of resources	<u>190,339</u>	<u>225,808</u>	<u>39,838</u>	<u>455,985</u>
NET POSITION				
Net investment in capital assets	18,604,334	18,670,628	71,197	37,346,159
Restricted	-	469,905	-	469,905
Unrestricted (deficit)	(549,505)	(458,950)	931,142	(77,313)
Total net position	<u>\$ 18,054,829</u>	<u>\$ 18,681,583</u>	<u>\$ 1,002,339</u>	<u>\$ 37,738,751</u>

City of Patterson
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES:				
Charges for services	\$ 4,024,600	\$ 4,236,088	\$ 2,970,907	\$ 11,231,595
Fees, fines, and penalties	172,955	108,770	108,936	390,661
Miscellaneous	5,510	58,973	-	64,483
Total operating revenues	<u>4,203,065</u>	<u>4,403,831</u>	<u>3,079,843</u>	<u>11,686,739</u>
OPERATING EXPENSES:				
Salaries and benefits	2,238,314	2,455,999	483,340	5,177,653
Contractual and professional services	307,544	460,093	1,751,074	2,518,711
Supplies and operating costs	889,782	502,873	150,330	1,542,985
Depreciation	1,019,121	1,663,261	12,779	2,695,161
Total operating expenses	<u>4,454,761</u>	<u>5,082,226</u>	<u>2,397,523</u>	<u>11,934,510</u>
OPERATING INCOME (LOSS)	<u>(251,696)</u>	<u>(678,395)</u>	<u>682,320</u>	<u>(247,771)</u>
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental :				
Other governmental	-	68,852	-	68,852
Interest income	46,227	18,318	9,599	74,144
Interest expense	(410,111)	(196,973)	-	(607,084)
Total Nonoperating revenues (expenses)	<u>(363,884)</u>	<u>(109,803)</u>	<u>9,599</u>	<u>(464,088)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(615,580)</u>	<u>(788,198)</u>	<u>691,919</u>	<u>(711,859)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Revenue from Fiduciary Fund	408,148	92,638	-	500,786
Capital contributions	(53,113)	(18,730)	-	(71,843)
Transfers in	200,000	174,651	-	374,651
Transfers out	(524,057)	(587,774)	(534,573)	(1,646,404)
Total Transfer and Capital Contributions	<u>30,978</u>	<u>(339,215)</u>	<u>(534,573)</u>	<u>(842,810)</u>
CHANGES IN NET POSITION	<u>(584,602)</u>	<u>(1,127,413)</u>	<u>157,346</u>	<u>(1,554,669)</u>
NET POSITION:				
Beginning of year, as restated (Note 14)	18,639,431	19,808,996	844,993	39,293,420
End of year	<u>\$ 18,054,829</u>	<u>\$ 18,681,583</u>	<u>\$ 1,002,339</u>	<u>\$ 37,738,751</u>

City of Patterson
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total
	Water	Sewer	Garbage	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,148,939	\$ 4,246,537	\$ 3,051,275	\$ 11,446,751
Cash paid to suppliers	(1,366,054)	(1,234,842)	(1,923,592)	(4,524,488)
Cash paid to employees	(1,830,690)	(1,965,875)	(392,163)	(4,188,728)
Other	5,510	58,973	-	64,483
Net cash provided by operating activities	957,705	1,104,793	735,520	2,798,018
Cash Flows from Noncapital Financing Activities:				
Grants	-	68,852	-	68,852
Transfers in	200,000	174,651	-	374,651
Transfers out	(524,057)	(587,774)	(534,573)	(1,646,404)
Net cash provided by (used in) noncapital financing activities	(324,057)	(344,271)	(534,573)	(1,202,901)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(913,209)	(547,563)	-	(1,460,772)
Revenue from Fiduciary Fund	408,148	92,638	-	500,786
Principal paid on revenue bonds and loan	(220,000)	38,839	-	(181,161)
Interest paid on capital debt	(407,657)	(425,040)	-	(832,697)
Net cash (used in) capital and related financing activities	(1,132,718)	(841,126)	-	(1,973,844)
Cash Flows from Investing Activities:				
Interest	44,364	16,952	8,232	69,548
Net cash provided by investing activities	44,364	16,952	8,232	69,548
Net increase (decrease) in cash and cash equivalents	(454,706)	(63,652)	209,179	(309,179)
Cash and Cash Equivalents:				
Beginning of year	5,453,641	2,360,098	1,005,596	8,819,335
End of year	<u>\$ 4,998,935</u>	<u>\$ 2,296,446</u>	<u>\$ 1,214,775</u>	<u>\$ 8,510,156</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and investment	\$ 1,678,464	\$ 1,761,869	\$ 1,214,775	\$ 4,655,108
Restricted cash and investments	-	469,905	-	469,905
Cash and investments with fiscal agent	3,320,471	64,672	-	3,385,143
Total cash and investment	<u>\$ 4,998,935</u>	<u>\$ 2,296,446</u>	<u>\$ 1,214,775</u>	<u>\$ 8,510,156</u>

City of Patterson
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Total
	Water	Sewer	Garbage	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (251,696)	\$ (678,395)	\$ 682,320	(247,771)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,019,121	1,663,261	12,779	2,695,161
Change in assets and liabilities:				
Accounts receivable	(44,216)	(98,321)	(28,568)	(171,105)
Prepaid items	(3,333)	51,287	(1,195)	46,759
OPEB-related deferred outflows of resources	(878)	(981)	(191)	(2,050)
Pension-related deferred outflows of resources	(112,160)	(173,037)	(32,286)	(317,483)
Accounts payable	(165,395)	(323,163)	(20,993)	(509,551)
Deposits payable	(4,400)	-	-	(4,400)
Compensated absences	10,070	6,937	996	18,003
Net OPEB liability	11,418	12,755	2,482	26,655
Aggregate net pension liability	382,188	507,582	91,553	981,323
Pension-related deferred inflows of resources	(31,745)	(29,279)	21,114	(39,910)
OPEB-related deferred inflows of resources	148,731	166,147	7,509	322,387
Total adjustments	1,209,401	1,783,188	53,200	3,045,789
Net cash provided by (used in) operating activities	\$ 957,705	\$ 1,104,793	\$ 735,520	\$ 2,798,018

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FIDUCIARY FUND FINANCIAL STATEMENTS

City of Patterson
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

ASSETS	<u>Agency Funds</u>
Cash and investments	\$ 9,458,836
Restricted cash and investments	9,351,688
Accounts receivable	61,276
Interest receivable	24,216
Other assets	41,371
Total assets	<u><u>\$ 18,937,387</u></u>
LIABILITIES	
Accounts payable	\$ 9,732
Due to City	108,424
Due to bondholders	18,819,231
Total liabilities	<u><u>\$ 18,937,387</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Patterson
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For the Year Ended June 30, 2018

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City of Patterson
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For the Year Ended June 30, 2018

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City of Patterson
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Patterson, California (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Financial 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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

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.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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, 2015 pursuant to Resolution No.2015-03 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.

On October 16, 2018 pursuant to Resolution No. 2018-04 of the Board of Directors of the Authority, the Authority founded its Community Facilities District No. 2018-1 (Villages of Patterson) and authorized special tax levies therein. The participating landowners have been invoiced for the costs to form CFD 2018-1.

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 Accounting and Measurement Focus

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government–Wide Financial Statements

The City’s government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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.

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences.

Governmental funds of the City are outlined below:

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.

Other Governmental Funds – Other Governmental Funds is the aggregate of all the non-major governmental funds.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds of the City are outlined below:

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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has one type of fiduciary funds – Agency Funds.

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.

C. Cash, Cash Equivalents and Investment

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investment (Continued)

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

E. 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.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and improvements	20-40 years
Machinery and Equipment	3-6 years
Streets and roads	20 years
Curbs, gutters, sidewalks, and	20 years
Storm drains	75 years

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

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.

G. Long-Term Debt

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.

H. Compensated Absences

Government-Wide Financial Statements

City employees have vested interest in varying levels of vacation and sick leave based on their length of employment and bargaining unit they belong to. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. There is no cap on the amount of sick leave that can be accrued. Employees with less than five years of employment do not have vested privilege on sick leave and their sick leave is forfeited upon termination. Eligible employees are accruing their vacation time on a monthly basis based on their years of continuous service. Effective July 1, 2016, the City changed its vesting procedures for department heads, going forward department heads will vest their annual vacation at the beginning of the year, whereas all other eligible employees vest in their vacation on a monthly basis. The amount of compensated absences is accrued when incurred in the government-wide financial statements.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Compensated Absences (Continued)

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. When an employee is terminated at fiscal year end, the amount of his or her reimbursable unused vacation is recorded as a liability in the governmental funds. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

The amount of accrued sick pay is not due upon termination and therefore is not recorded as a liability for the City.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

J. Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 11). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Other Postemployment Benefits (“OPEB”) (Continued)

The following timeframes are used for OPEB reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

K. 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.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

M. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City's 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.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes, it may be necessary to report negative unassigned fund balance in that particular fund.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Fund Balances (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

O. Reclassification

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

P. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2018. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 75 which is reflected on the accompanying City's financial statements.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not have a material effect on the financial statements of the City.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

P. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018 (Continued)

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, Omnibus 2017. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not have a material effect on the financial statements of the City.

Q. Upcoming Governmental Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Q. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Q. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2018:

	Primary Government		Fiduciary Funds	Total
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 18,875,819	\$ 4,655,108	\$ 9,458,836	\$ 32,989,763
Restricted cash and investments	-	469,905	9,351,688	9,821,593
Cash and investments with fiscal agents	1,259,036	3,385,143	-	4,644,179
Investments held in trust	68,397,963	-	-	68,397,963
Total cash and investments	\$ 88,532,818	\$ 8,510,156	\$ 18,810,524	\$ 115,853,498

Cash, cash equivalents, and investments, consisted of the following at June 30, 2018:

Cash and cash equivalents:	
Cash on hand	\$ 1,245
Deposits with financial institutions	16,427,519
Total cash and cash equivalents	16,428,764
Investments:	
Municipal bonds	68,397,963
Money market mutual funds	13,994,723
Central San Joaquin Valley Risk Authority (CSJVRMA)	3,635,654
Local Agency Investment Fund (LAIF)	13,396,394
Total investments	99,424,734
Total cash and investments	\$ 115,853,498

A. Cash Deposits

The carrying amounts of the City’s demand deposits were \$16,427,519 at June 30, 2018. Bank balances were \$16,627,282 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

A. Cash Deposits (Continued)

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

B. Investments

Investments Authorized by the California Code and the City’s Investments Policy

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

* The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

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

C. External Investment Pool

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2018 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2018, the City had \$13,396,394 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2018 using the Net Asset Value. The value of the City's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2018.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures 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, 2018:

	Fair Value	Maturity			
		12 Months or Less	1-5 Years	6-10 Years	Thereafter
Investments:					
Municipal bonds	\$ 68,397,963	\$ 1,483,337	\$ 6,957,625	\$ 11,737,196	\$ 48,219,805
Money market mutual funds	13,994,723	13,994,723	-	-	-
Central San Joaquin Valley Risk Authority (CSJVRMA)	3,635,654	3,635,654	-	-	-
Local Agency Investment Fund (LAIF)	13,396,394	13,396,394	-	-	-
Total investments	\$ 99,424,734	\$ 32,510,108	\$ 6,957,625	\$ 11,737,196	\$ 48,219,805

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.

	Fair Value	Minimum Legal Rating	Credit Rating	
			S&P	Moody's
Investments:				
Municipal bonds	\$ 68,397,963	N/A	Not rated	Not rated
Money market mutual funds	13,994,723	N/A	AAAm	Aaa-mf
Central San Joaquin Valley Risk Authority (CSJVRMA)	3,635,654	N/A	Not rated	Not rated
Local Agency Investment Fund (LAIF)	13,396,394	N/A	Not rated	Not rated
Total investments	\$ 99,424,734			

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to 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, 2018:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
West Patterson Financing Authority	Municipal bonds	\$ 68,397,963

Disclosures Relating to Custodial Credit Risk

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. None of the City's investments was subject to custodial credit risk.

E. Fair Value Measurement

Fair value of assets measured on a recurring basis at June 30, 2018, are as follows:

Investments measured by fair value level:	June 30, 2018	Level 1	Level 2	Level 3
Municipal bonds	\$ 68,397,963	\$ -	\$ 68,397,963	\$ -
Cental San Joaquin Valley Risk Authority (CSJVRMA)	3,635,654	-	3,635,654	-
Total investments by fair value level	\$ 72,033,617	\$ -	\$ 72,033,617	\$ -
Investments not subject to the fair value hierarchy:				
Local agency investment funds - State of CA	\$ 13,396,394			
Money market mutual funds	13,994,723			
Total investments not subject to the fair value hierarchy	27,391,117			
Total investments	\$ 99,424,734			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Medium term notes: quoted prices for similar securities in active markets; and
- Asset-backed securities: recent appraisals of the asset value.

Note 3 – Loan and Notes Receivable

A. Governmental Activities

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 2018.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Loan and Notes Receivable (Continued)

A. Governmental Activities (Continued)

Summary of changes in loans and notes receivable for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Housing Authority of the County of Stanislaus	\$ 290,000	\$ -	\$ -	\$ 290,000
Greater Valley Housing Development Corporation	900,000	-	-	900,000
Housing Rehabilitation and Affordable Housing	759,175	15,177	(67,350)	707,002
Total loans and notes receivable	\$ 1,949,175	\$ 15,177	\$ (67,350)	\$ 1,897,002

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, 2018 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, 2018 was \$707,002.

Note 4 – Interfund Transactions

A. Due From and To Other Funds

Due from and to other funds as of June 30, 2018, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Patterson Public Financing Authority	\$ 551,747	Overdrawn Cash
General Fund	Public Safety	1,205,868	Overdrawn Cash
General Fund	Federal CDBG Grant 2003	237,215	Overdrawn Cash
	Total	\$ 1,994,830	

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Transactions (Continued)

B. Transfers In and Out

Transfers in and out for the year ended June 30, 2018, was as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Patterson Garden Fire Suppression Assessment	\$ 267,297	Administrative cost
General Fund	Community Facility Impact Fee	9,840	Administrative cost
General Fund	CDBG	7,500	Administrative cost
General Fund	Federal HOME Funds	2,000	Administrative cost
General Fund	Gas Tax	325,000	Administrative cost
General Fund	Water	524,057	Administrative cost
General Fund	Sewer	551,357	Administrative cost
General Fund	Garbage	434,573	Administrative cost
	Subtotal	<u>2,121,624</u>	
Senior Center	Community Facility Impact Fee	398	Close fund
Public Safety	Patterson Garden Fire Suppression Assessment	380,000	Capital projects
Public Safety	CFD 2015-2	73,000	Capital projects
	Subtotal	<u>453,000</u>	
Federal CDBG Grant 2003	Sewer Fund	36,417	Capital projects
Street Project Fund	Gas Tax	205,500	Capital projects
Street Project Fund	Local Transportation Fund	83,682	Capital projects
Street Project Fund	Street Improvement Impact Fee	1,106,871	Capital projects
Street Project Fund	Garbage	100,000	Capital projects
	Subtotal	<u>1,496,053</u>	
Water Fund	Water Impact Fee	200,000	Capital projects
	Subtotal	<u>200,000</u>	
Sewer Fund	General Fund	70,163	Capital projects
Sewer Fund	Sewer Impact Fee	100,000	Capital projects
Sewer Fund	WWTP Construction	4,488	Close fund
	Subtotal	<u>174,651</u>	
	Total	<u>\$ 4,482,143</u>	

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2018
Capital assets, not being depreciated					
Land	\$ 3,395,717	\$ 2,502,294	\$ -	\$ -	\$ 5,898,011
Construction in progress	6,240,053	2,525,949	-	(36,918)	8,729,084
Total capital assets, not being depreciated	9,635,770	5,028,243	-	(36,918)	14,627,095
Capital assets, being depreciated					
Buildings	23,972,872	-	-	-	23,972,872
Improvements	14,991,071	717,347	-	36,918	15,745,336
Streets and roads	21,828,901	1,332,060	-	-	23,160,961
Equipments	5,989,696	299,940	(36,332)	-	6,253,304
Subtotal	66,782,540	2,349,347	(36,332)	36,918	69,132,473
Less: accumulated depreciation					
Buildings	(4,904,613)	(600,077)	-	-	(5,504,690)
Improvements	(6,039,351)	(720,413)	-	-	(6,759,764)
Streets and roads	(5,013,233)	(629,045)	-	-	(5,642,278)
Equipments	(4,710,210)	(359,194)	36,332	-	(5,033,072)
Subtotal	(20,667,407)	(2,308,729)	36,332	-	(22,939,804)
Total capital assets, being depreciated, net	46,115,133	40,618	-	36,918	46,192,669
Total capital assets, net	\$ 55,750,903	\$ 5,068,861	\$ -	\$ -	\$ 60,819,764

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

General government	\$ 418,960
Fire	257,355
Public works	1,002,570
Park and recreation	629,844
Total depreciation	\$ 2,308,729

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets (Continued)

B. Business-type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2018
Capital assets, not being depreciated					
Land	\$ 5,745,597	\$ 400,373	\$ -	\$ -	\$ 6,145,970
Construction in progress	1,911,235	714,659	-	-	2,625,894
Total capital assets, not being depreciated	7,656,832	1,115,032	-	-	8,771,864
Capital assets, being depreciated					
Streets and roads	63,481,167	50,000	-	(327,297)	63,203,870
Equipments	4,728,590	223,897	-	327,297	5,279,784
Subtotal	68,209,757	273,897	-	-	68,483,654
Less: accumulated depreciation					
Streets and roads	(22,791,236)	(2,282,434)	-	13,092	(25,060,578)
Equipments	(2,486,482)	(412,727)	-	(13,092)	(2,912,301)
Subtotal	(25,277,718)	(2,695,161)	-	-	(27,972,879)
Total capital assets, being depreciated, net	42,932,039	(2,421,264)	-	-	40,510,775
Total capital assets, net	\$ 50,588,871	\$ (1,306,232)	\$ -	\$ -	\$ 49,282,639

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

Water	\$ 1,019,121
Sewer	1,663,261
Garbage	<u>12,779</u>
Total depreciation	<u><u>\$ 2,695,161</u></u>

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2018 is as follows:

	Original Issuance	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year	Due In More Than One Year
PPFA 2013 Heartland Ranch Revenue Bonds	\$ 4,963,568	\$ 3,917,488	\$ -	\$ (385,717)	\$ 3,531,771	\$ 397,349	\$ 3,134,422
PPFA 2013 Series A Revenue Bonds	67,190,000	63,380,000	-	(1,390,000)	61,990,000	1,325,000	60,665,000
Less: bond discount	(853,389)	(739,585)	-	28,466	(711,119)	-	(711,119)
PPFA 2013 Series B Revenue Bonds	6,465,000	6,160,000	-	(130,000)	6,030,000	110,000	5,920,000
2018 Lease Revenue Bonds	2,429,000	-	2,429,000	-	2,429,000	125,882	2,303,118
Capital leases	161,990	128,967	-	(30,988)	97,979	31,809	66,170
Settlement payable	1,300,000	364,000	-	-	364,000	-	364,000
Compensated Absences	-	394,321	366,076	(351,391)	409,006	409,006	-
Total long-term debt	\$ 81,656,169	\$ 73,605,191	\$ 2,795,076	\$ (2,259,630)	\$ 74,140,637	\$ 2,399,046	\$ 71,741,591

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. At June 30, 2018, the outstanding balance of the 2013 Heartland Ranch Revenue bonds was \$3,531,771.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 397,349	\$ 124,325	\$ 521,674
2020	408,446	109,296	517,742
2021	433,971	93,585	527,556
2022	443,630	77,218	520,848
2023	462,628	60,316	522,944
2024-2028	1,385,747	103,948	1,489,695
Total	\$ 3,531,771	\$ 568,688	\$ 4,100,459

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. At June 30, 2018, the outstanding balance of the 2013 PPFA Series A bonds was \$61,990,000.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

2013 PPFA Series A Bond (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,325,000	\$ 3,323,050	\$ 4,648,050
2020	1,435,000	3,267,850	4,702,850
2021	1,545,000	3,208,250	4,753,250
2022	1,665,000	3,144,050	4,809,050
2023	1,790,000	3,066,000	4,856,000
2024-2028	11,065,000	13,736,131	24,801,131
2029-2033	14,745,000	10,323,881	25,068,881
2034-2038	18,620,000	5,665,188	24,285,188
2039	9,800,000	575,863	10,375,863
Total	<u>\$ 61,990,000</u>	<u>\$ 46,310,263</u>	<u>\$ 108,300,263</u>

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. At June 30, 2018, the outstanding balance of the 2013 PPFA Series B bonds was \$6,030,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 110,000	\$ 351,031	\$ 461,031
2020	125,000	344,128	469,128
2021	140,000	336,344	476,344
2022	155,000	327,678	482,678
2023	170,000	318,131	488,131
2024-2028	1,060,000	1,419,400	2,479,400
2029-2033	1,465,000	1,049,422	2,514,422
2034-2038	1,850,000	569,288	2,419,288
2039	955,000	57,134	1,012,134
Total	<u>\$ 6,030,000</u>	<u>\$ 4,772,556</u>	<u>\$ 10,802,556</u>

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

2018 Lease Revenue Bonds

In June 2018, the Patterson Public Financing Authority issued \$2,429,000 of Lease Revenue Bonds, Series 2018 through ZMFU II, INC., a corporation organized under the laws of the State of Utah. The proceeds were utilized to provide funding for acquisition of land for a multipurpose center and adjacent park site. The Bonds mature annually in amounts ranging from \$62,400 to \$102,760. Interest is due and payable semiannually at a rate of 3.47 percent. At June 30, 2018, the outstanding balance of the 2018 Lease Revenue Bonds was \$2,429,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 125,882	\$ 83,204	\$ 209,086
2020	130,288	78,798	209,086
2021	134,848	74,237	209,085
2022	139,568	69,518	209,086
2023	144,453	64,633	209,086
2024-2028	801,741	243,689	1,045,430
2029-2032	952,220	93,209	1,045,429
Total	<u>\$ 2,429,000</u>	<u>\$ 707,287</u>	<u>\$ 3,136,287</u>

Capital Lease

Self-Contained Breathing Apparatus (SCBA) and Rapid Intervention Team (R.I.T) Equipment

On June 7, 2016, the City approved the execution of a lease-purchase agreement in the amount of \$161,990 with Government Capital Corporation to provide a tax-exempt financing mechanism to purchase SCBA and R.I.T equipment. The lease payments due on January 1, 2017 through January 1, 2021 with an interest rate of 2.65%. At June 30, 2018, the outstanding balance of the capital lease was \$97,979.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 31,809	\$ 2,597	\$ 34,406
2020	32,652	1,754	34,406
2021	33,518	888	34,406
Total	<u>\$ 97,979</u>	<u>\$ 5,239</u>	<u>\$ 103,218</u>

Settlement Payable

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.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Settlement Payable (Continued)

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.

At June 30, 2018, the remaining balance of the settlement payable was \$364,000.

Compensated Absences

Compensated absences at June 30, 2018, amounted to \$409,006. Typically, the General Fund has been used to liquidate the liability for compensated absences. There is no fixed payment schedule for compensated absences.

B. Business-type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2018 is as follows:

	Original Issuance	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year	Due In More Than One Year
Water Fund:							
2011 Water Revenue Bonds	\$ 10,200,000	\$ 8,595,000	\$ -	(220,000)	\$ 8,375,000	\$ 225,000	\$ 8,150,000
Compensated Absences	-	94,096	90,467	(80,397)	104,166	104,166	-
Total water fund	10,200,000	8,689,096	90,467	(300,397)	8,479,166	329,166	8,150,000
Sewer Fund:							
2009 Sewer Revenue Bonds	3,195,000	2,705,000	-	(2,215,000)	490,000	75,000	415,000
2017 Sewer Refunding Revenue Bonds	2,712,200	-	2,712,200	(53,900)	2,658,300	27,500	2,630,800
Economic Bank loan	652,144	100,000	-	(100,000)	-	-	-
State Revolving Fund loan	774,790	618,456	-	(40,596)	577,860	41,651	536,209
Banc of America loan	951,540	1,494,052	-	(72,018)	1,422,034	9,433	1,412,601
CEC loan	2,876,172	2,326,032	-	(191,847)	2,134,185	193,770	1,940,415
Compensated Absences	-	104,752	91,412	(84,475)	111,689	111,689	-
Total sewer fund	11,161,846	7,348,292	2,803,612	(2,757,836)	7,394,068	459,043	6,935,025
Garbage Fund:							
Compensated Absences	-	16,824	18,793	(17,797)	17,820	17,820	-
Total garbage fund	-	16,824	18,793	(17,797)	17,820	17,820	-
Total business-type activities	\$ 21,361,846	\$ 16,054,212	\$ 2,912,872	\$ (3,076,030)	\$ 15,891,054	\$ 806,029	\$ 15,085,025

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

B. Business-type Activities (Continued)

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. At June 30, 2018, the outstanding balance of the 2011 Water Revenue Bonds was \$8,375,000.

The annual debt service requirements are as follows:

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 225,000	\$ 404,363	\$ 629,363
2020	235,000	397,500	632,500
2021	245,000	388,100	633,100
2022	255,000	378,300	633,300
2023	265,000	368,100	633,100
2024-2028	1,525,000	1,642,500	3,167,500
2029-2033	1,955,000	1,220,250	3,175,250
2034-2038	2,490,000	680,750	3,170,750
2039-2040	1,180,000	89,250	1,269,250
Total	<u>\$ 8,375,000</u>	<u>\$ 5,569,113</u>	<u>\$ 13,944,113</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. During fiscal year 17-18 the bonds were partially refunded by the issuance of the 2017 Sewer Revenue Bonds. At June 30, 2018, the outstanding balance of the 2009 Sewer Revenue Bonds was \$490,000.

The annual debt service requirements are as follows:

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 75,000	\$ 22,713	\$ 97,713
2020	75,000	19,713	94,713
2021	80,000	16,150	96,150
2022	85,000	12,350	97,350
2023	85,000	8,313	93,313
2024	90,000	4,275	94,275
Total	<u>\$ 490,000</u>	<u>\$ 83,514</u>	<u>\$ 573,514</u>

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

B. Business-type Activities (Continued)

2017 Sewer Refunding Revenue Bonds

On September 5, 2017, Resolution 2017-49 approved the refinancing of a portion of the Patterson Public Financing Authority Revenue Bonds, Series 2009 (City of Patterson Wastewater System Financing Project) (the “2009 Bonds”). The 2009 Bonds were originally issued to finance the costs of acquiring and constructing wastewater system improvements, fund a reserve fund and pay costs of issuance.

The refinancing in the amount of \$2,712,200 closed on September 21, 2017 as a direct placement to Capital One Public Funding at an interest rate of 3.4%. The refinancing refunded the 2039 term bond of the 2009 Bonds consisting of sinking fund payments from 2025 to 2039. Savings from the refinancing were capitalized in the amount of \$469,905 and will be held by the City to provide additional funding for wastewater capital projects.

Interest on the refinancing is payable each December 1 and June 1 beginning December 1, 2017. Principal is payable each June 1 beginning June 1, 2018 to June 1, 2039. The Bank of New York Mellon as Escrow Agent is holding an escrow account for the 2009 Bonds that will pay all principal and interest on the 2009 Bonds that were part of the refinancing until they are called on June 1, 2019. The 2009 Bond that were not part of the refinancing will continue to be paid as regularly scheduled until they are paid off on June 1, 2024.

The annual debt service requirements are as follows:

Year Ending	Principal	Interest	Total
June 30			
2019	\$ 27,500	\$ 90,382	\$ 117,882
2020	28,500	89,447	117,947
2021	29,400	88,478	117,878
2022	30,400	87,479	117,879
2023	31,500	86,445	117,945
2024-2028	576,600	395,627	972,227
2029-2033	789,700	276,757	1,066,457
2034-2038	935,600	132,838	1,068,438
2039	209,100	7,109	216,209
Total	<u>\$ 2,658,300</u>	<u>\$ 1,254,562</u>	<u>\$ 3,912,862</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. At June 30, 2018, the Economic Bank Loan was paid in full.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

B. Business-type Activities (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. At June 30, 2018, the outstanding balance of the State Revolving Fund Loan was \$577,860.

The annual debt service requirements are as follows:

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 41,651	\$ 15,024	\$ 56,675
2020	42,734	13,941	56,675
2021	43,845	12,830	56,675
2022	44,985	11,690	56,675
2023	46,155	10,521	56,676
2024-2028	249,410	33,966	283,376
2029-2030	109,080	4,272	113,352
Total	<u>\$ 577,860</u>	<u>\$ 102,244</u>	<u>\$ 680,104</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. At June 30, 2017, the outstanding of the Banc of America Loan was \$1,422,034.

The annual debt service requirements are as follows:

Year Ending			
June 30	Principal	Interest	Total
2019	\$ 9,433	\$ 49,121	\$ 58,554
2020	23,602	48,673	72,275
2021	38,946	47,725	86,671
2022	55,538	46,235	101,773
2023	73,458	44,160	117,618
2024-2028	912,475	163,802	1,076,277
2029-2030	308,582	8,030	316,612
Total	<u>\$ 1,422,034</u>	<u>\$ 407,746</u>	<u>\$ 1,829,780</u>

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

B. Business-type Activities (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. At June 30, 2018, the outstanding balance of the CEC loan was \$2,134,185.

The annual debt service requirements are as follows:

Year Ending	Principal	Interest	Total
June 30			
2019	\$ 193,770	\$ 20,860	\$ 214,630
2020	195,662	18,968	214,630
2021	197,674	16,956	214,630
2022	199,656	14,974	214,630
2023	201,658	12,973	214,631
2024-2028	1,038,985	34,167	1,073,152
2029	106,780	535	107,315
Total	\$ 2,134,185	\$ 119,433	\$ 2,253,618

Compensated Absences

Compensated absences at June 30, 2018, amounted to \$104,166, \$111,689, and \$17,820 for water, sewer and garbage, respectively. There is no fixed payment schedule for compensated absences.

Note 7 – Conduit Debts

Special assessment districts in various parts of the City have issued debts to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debts issued by these Districts, but does not have direct or contingent liability or moral obligation for the payment of this debt. Therefore, these debts are not included in the general long-term liabilities of the City.

The outstanding balance of each of these issues as of June 30, 2018 was as follows:

Heartland Ranch Authority Bonds	\$ 3,205,626
Community Facilities District No. 2013-A1 Special Tax Bonds	33,502,738
Community Facilities District No. 2013-A2 Special Tax Bonds	27,666,388
Community Facilities District No. 2013-B Special Tax Bonds	4,023,211
Community Facilities District No. 2005-1 Business Park Special Tax Bonds	9,500,000
Community Facilities District No. 2015-1 Special Tax Bonds	4,745,000
Total	\$ 82,642,963

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Fund Balances

At June 30, 2018, fund balances classification is as follows:

	General Fund	Patterson Public Financing Authority	Other Governmental Funds	Total
Nonspendable:				
Prepaid items	\$ 73,526	\$ -	\$ 2,865	\$ 76,391
Total nonspendable	73,526	-	2,865	76,391
Restricted:				
Debt services	243,828	68,919,866	-	69,163,694
Assessment Districts	-	-	2,540,371	2,540,371
Grants	-	-	395,509	395,509
Streets and Roads	-	-	652,482	652,482
Developer Housing In-Lieu	-	-	1,286,723	1,286,723
Police	-	-	1,721,670	1,721,670
Community Facilities Districts	-	-	235,369	235,369
Impact Fee	-	-	18,476	18,476
Total restricted	243,828	68,919,866	6,850,600	76,014,294
Committed:				
Contingencies	3,668,980	-	-	3,668,980
Capital projects	-	-	4,905,500	4,905,500
Total committed	3,668,980	-	4,905,500	8,574,480
Assigned:				
General government operations	869,242	-	-	869,242
Pension and OPEB	1,571,713	-	-	1,571,713
Capital projects	452,272	-	-	452,272
Total assigned	2,893,227	-	-	2,893,227
Unassigned (deficit)	755,213	-	(1,283,973)	(528,760)
Total	\$ 7,634,774	\$ 68,919,866	\$ 10,474,992	\$ 87,029,632

Note 9 – 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.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Risk Management (Continued)

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-month 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 latest financial information of the CSJVRMA for fiscal year ended June 30, 2018, is as follows:

Total Assets	\$ 110,234,633
Total Liabilities	\$ 92,209,231
Net Position	\$ 18,025,402
Operating Revenues	\$ 46,355,775
Operating Expenses	\$ 46,619,021
Nonoperating Revenues (Expenses)	\$ 314,077
Change in Net Position	\$ 50,831

Note 10 – Pension Plans

A. Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
Miscellaneous	\$ 460,191	\$ 440,119	\$ 900,310
Safety	393,732	-	393,732
Change in assumptions:			
Miscellaneous	434,354	415,400	849,754
Safety	402,257	-	402,257
Difference between expected and actual experience:			
Miscellaneous	-	-	-
Safety	22,209	-	22,209
Difference in projected and actual earnings on pension investments:			
Miscellaneous	106,342	101,701	208,043
Safety	94,996	-	94,996
Adjustments due to differences in proportions			
Miscellaneous	269,540	257,779	527,319
Safety	163,280	-	163,280
Differences between City's contributions and proportionate share of contributions			
Miscellaneous	155,871	149,069	304,940
Safety	124,997	-	124,997
Total deferred outflows of resources	\$ 2,627,769	\$ 1,364,068	\$ 3,991,837

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

A. Summary (Continued)

Net pension liabilities:			
Miscellaneous	\$ 3,022,147	\$ 2,890,290	\$ 5,912,437
Safety	2,747,657	-	2,747,657
Total net pension liabilities	\$ 5,769,804	\$ 2,890,290	\$ 8,660,094
Deferred inflows of Resources:			
Difference between expected and actual experience			
Miscellaneous	\$ 50,504	\$ 48,301	\$ 98,805
Adjustments due to differences in proportions			
Miscellaneous	50,147	47,958	98,105
Safety	53,067	-	53,067
Total deferred inflows of resources	\$ 153,718	\$ 96,259	\$ 249,977
Pension expenses:			
Miscellaneous	\$ 804,724	\$ 769,609	\$ 1,574,333
Safety	589,530	-	589,530
Total pension expenses	\$ 1,394,254	\$ 769,609	\$ 2,163,863

B. General Information about Pension Plans

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Employees Covered by Benefit Terms

At June 30, 2017, measurement date, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Active employees	54	38	13	3
Transferred and terminated employees	57	9	13	1
Retired employees and beneficiaries	31	-	31	-
Total	142	47	57	4

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

B. General Information about Pension Plans (Continued)

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50-57
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	3.0%	2.0% to 2.7%
Required employee contribution rate	8.000%	6.250%	9.000%	11.500%
Required employer contribution rate	11.049%	6.533%	18.615%	11.990%

Contributions

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$ 900,310	\$ 393,732	\$ 1,294,042

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

Proportionate Shafter of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Miscellaneous			
Balance at: 6/30/16 (Valuation date)	\$ 18,831,738	\$ 13,690,393	\$ 5,141,345
Balance at: 6/30/17 (Measurement date)	22,045,176	16,132,739	5,912,437
Net changes during 2016-2017	3,213,438	2,442,346	771,092
Safety			
Balance at: 6/30/16 (Valuation date)	\$ 9,042,632	\$ 6,653,977	\$ 2,388,655
Balance at: 6/30/17 (Measurement date)	10,286,946	7,539,289	2,747,657
Net changes during 2016-2017	1,244,314	885,312	359,002

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability/(asset) for each Plan is measured as the proportionate share of the net pension liability/(asset). The net pension liability/(asset) of each of the Plans is measured as of June 30, 2017, and the total pension liability/(asset) for each Plan used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability/(asset) was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability/(asset) for each Plan as of June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2016	0.14800%	0.04612%	0.19412%
Proportion - June 30, 2017	0.14998%	0.04598%	0.19597%
Change - Increase/(Decrease)	<u>0.00198%</u>	<u>-0.00014%</u>	<u>0.00185%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$1,574,333 and \$589,530, for the Miscellaneous and Safety plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Miscellaneous Plan</u>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Contribution made after the measurement date	\$ 900,310	\$ -
Difference between expected and actual experience	-	98,805
Changes of assumptions	849,754	-
Net difference between projected and actual earnings on pension plan investments	208,043	-
Employer contributions in excess/(under) proportionate share of contributions	304,940	-
Adjustments due to difference in proportions	527,319	98,105
Total	<u>\$ 2,790,366</u>	<u>\$ 196,910</u>

<u>Safety Plan</u>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Contribution made after the measurement date	\$ 393,732	\$ -
Difference between expected and actual experience	22,209	-
Changes of assumptions	402,257	-
Net difference between projected and actual earnings on pension plan investments	94,996	-
Employer contributions in excess/(under) proportionate share of contributions	124,997	-
Adjustments due to difference in proportions	163,280	53,067
Total	<u>\$ 1,201,471</u>	<u>\$ 53,067</u>

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Aggregate Total	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,294,042	\$ -
Difference between expected and actual experience	22,209	98,805
Changes of assumptions	1,252,011	-
Net difference between projected and actual earnings on pension plan investments	303,039	-
Employer contributions in excess/(under) proportionate share of contributions	429,937	-
Adjustments due to difference in proportions	690,599	151,172
Total	\$ 3,991,837	\$ 249,977

For the Miscellaneous Plan and Safety Plan, \$900,310 and \$393,732, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2019	\$ 669,605	\$ 276,913	\$ 946,518
2020	694,277	321,275	1,015,552
2021	452,783	212,070	664,853
2022	(123,519)	(55,586)	(179,105)
2023	-	-	-
Thereafter	-	-	-
Total	\$ 1,693,146	\$ 754,672	\$ 2,447,818

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. 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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11 +²
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.80%	1.39%
Private equity	12.00%	6.60%	6.63%
Real assets	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

The discount rate used to measure the total pension liability was 7.15% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

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 position liability for the Plan, calculated using the discount rate for each 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:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 8,944,682	\$ 5,912,437	\$ 3,401,076
Safety	4,186,976	2,747,657	1,571,085
Total	\$ 13,131,658	\$ 8,660,094	\$ 4,972,161

Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amounts owed to the pension plan for contributions for the year ended June 30, 2018.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits

A. Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Employer contributions made subsequent to the measurement date	\$ 125,850	\$ 55,150	\$ 181,000
Total deferred outflows of resources	\$ 125,850	\$ 55,150	\$ 181,000
Total OPEB liability	\$ 7,570,858	\$ 3,302,142	\$ 10,873,000
Total OPEB liability	\$ 7,570,858	\$ 3,302,142	\$ 10,873,000
Deferred inflows of Resources:			
Change in assumption	\$ 668,794	\$ 347,207	\$ 1,016,001
Total deferred inflows of resources	\$ 668,794	\$ 347,207	\$ 1,016,001
OPEB Expense	\$ 883,036	\$ 386,964	\$ 1,270,000

B. General Information about OPEB

Plan Description

Employees of the Miscellaneous bargaining group and other non-represented employees, who retire from the City with ten years or more of contiguous City service, are eligible for a Post Retirement Health Benefit for themselves and spouse or child or children. This benefit is finite in nature and provides for the cost of benefits for one year only. This cost is computed at the rate of the current health care premiums and the current dental premiums, in place at the time of retirement.

Eligibility

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.

Membership in the plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Active plan members	108
Retirees	21
Total	<u>129</u>

Contributions

The obligation of the City to contribute to the plan is established and may be amended by the City Council. The City Council has established a policy of funding the actuarially determined contribution (ADC) on a pay as you go basis. For the fiscal year ended June 30, 2018, the City's average contribution rate was 2.73 % of covered-employee payroll. Employees are not required to contribute to the plan.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (Continued)

C. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability at June 30, 2018 was \$638,930.

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Discount Rate	2.78%
Inflation	3.00%
Aggregate payroll increases	3.25%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2011 Experience Study
Mortality Improvement Scale	Modified projected fully generational with Scale MP-2014
Healthcare Trend Rate - Non-Medicare	An annual healthcare cost trend rate of 6.75% initially reduced by decrements to an ultimate of 5.0% therefore.
Healthcare Trend Rate - Medicare	An annual healthcare cost trend rate of 6.5% initially reduced by decrements to an ultimate of 5.0% therefore.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.789% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 10,795,000
Changes Recognized for the Measurement Period:	
Service Cost	1,055,000
Interest on the total OPEB liability	327,000
Changes of assumptions	(1,129,000)
Benefit payments	(175,000)
Net Changes during July 1, 2016 to June 30, 2017	78,000
Balance at June 30, 2017 (Measurement Date)	\$ 10,873,000

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (Continued)

C. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.36%)	Current Discount Rate (3.36%)	Discount Rate + 1% (4.36%)
\$ 12,925,000	\$ 10,873,000	\$ 9,260,000

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

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

Plan's Total OPEB Liability		
Healthcare Cost Trend Rates		
-1%		1%
\$ 9,283,000	\$ 10,873,000	\$ 12,862,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,270. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ 1,016,001
Employer contributions made subsequent to the measurement date	181,000	-
Total	\$ 181,000	\$ 1,016,000

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 10 years, which was determined as of June 30, 2016, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (Continued)

C. Total OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amount reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2019	\$ (113,000)
2020	(113,000)
2021	(113,000)
2122	(113,000)
2123	(113,000)
Thereafter	(451,001)
	\$ (1,016,001)

Note 12 – 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 13 – Other Required Disclosures

A. Deficit Net Position/Fund Balances

At June 30, 2018, the Governmental Activities and Business-Type Activities in the Statement of Net Position had unrestricted net position deficits of \$(4,612,193) and \$(77,313), respectively.

At June 30, 2018, the following funds had a fund balances (deficit) or unrestricted net position (deficit), which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

Fund	Fund Type	Deficit
Public Safety	Special Revenue	\$ (1,204,489)
Federal CDBG Grant 2003	Special Revenue	(73,984)
Heartland Ranch Infrastructure	Capital Projects	(2,635)

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the following funds/functions:

Fund	Function	Excess Expenditures
General Fund	Community development and planning	\$ 46,546
Patterson Gardens Fire Suppression		
Assessment Special Revenue Fund	Fire	547
CFD 2013-1 Special Revenue Fund	General government	25,735
CFD 2013-1 Special Revenue Fund	Public works	11,250

City of Patterson
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 14 – Prior Period Adjustments

The City recorded the following prior period adjustment in order to implement GASB 75 in fiscal year 2018:

A. Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Net Position, as originally reported	\$ 63,829,780	\$ 39,375,035	\$ 103,204,815
Restatement due to Implementation of GASB 75	(187,362)	(81,615)	(268,977)
Net Position, as restated	<u>\$ 63,642,418</u>	<u>\$ 39,293,420</u>	<u>\$ 102,935,838</u>

B. Proprietary Fund Financial Statements

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
Net position at July 1, 2017, as previously reported	\$ 18,676,929	\$ 19,846,041	\$ 852,065	\$ 39,375,035
Restatement due to Implementation of GASB 75	(37,498)	(37,045)	(7,072)	(81,615)
Net position at July 1, 2017, as restated	<u>\$ 18,639,431</u>	<u>\$ 19,808,996</u>	<u>\$ 844,993</u>	<u>\$ 39,293,420</u>

Note 15 – Settlement with Eli Development Corporation

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. The landowner has proposed terms for settlement of the dispute and a release agreement has been prepared, subject to landowner review and acceptance. Therefore, the reimbursement would come from other parties and landowners, not the City.

Note 16 – Commitments and Contingencies

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

C. Other Matters

As of January 30, 2019, in the opinion of City Management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Patterson
Notes to the Budgetary Comparison Schedule
Budgetary Information
For the Year Ended June 30, 2018

The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (U.S.GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2018 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2018 will provide authority to complete those transactions.

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget".

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.
9. The City did not adopt a budget for the following funds: State HCD Rehab Program Special Revenue Fund, Neighborhood Stabilization Program Special Revenue Fund, Police Asset Forfeiture Special Revenue Fund and Senior Center Special Revenue Fund.

City of Patterson
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property	\$ 3,139,735	\$ 3,139,735	\$ 3,075,768	\$ (63,967)
Sales	5,707,010	5,707,010	5,027,535	(679,475)
Franchise	178,000	178,000	206,354	28,354
Motor vehicle in lieu	1,600,000	1,600,000	1,947,375	347,375
Other	111,000	111,000	131,701	20,701
Licenses, permits, and fees	1,405,139	1,185,167	921,631	(263,536)
Charges for current services	428,950	506,430	447,261	(59,169)
Intergovernmental:				
Federal grant and subsidies	17,079	17,079	48,857	31,778
Other governmental	803,495	723,995	737,324	13,329
Fines and forfeitures and penalties	128,500	70,678	146,100	75,422
Interest	37,850	37,850	(29,654)	(67,504)
Revenue from Fiduciary Fund	1,361,346	1,361,346	1,152,340	(209,006)
Miscellaneous	157,666	950,513	294,500	(656,013)
Total revenues	<u>15,075,770</u>	<u>15,588,803</u>	<u>14,107,092</u>	<u>(1,481,711)</u>
EXPENDITURES:				
Current:				
General government	2,722,649	2,824,442	2,608,862	215,580
Police	4,796,100	4,809,689	4,619,631	190,058
Fire	2,446,537	2,509,079	2,437,226	71,853
Community development and planning	1,922,838	1,601,184	1,647,730	(46,546)
Public works	1,653,491	1,557,584	1,540,742	16,842
Park and recreation	3,376,144	3,724,639	3,530,225	194,414
Capital outlay	42,929	2,542,929	2,731,120	(188,191)
Debt service:				
Principal	-	10,000	-	10,000
Interest and fiscal charges	-	102,070	74,731	27,339
Total expenditures	<u>16,960,688</u>	<u>19,681,616</u>	<u>19,190,267</u>	<u>491,349</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,884,918)</u>	<u>(4,092,813)</u>	<u>(5,083,175)</u>	<u>(990,362)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Bonds	-	2,445,000	2,429,000	(16,000)
Transfers in	2,111,784	2,111,784	2,121,624	9,840
Transfers out	(157,663)	(157,663)	(70,163)	87,500
Total other financing sources (uses)	<u>1,954,121</u>	<u>4,399,121</u>	<u>4,480,461</u>	<u>81,340</u>
Net change in fund balances	<u>\$ 69,203</u>	<u>\$ 306,308</u>	<u>(602,714)</u>	<u>\$ (909,022)</u>
FUND BALANCE:				
Beginning of year			<u>8,237,488</u>	
End of year			<u>\$ 7,634,774</u>	

City of Patterson
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2018

Miscellaneous Plan

Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.1499839%	0.1480002%	0.1557567%	0.145500%
Plan's proportionate share of the net pension liability	\$ 5,912,437	\$ 5,141,345	\$ 4,273,133	\$ 3,638,246
Plan's covered-employee payroll	\$ 5,238,467	\$ 4,495,458	\$ 4,267,057	\$ 3,857,424
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	112.87%	19.25%	-3.19%	47.82%
Plan's fiduciary net position	\$ 16,132,739	\$ 13,690,393	\$ 12,687,998	\$ 12,287,961
Plan's fiduciary net position as a percentage of the total pension liability	73.18%	72.70%	74.81%	77.16%
Plan's proportionate share of aggregate employer contributions	\$ 821,442	\$ 683,489	\$ 653,073	\$ 677,066

Notes to Schedule:

Changes in assumptions In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Patterson
Schedule of Proportionate Share of the Net Pension Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2018

	Safety Plan			
Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.045984%	0.046120%	0.046242%	0.026700%
Plan's proportionate share of the net pension liability	\$ 2,747,657	\$ 2,388,655	\$ 1,905,383	\$ 1,661,368
Plan's covered-employee payroll	\$ 1,252,874	\$ 1,216,383	\$ 1,177,974	\$ 1,094,057
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	219.31%	41.91%	-1.98%	133.59%
Plan's fiduciary net position	\$ 7,539,289	\$ 6,653,977	\$ 6,545,084	\$ 6,325,433
Plan's fiduciary net position as a percentage of the total pension liability	73.29%	73.58%	77.45%	79.20%
Plan's proportionate share of aggregate employer contributions	\$ 337,685	\$ 299,645	\$ 257,507	\$ 299,437

Notes to Schedule:

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Patterson
Schedule of Contributions
Last Ten Years
For the Year Ended June 30, 2018

Miscellaneous Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 900,310	\$ 821,442	\$ 693,115	\$ 748,691	\$ 691,154
Contributions in relation to the actuarially determined contributions ²	(900,310)	(821,442)	(693,115)	(748,691)	(691,154)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (2,034,320)
Covered-employee payroll	\$ 5,395,621	\$ 5,238,467	\$ 4,495,458	\$ 4,267,057	\$ 3,857,424
Contributions as a percentage of covered-employee payroll	16.69%	15.68%	7.53%	7.46%	32.34%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of

City of Patterson
Schedule of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2018

Safety Plan

Fiscal year	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 393,732	\$ 337,685	\$ 312,567	\$ 364,763	\$ 312,579
Contributions in relation to the actuarially determined contribution	(393,732)	(337,685)	(312,567)	(364,763)	(312,579)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,290,460	\$ 1,252,874	\$ 1,216,383	\$ 1,177,974	\$ 1,094,057
Contributions as a percentage of covered-employee payroll ³	30.51%	26.95%	15.69%	16.08%	21.86%

¹ Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of

City of Patterson
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Years
For the Year Ended June 30, 2018

Measurement period, year ending:	<u>6/30/2017¹</u>
Total OPEB liability	
Service cost	\$ 1,055,000
Interest	327,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,129,000)
Benefit payments, including refunds of member contributions	(175,000)
Net change in total OPEB liability	<u>78,000</u>
Total OPEB liability - beginning	<u>10,795,000</u>
Total OPEB liability - ending (a)	<u><u>\$ 10,873,000</u></u>
OPEB fiduciary net position	
Contributions - employer	\$ 175,000
Net investment income	-
Benefit payments, including refunds of member contributions	(175,000)
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 10,873,000</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 6,620,000
Plan net OPEB liability as a percentage of covered-employee payroll	164.24%

¹ Ten year historical information is not available.

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SUPPLEMENTARY INFORMATION

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City of Patterson
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

	Landscape Maintenance District	Benefit Assessment Districts	CSA #15 Assessment District	Patterson Gardens Fire Suppression Assessment	Public Safety
ASSETS					
Cash and investments	\$ 608,002	\$ 1,839,443	\$ 19,548	\$ 108,361	\$ -
Receivables:					
Accounts	16,482	5,245	68	3,929	10,317
Interest	1,197	3,622	38	213	-
Notes and loans	-	-	-	-	-
Prepaid items	-	-	-	-	2,865
Total assets	\$ 625,681	\$ 1,848,310	\$ 19,654	\$ 112,503	\$ 13,182
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 58,514	\$ 6,879	\$ 384	\$ -	\$ 11,803
Due to other funds	-	-	-	-	1,205,868
Unearned revenue	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-
Total liabilities	58,514	6,879	384	-	1,217,671
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	2,865
Restricted	567,167	1,841,431	19,270	112,503	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(1,207,354)
Total fund balances	567,167	1,841,431	19,270	112,503	(1,204,489)
Total liabilities, deferred inflows of resources and fund balances	\$ 625,681	\$ 1,848,310	\$ 19,654	\$ 112,503	\$ 13,182

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

	Beautification Committee	CDBG HA Loan Fund	State HCD Rehab Program	Federal CDBG Grant	First Time Home Buyers
ASSETS					
Cash and investments	\$ 39,391	\$ -	\$ 148,322	\$ -	\$ 38,206
Receivables:					
Accounts	-	-	-	231,741	-
Interest	78	-	292	-	75
Notes and loans	-	293,489	56,164	-	175,988
Prepaid items	-	-	-	-	-
Total assets	\$ 39,469	\$ 293,489	\$ 204,778	\$ 231,741	\$ 214,269
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ 22,695	\$ -
Due to other funds	-	-	-	237,215	-
Unearned revenue	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-
Total liabilities	-	-	-	259,910	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	293,489	56,164	45,815	175,988
Total deferred inflows of resources	-	293,489	56,164	45,815	175,988
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	39,469	-	148,614	-	38,281
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	(73,984)	-
Total fund balances	39,469	-	148,614	(73,984)	38,281
Total liabilities, deferred inflows of resources and fund balances	\$ 39,469	\$ 293,489	\$ 204,778	\$ 231,741	\$ 214,269

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Special Revenue Funds

	Special Revenue Funds				
	Federal HOME Funds	Neighborhood Stablization Program	Gas Tax	Local Transportation Fund	Local Transportation Fund Non Motorized
ASSETS					
Cash and investments	\$ 172,448	\$ 3,238	\$ 70,779	\$ 463,087	\$ 53,564
Receivables:					
Accounts	2,500	-	19,766	-	-
Interest	5,151	6	139	912	105
Notes and loans	223,142	29,587	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 403,241	\$ 32,831	\$ 90,684	\$ 463,999	\$ 53,669
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	297,142	12,328
Deposits and other liabilities	-	-	-	-	-
Total liabilities	-	-	-	297,142	12,328
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	237,340	29,587	-	-	-
Total deferred inflows of resources	237,340	29,587	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	165,901	3,244	90,684	166,857	41,341
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	165,901	3,244	90,684	166,857	41,341
Total liabilities, deferred inflows of resources and fund balances	\$ 403,241	\$ 32,831	\$ 90,684	\$ 463,999	\$ 53,669

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Street Project Fund	Measure L Fund	Developer Housing In-Lieu Fee	Police Asset Forfeiture	Westside Drainage Study
ASSETS					
Cash and investments	\$ 921,153	\$ 1,061,523	\$ 1,718,287	\$ 5,517	\$ 63,439
Receivables:					
Accounts	1,333,231	223,110	-	-	-
Interest	1,814	2,090	3,383	11	125
Notes and loans	-	-	1,102,000	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 2,256,198	\$ 1,286,723	\$ 2,823,670	\$ 5,528	\$ 63,564
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 718,767	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	5,383	-
Deposits and other liabilities	-	-	-	-	-
Total liabilities	718,767	-	-	5,383	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	1,247,395	-	1,102,000	-	-
Total deferred inflows of resources	1,247,395	-	1,102,000	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	290,036	1,286,723	1,721,670	145	63,564
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	290,036	1,286,723	1,721,670	145	63,564
Total liabilities, deferred inflows of resources and fund balances	\$ 2,256,198	\$ 1,286,723	\$ 2,823,670	\$ 5,528	\$ 63,564

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds				Capital Projects
	Senior Center	CFD 2013-1	CFD 2015-2	CFD 2018-2 VOP Maintenance	Community Facility Impact Fee
ASSETS					
Cash and investments	\$ -	\$ 238,566	\$ 23,445	\$ 35,069	\$ 101,028
Receivables:					
Accounts	-	-	-	-	-
Interest	-	470	46	69	371
Notes and loans	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ -	\$ 239,036	\$ 23,491	\$ 35,138	\$ 101,399
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ 3,812	\$ 5,239	\$ 6,169	\$ 13,282
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits and other liabilities	-	-	-	28,745	-
Total liabilities	-	3,812	5,239	34,914	13,282
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	235,224	18,252	224	-
Committed	-	-	-	-	88,117
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	-	235,224	18,252	224	88,117
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 239,036	\$ 23,491	\$ 35,138	\$ 101,399

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Capital Projects Funds

	General Government Impact Fee	Public Safety Impact Fee	Parkland In-Lieu Fee	Street Improvement Impact Fee	Water Impact Fee
ASSETS					
Cash and investments	\$ 573,832	\$ 606,806	\$ 88,814	\$ 1,268,873	\$ 410,739
Receivables:					
Accounts	-	-	-	-	-
Interest	1,118	1,195	175	2,498	809
Notes and loans	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 574,950	\$ 608,001	\$ 88,989	\$ 1,271,371	\$ 411,548
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ 35,273	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-
Total liabilities	-	35,273	-	-	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	574,950	572,728	88,989	1,271,371	411,548
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	574,950	572,728	88,989	1,271,371	411,548
Total liabilities, deferred inflows of resources and fund balances	\$ 574,950	\$ 608,001	\$ 88,989	\$ 1,271,371	\$ 411,548

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

Capital Projects Funds

	<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>
ASSETS					
Cash and investments	\$ 1,217,941	\$ 44,656	\$ 168,299	\$ 57,501	\$ 416,349
Receivables:					
Accounts	-	-	-	-	-
Interest	2,398	88	331	113	820
Notes and loans	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 1,220,339</u>	<u>\$ 44,744</u>	<u>\$ 168,630</u>	<u>\$ 57,614</u>	<u>\$ 417,169</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 10,699	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-
Total liabilities	<u>10,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	1,209,640	44,744	168,630	57,614	417,169
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>1,209,640</u>	<u>44,744</u>	<u>168,630</u>	<u>57,614</u>	<u>417,169</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,220,339</u>	<u>\$ 44,744</u>	<u>\$ 168,630</u>	<u>\$ 57,614</u>	<u>\$ 417,169</u>

(Continued)

City of Patterson
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	<u>Capital Projects Funds</u>		Total Non-major Governmental Funds
	Heartland Ranch Infrastructure	WTTP Construction	
ASSETS			
Cash and investments	\$ 44,453	\$ -	\$ 12,630,679
Receivables:			
Accounts	-	-	1,846,389
Interest	88	-	29,840
Notes and loans	-	-	1,880,370
Prepaid items	-	-	2,865
Total assets	\$ 44,541	\$ -	\$ 16,390,143
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ 893,516
Due to other funds	-	-	1,443,083
Unearned revenue	-	-	314,853
Deposits and other liabilities	47,176	-	75,921
Total liabilities	47,176	-	2,727,373
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	-	-	3,187,778
Total deferred inflows of resources	-	-	3,187,778
FUND BALANCES:			
Nonspendable	-	-	2,865
Restricted	-	-	6,850,600
Committed	-	-	4,905,500
Assigned	-	-	-
Unassigned (deficit)	(2,635)	-	(1,283,973)
Total fund balances	(2,635)	-	10,474,992
Total liabilities, deferred inflows of resources and fund balances	\$ 44,541	\$ -	\$ 16,390,143

(Concluded)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue				
	Landscape Maintenance District	Benefit Assessment Districts	CSA #15 Assessment District	Patterson Gardens Fire Suppression Assessment	Public Safety
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-
Charges for current services	1,531,254	524,760	8,500	450,573	961,570
Intergovernmental:					
Federal grant and subsidies	-	-	-	-	-
Other governmental	-	-	-	-	-
Use of money and property	-	-	-	-	-
Interest	6,114	14,600	151	612	-
Miscellaneous	-	-	-	-	66,746
Total revenues	<u>1,537,368</u>	<u>539,360</u>	<u>8,651</u>	<u>451,185</u>	<u>1,028,316</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	5,547	1,759,243
Fire	-	-	-	-	-
Community development and planning	-	-	6,391	-	-
Public works	1,735,120	332,019	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,735,120</u>	<u>332,019</u>	<u>6,391</u>	<u>5,547</u>	<u>1,759,243</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(197,752)	207,341	2,260	445,638	(730,927)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	453,000
Transfers out	-	-	-	(380,000)	(267,297)
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,000)</u>	<u>185,703</u>
Net change in fund balances	(197,752)	207,341	2,260	65,638	(545,224)
FUND BALANCES:					
Beginning of year	764,919	1,634,090	17,010	46,865	(659,265)
End of year	<u>\$ 567,167</u>	<u>\$ 1,841,431</u>	<u>\$ 19,270</u>	<u>\$ 112,503</u>	<u>\$ (1,204,489)</u>

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds

	Beautification Committee	CDBG HA Loan Fund	State HCD Rehab Program	Federal CDBG Grant	First Time Home Buyers
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental:					
Federal grant and subsidies	-	-	-	428,198	-
Other governmental	-	-	-	-	-
Use of money and property	-	-	601	-	3,067
Interest	324	-	1,217	-	2,885
Miscellaneous	-	-	-	-	-
Total revenues	324	-	1,818	428,198	5,952
EXPENDITURES:					
Current:					
General government	-	-	-	75	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community development and planning	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	464,635	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	-	464,710	-
REVENUES OVER (UNDER) EXPENDITURES	324	-	1,818	(36,512)	5,952
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	36,417	-
Transfers out	-	-	-	(7,500)	-
Total financing sources (uses)	-	-	-	28,917	-
Net change in fund balances	324	-	1,818	(7,595)	5,952
FUND BALANCES:					
Beginning of year	39,145	-	146,796	(66,389)	32,329
End of year	\$ 39,469	\$ -	\$ 148,614	\$ (73,984)	\$ 38,281

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds

	Federal HOME Funds	Neighborhood Stablization Program	Gas Tax	Local Transportation Fund	Local Transportation Fund Non Motorized
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental:					
Federal grant and subsidies	-	-	-	-	-
Other governmental	-	-	585,587	67,119	15,563
Use of money and property	47,235	509	-	-	-
Interest	2,195	536	285	3,590	412
Miscellaneous	-	-	-	-	-
Total revenues	49,430	1,045	585,872	70,709	15,975
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community development and planning	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	-	-	-
REVENUES OVER (UNDER)					
EXPENDITURES	49,430	1,045	585,872	70,709	15,975
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(2,000)	-	(530,500)	(83,682)	-
Total financing sources (uses)	(2,000)	-	(530,500)	(83,682)	-
Net change in fund balances	47,430	1,045	55,372	(12,973)	15,975
FUND BALANCES:					
Beginning of year	118,471	2,199	35,312	179,830	25,366
End of year	\$ 165,901	\$ 3,244	\$ 90,684	\$ 166,857	\$ 41,341

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Street Project Fund	Measure L Fund	Developer Housing In-Lieu Fee	Police Asset Forfeiture	Westside Drainage Study
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ 341,773	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental:					
Federal grant and subsidies	23,407	-	-	-	-
Other governmental	122,013	1,307,960	-	-	-
Use of money and property	-	-	9,000	-	-
Interest	9,656	5,889	13,513	49	521
Miscellaneous	-	250	-	-	-
Total revenues	155,076	1,314,099	364,286	49	521
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community development and planning	-	-	-	-	-
Public works	54,641	-	-	-	-
Capital outlay	2,228,052	27,376	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,282,693	27,376	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(2,127,617)	1,286,723	364,286	49	521
OTHER FINANCING SOURCES (USES):					
Transfers in	1,496,053	-	-	-	-
Transfers out	-	-	-	-	-
Total financing sources (uses)	1,496,053	-	-	-	-
Net change in fund balances	(631,564)	1,286,723	364,286	49	521
FUND BALANCES:					
Beginning of year	921,600	-	1,357,384	96	63,043
End of year	\$ 290,036	\$ 1,286,723	\$ 1,721,670	\$ 145	\$ 63,564

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Projects
	Senior Center	CFD 2013-1	CFD 2015-2	CFD 2018-2 VOP Maintenance	Community Facility Impact Fee
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	-	-	-	-	46,089
Charges for current services	-	71,275	83,331	-	-
Intergovernmental:					
Federal grant and subsidies	-	-	-	-	-
Other governmental	-	-	-	-	-
Use of money and property	-	-	-	-	-
Interest	-	1,800	301	224	2,062
Miscellaneous	-	-	-	-	-
Total revenues	-	73,075	83,632	224	48,151
EXPENDITURES:					
Current:					
General government	-	25,735	25	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community development and planning	-	-	-	-	-
Public works	-	14,817	-	-	-
Capital outlay	-	-	-	-	274,263
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	40,552	25	-	274,263
REVENUES OVER (UNDER)					
EXPENDITURES	-	32,523	83,607	224	(226,112)
OTHER FINANCING SOURCES (USES):					
Transfers in	398	-	-	-	-
Transfers out	-	-	(73,000)	-	(10,238)
Total financing sources (uses)	398	-	(73,000)	-	(10,238)
Net change in fund balances	398	32,523	10,607	224	(236,350)
FUND BALANCES:					
Beginning of year	(398)	202,701	7,645	-	324,467
End of year	\$ -	\$ 235,224	\$ 18,252	\$ 224	\$ 88,117

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

Capital Projects Funds

	General Government Impact Fee	Public Safety Impact Fee	Parkland In-Lieu Fee	Street Improvement Impact Fee	Water Impact Fee
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	148,287	183,806	3,689	30,778	384,121
Charges for current services	-	21,025	-	123,650	-
Intergovernmental:					
Federal grant and subsidies	-	-	-	-	-
Other governmental	-	-	-	-	-
Use of money and property	-	-	-	-	-
Interest	4,738	4,929	901	13,918	3,024
Miscellaneous	-	-	-	-	-
Total revenues	153,025	209,760	4,590	168,346	387,145
EXPENDITURES:					
Current:					
General government	58,779	-	42,661	-	-
Police	-	-	-	-	-
Fire	-	21,025	-	-	-
Community development and planning	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	20,517	109,688	-	54,679	-
Debt service:					
Principal	-	30,988	-	-	-
Interest and fiscal charges	-	3,418	-	-	-
Total expenditures	79,296	165,119	42,661	54,679	-
REVENUES OVER (UNDER) EXPENDITURES	73,729	44,641	(38,071)	113,667	387,145
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(1,106,871)	(200,000)
Total financing sources (uses)	-	-	-	(1,106,871)	(200,000)
Net change in fund balances	73,729	44,641	(38,071)	(993,204)	187,145
FUND BALANCES:					
Beginning of year	501,221	528,087	127,060	2,264,575	224,403
End of year	\$ 574,950	\$ 572,728	\$ 88,989	\$ 1,271,371	\$ 411,548

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

Capital Projects Funds

	Storm Drain Impact Fee	Sewer Impact Fee	Delta Mendota Storm Gate	Aquatic Center Construction	Future Water Acquisition
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and fees	214,629	24,753	-	615	97,331
Charges for current services	-	-	-	-	-
Intergovernmental:					
Federal grant and subsidies	-	-	-	-	-
Other governmental	-	-	-	-	-
Use of money and property	-	-	-	-	-
Interest	10,466	583	1,383	470	3,244
Miscellaneous	-	-	-	-	3,812
Total revenues	225,095	25,336	1,383	1,085	104,387
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Community development and planning	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	401,272	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	401,272	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(176,177)	25,336	1,383	1,085	104,387
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(100,000)	-	-	-
Total financing sources (uses)	-	(100,000)	-	-	-
Net change in fund balances	(176,177)	(74,664)	1,383	1,085	104,387
FUND BALANCES:					
Beginning of year	1,385,817	119,408	167,247	56,529	312,782
End of year	\$ 1,209,640	\$ 44,744	\$ 168,630	\$ 57,614	\$ 417,169

(Continued)

City of Patterson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Capital Projects Funds</u>		<u>Total Non-major Governmental Funds</u>
	<u>Heartland Ranch</u>	<u>WTTP Construction</u>	
	<u>Infrastructure</u>	<u>Construction</u>	
REVENUES:			
Taxes:			
Property	\$ -	\$ -	\$ 341,773
Licenses, permits, and fees	-	-	1,134,098
Charges for current services	-	-	3,775,938
Intergovernmental:			
Federal grant and subsidies	-	-	451,605
Other governmental	-	-	2,098,242
Use of money and property	-	-	60,412
Interest	366	-	110,958
Miscellaneous	-	-	70,808
Total revenues	<u>366</u>	<u>-</u>	<u>8,043,834</u>
EXPENDITURES:			
Current:			
General government	-	-	127,275
Police	-	-	1,764,790
Fire	-	-	21,025
Community development and planning	-	-	6,391
Public works	-	-	2,136,597
Capital outlay	-	-	3,580,482
Debt service:			
Principal	-	-	30,988
Interest and fiscal charges	-	-	3,418
Total expenditures	<u>-</u>	<u>-</u>	<u>7,670,966</u>
REVENUES OVER (UNDER) EXPENDITURES	366	-	372,868
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	1,985,868
Transfers out	-	(4,488)	(2,765,576)
Total financing sources (uses)	<u>-</u>	<u>(4,488)</u>	<u>(779,708)</u>
Net change in fund balances	366	(4,488)	(406,840)
FUND BALANCES:			
Beginning of year	(3,001)	4,488	10,881,832
End of year	<u>\$ (2,635)</u>	<u>\$ -</u>	<u>\$ 10,474,992</u>

(Concluded)

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Patterson Public Financing Authority
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Interest	\$ 4,063,667	\$ 4,063,667	\$ 4,049,910	\$ (13,757)
Miscellaneous	524,646	524,646	529,503	4,857
Total revenues	<u>4,588,313</u>	<u>4,588,313</u>	<u>4,579,413</u>	<u>(8,900)</u>
EXPENDITURES:				
Capital outlay	1,377,820	1,107,509	1,065,988	41,521
Debt service:				
Principal	1,845,717	1,845,717	1,905,717	(60,000)
Interest and fiscal charges	3,904,335	3,904,335	4,089,183	(184,848)
Total expenditures	<u>7,127,872</u>	<u>6,857,561</u>	<u>7,060,888</u>	<u>(203,327)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,539,559)</u>	<u>(2,269,248)</u>	<u>(2,481,475)</u>	<u>(212,227)</u>
Net change in fund balances	<u>\$ (2,539,559)</u>	<u>\$ (2,269,248)</u>	<u>(2,481,475)</u>	<u>\$ (212,227)</u>
FUND BALANCE:				
Beginning of year			<u>71,401,341</u>	
End of year			<u>\$ 68,919,866</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Landscape Maintenance District Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for current services	\$ 1,993,699	\$ 1,993,699	\$ 1,531,254	\$ (462,445)
Interest	2,500	2,500	6,114	3,614
Total revenues	<u>1,996,199</u>	<u>1,996,199</u>	<u>1,537,368</u>	<u>(458,831)</u>
EXPENDITURES:				
Current:				
Public works	2,210,698	2,210,698	1,735,120	475,578
Total expenditures	<u>2,210,698</u>	<u>2,210,698</u>	<u>1,735,120</u>	<u>475,578</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(214,499)</u>	<u>(214,499)</u>	<u>(197,752)</u>	<u>16,747</u>
Net change in fund balance	<u><u>\$ (214,499)</u></u>	<u><u>\$ (214,499)</u></u>	<u>(197,752)</u>	<u><u>\$ 16,747</u></u>
FUND BALANCE:				
Beginning of year			764,919	
End of year			<u><u>\$ 567,167</u></u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Benefit Assessment Districts Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for current services	\$ 643,702	\$ 643,702	\$ 524,760	\$ (118,942)
Interest	4,000	4,000	14,600	10,600
Total revenues	<u>647,702</u>	<u>647,702</u>	<u>539,360</u>	<u>(108,342)</u>
EXPENDITURES:				
Current:				
Public works	691,200	691,200	332,019	359,181
Total expenditures	<u>691,200</u>	<u>691,200</u>	<u>332,019</u>	<u>359,181</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(43,498)</u>	<u>(43,498)</u>	<u>207,341</u>	<u>250,839</u>
Net change in fund balance	<u>\$ (43,498)</u>	<u>\$ (43,498)</u>	<u>207,341</u>	<u>\$ 250,839</u>
FUND BALANCE:				
Beginning of year			<u>1,634,090</u>	
End of year			<u>\$ 1,841,431</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CSA #15 Assessment District Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for current services	\$ 8,500	\$ 8,500	\$ 8,500	\$ -
Interest	-	-	151	151
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>8,651</u>	<u>151</u>
EXPENDITURES:				
Current:				
Community development and planning	16,893	16,892	6,391	10,501
Total expenditures	<u>16,893</u>	<u>16,892</u>	<u>6,391</u>	<u>10,501</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(8,393)</u>	<u>(8,392)</u>	<u>2,260</u>	<u>10,652</u>
Net change in fund balance	<u>\$ (8,393)</u>	<u>\$ (8,392)</u>	<u>2,260</u>	<u>\$ 10,652</u>
FUND BALANCE:				
Beginning of year			<u>17,010</u>	
End of year			<u>\$ 19,270</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Patterson Gardens Fire Suppression Assessment Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for current services	\$ 421,864	\$ 421,864	\$ 450,573	\$ 28,709
Interest	250	250	612	362
Total revenues	<u>422,114</u>	<u>422,114</u>	<u>451,185</u>	<u>29,071</u>
EXPENDITURES:				
Current:				
Fire	5,000	5,000	5,547	(547)
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>5,547</u>	<u>(547)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>417,114</u>	<u>417,114</u>	<u>445,638</u>	<u>28,524</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(380,000)	(380,000)	(380,000)	-
Total financing sources (uses)	<u>(380,000)</u>	<u>(380,000)</u>	<u>(380,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 37,114</u>	<u>\$ 37,114</u>	65,638	<u>\$ 28,524</u>
FUND BALANCE:				
Beginning of year			46,865	
End of year			<u>\$ 112,503</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Safety Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for current services	\$ 936,684	\$ 936,684	\$ 961,570	\$ 24,886
Intergovernmental:				
Other governmental	-	-	-	-
Interest	943	943	-	(943)
Miscellaneous	38,322	84,322	66,746	(17,576)
Total revenues	<u>975,949</u>	<u>1,021,949</u>	<u>1,028,316</u>	<u>6,367</u>
EXPENDITURES:				
Current:				
Fire	1,878,808	1,878,808	1,759,243	119,565
Total expenditures	<u>1,878,808</u>	<u>1,878,808</u>	<u>1,759,243</u>	<u>119,565</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(902,859)</u>	<u>(856,859)</u>	<u>(730,927)</u>	<u>125,932</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	453,000	453,000	453,000	-
Transfers out	(267,297)	(267,297)	(267,297)	-
Total financing sources (uses)	<u>185,703</u>	<u>185,703</u>	<u>185,703</u>	<u>-</u>
Net change in fund balance	<u>\$ (717,156)</u>	<u>\$ (671,156)</u>	(545,224)	<u>\$ 125,932</u>
FUND BALANCE:				
Beginning of year			(659,265)	
End of year			<u>\$ (1,204,489)</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Beautification Committee Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Interest	\$ 100	\$ 100	\$ 324	\$ 224
Total revenues	<u>100</u>	<u>100</u>	<u>324</u>	<u>224</u>
EXPENDITURES:				
Current:				
Public works	975	975	-	975
Total expenditures	<u>975</u>	<u>975</u>	<u>-</u>	<u>975</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(875)</u>	<u>(875)</u>	<u>324</u>	<u>1,199</u>
Net change in fund balance	<u>\$ (875)</u>	<u>\$ (875)</u>	<u>324</u>	<u>\$ 1,199</u>
FUND BALANCE:				
Beginning of year			<u>39,145</u>	
End of year			<u>\$ 39,469</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State HCD Rehab Program Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 601	\$ 601
Interest	-	-	1,217	1,217
Total revenues	<u>-</u>	<u>-</u>	<u>1,818</u>	<u>1,818</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,818	<u>\$ 1,818</u>
FUND BALANCE:				
Beginning of year			<u>146,796</u>	
End of year			<u>\$ 148,614</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Federal CDBG Grant Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Federal grant and subsidies	\$ 130,000	\$ 364,396	\$ 428,198	\$ 63,802
Interest	200	200	-	(200)
Total revenues	<u>130,200</u>	<u>364,596</u>	<u>428,198</u>	<u>63,602</u>
EXPENDITURES:				
Current:				
General government	7,500	7,565	75	7,490
Capital outlay	115,000	137,754	464,635	(326,881)
Total expenditures	<u>122,500</u>	<u>145,319</u>	<u>464,710</u>	<u>(319,391)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,700</u>	<u>219,277</u>	<u>(36,512)</u>	<u>(255,789)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	36,417	36,417	-
Transfers out	(7,500)	(7,500)	(7,500)	-
Total financing sources (uses)	<u>(7,500)</u>	<u>28,917</u>	<u>28,917</u>	<u>-</u>
Net change in fund balance	<u>\$ 200</u>	<u>\$ 248,194</u>	<u>(7,595)</u>	<u>\$ (255,789)</u>
FUND BALANCE:				
Beginning of year			<u>(66,389)</u>	
End of year			<u>\$ (73,984)</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
First Time Home Buyers Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 3,067	\$ 3,067
Interest	2,500	2,500	2,885	385
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>5,952</u>	<u>3,452</u>
Net change in fund balance	<u>\$ 2,500</u>	<u>\$ 2,500</u>	5,952	<u>\$ 3,452</u>
FUND BALANCE:				
Beginning of year			<u>32,329</u>	
End of year			<u>\$ 38,281</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Federal HOME Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal grant and subsidies	\$ 62,500	\$ 62,500	\$ -	\$ (62,500)
Use of money and property	5,000	5,000	47,235	42,235
Interest	500	500	2,195	1,695
Total revenues	<u>68,000</u>	<u>68,000</u>	<u>49,430</u>	<u>(18,570)</u>
EXPENDITURES:				
Current:				
General government	500	500	-	500
Capital outlay	60,000	60,000	-	60,000
Total expenditures	<u>60,500</u>	<u>60,500</u>	<u>-</u>	<u>60,500</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>7,500</u>	<u>7,500</u>	<u>49,430</u>	<u>41,930</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,000)	(2,000)	(2,000)	-
Total financing sources (uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 5,500</u>	<u>\$ 5,500</u>	47,430	<u>\$ 41,930</u>
FUND BALANCE:				
Beginning of year			<u>118,471</u>	
End of year			<u>\$ 165,901</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Neighborhood Stabilization Program Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 509	\$ 509
Interest	-	-	536	536
Total revenues	<u>-</u>	<u>-</u>	<u>1,045</u>	<u>1,045</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,045	<u>\$ 1,045</u>
FUND BALANCE:				
Beginning of year			<u>2,199</u>	
End of year			<u>\$ 3,244</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Federal grant and subsidies	\$ -	\$ -	\$ -	\$ -
Other governmental	1,180,464	652,320	585,587	(66,733)
Interest	500	500	285	(215)
Total revenues	<u>1,180,964</u>	<u>652,820</u>	<u>585,872</u>	<u>(66,948)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(530,500)</u>	<u>(530,500)</u>	<u>(530,500)</u>	<u>-</u>
Total financing sources (uses)	<u>(530,500)</u>	<u>(530,500)</u>	<u>(530,500)</u>	<u>-</u>
Net change in fund balance	<u>\$ 650,464</u>	<u>\$ 122,320</u>	55,372	<u>\$ (66,948)</u>
FUND BALANCE:				
Beginning of year			<u>35,312</u>	
End of year			<u>\$ 90,684</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Local Transportation Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Other governmental	\$ 82,682	\$ 82,682	\$ 67,119	\$ (15,563)
Interest	1,000	1,000	3,590	2,590
Total revenues	<u>83,682</u>	<u>83,682</u>	<u>70,709</u>	<u>(12,973)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(83,682)	(83,682)	(83,682)	-
Total financing sources (uses)	<u>(83,682)</u>	<u>(83,682)</u>	<u>(83,682)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(12,973)	<u>\$ (12,973)</u>
FUND BALANCE:				
Beginning of year			<u>179,830</u>	
End of year			<u>\$ 166,857</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Local Transportation Non-Motorized Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Other governmental	\$ -	\$ -	\$ 15,563	\$ 15,563
Interest	-	-	412	412
Total revenues	<u>-</u>	<u>-</u>	<u>15,975</u>	<u>15,975</u>
EXPENDITURES:				
Capital outlay	-	5,590	-	5,590
Total expenditures	<u>-</u>	<u>5,590</u>	<u>-</u>	<u>5,590</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(5,590)</u>	<u>15,975</u>	<u>21,565</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,590)</u>	<u>15,975</u>	<u>\$ 21,565</u>
FUND BALANCE:				
Beginning of year			<u>25,366</u>	
End of year			<u>\$ 41,341</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Project Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Federal grant and subsidies	\$ 266,353	\$ 266,353	\$ 23,407	\$ (242,946)
Other governmental	1,005,729	1,005,729	122,013	(883,716)
Interest	-	-	9,656	9,656
Total revenues	<u>1,272,082</u>	<u>1,272,082</u>	<u>155,076</u>	<u>(1,117,006)</u>
EXPENDITURES:				
Current:				
Public works	63,000	63,000	54,641	8,359
Capital outlay	3,939,641	2,785,772	2,228,052	557,720
Total expenditures	<u>4,002,641</u>	<u>2,848,772</u>	<u>2,282,693</u>	<u>566,079</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,730,559)</u>	<u>(1,576,690)</u>	<u>(2,127,617)</u>	<u>(550,927)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,772,182	1,396,053	1,496,053	100,000
Total financing sources (uses)	<u>1,772,182</u>	<u>1,396,053</u>	<u>1,496,053</u>	<u>100,000</u>
Net change in fund balance	<u>\$ (958,377)</u>	<u>\$ (180,637)</u>	(631,564)	<u>\$ (450,927)</u>
FUND BALANCE:				
Beginning of year			<u>921,600</u>	
End of year			<u>\$ 290,036</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure L Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental:				
Other governmental	\$ 875,441	\$ 875,441	\$ 1,307,960	\$ 432,519
Interest	-	-	5,889	5,889
Miscellaneous	-	-	250	250
Total revenues	<u>875,441</u>	<u>875,441</u>	<u>1,314,099</u>	<u>438,658</u>
EXPENDITURES:				
Capital outlay	<u>875,441</u>	-	<u>27,376</u>	<u>(27,376)</u>
Total expenditures	<u>875,441</u>	<u>-</u>	<u>27,376</u>	<u>(27,376)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>-</u>	<u>875,441</u>	<u>1,286,723</u>	<u>411,282</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 875,441</u>	<u>1,286,723</u>	<u>\$ 411,282</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 1,286,723</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Developer Housing In-Lieu Fee Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property	\$ 7,936	\$ 324,251	\$ 341,773	\$ 17,522
Use of money and property	-	-	9,000	9,000
Interest	1,500	1,500	13,513	12,013
Total revenues	<u>9,436</u>	<u>325,751</u>	<u>364,286</u>	<u>38,535</u>
EXPENDITURES:				
Capital outlay	-	730,000	-	730,000
Total expenditures	<u>-</u>	<u>730,000</u>	<u>-</u>	<u>730,000</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>9,436</u>	<u>(404,249)</u>	<u>364,286</u>	<u>768,535</u>
Net change in fund balance	<u>\$ 9,436</u>	<u>\$ (404,249)</u>	<u>364,286</u>	<u>\$ 768,535</u>
FUND BALANCE:				
Beginning of year			<u>1,357,384</u>	
End of year			<u>\$ 1,721,670</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 49	\$ 49
Total revenues	<u>-</u>	<u>-</u>	<u>49</u>	<u>49</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	49	<u>\$ 49</u>
FUND BALANCE:				
Beginning of year			<u>96</u>	
End of year			<u>\$ 145</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Westside Drainage Study Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ 200	\$ 200	\$ 521	\$ 321
Total revenues	<u>200</u>	<u>200</u>	<u>521</u>	<u>321</u>
Net change in fund balance	<u>\$ 200</u>	<u>\$ 200</u>	521	<u>\$ 321</u>
FUND BALANCE:				
Beginning of year			<u>63,043</u>	
End of year			<u>\$ 63,564</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Senior Center Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ -	\$ -	\$ 398	\$ 398
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>398</u>	<u>398</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>398</u>	<u>\$ 398</u>
FUND BALANCE:				
Beginning of year			<u>(398)</u>	
End of year			<u>\$ -</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CFD 2013-1 Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for current services	\$ 54,510	\$ 54,510	\$ 71,275	\$ 16,765
Interest	-	-	1,800	1,800
Total revenues	<u>54,510</u>	<u>54,510</u>	<u>73,075</u>	<u>18,565</u>
EXPENDITURES:				
Current:				
General government	-	-	25,735	(25,735)
Public works	3,567	3,567	14,817	(11,250)
Total expenditures	<u>3,567</u>	<u>3,567</u>	<u>40,552</u>	<u>(36,985)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>50,943</u>	<u>50,943</u>	<u>32,523</u>	<u>(18,420)</u>
Net change in fund balance	<u>\$ 50,943</u>	<u>\$ 50,943</u>	32,523	<u>\$ (18,420)</u>
FUND BALANCE:				
Beginning of year			<u>202,701</u>	
End of year			<u>\$ 235,224</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CFD 2015-2 Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Charges for current services	\$ 80,289	\$ 80,289	\$ 83,331	\$ 3,042
Interest	500	500	301	(199)
Total revenues	<u>80,789</u>	<u>80,789</u>	<u>83,632</u>	<u>2,843</u>
EXPENDITURES:				
Current:				
General government	25	25	25	-
Police	2,000	2,000	-	2,000
Total expenditures	<u>2,025</u>	<u>2,025</u>	<u>25</u>	<u>2,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>78,764</u>	<u>78,764</u>	<u>83,607</u>	<u>4,843</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(73,000)	(73,000)	(73,000)	-
Total financing sources (uses)	<u>(73,000)</u>	<u>(73,000)</u>	<u>(73,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 5,764</u>	<u>\$ 5,764</u>	10,607	<u>\$ 4,843</u>
FUND BALANCE:				
Beginning of year			<u>7,645</u>	
End of year			<u>\$ 18,252</u>	

City of Patterson
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
CFD 2018-2 VOP Maintenance Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 224	\$ 224
Total revenues	<u>-</u>	<u>-</u>	<u>224</u>	<u>224</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>224</u>	<u>\$ 224</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 224</u>	

AGENCY FUNDS

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City of Patterson
Combining Schedule of Fiduciary Net Position
Agency Funds
June 30, 2018

	<u>West Patterson Financing Authority</u>	<u>West Patterson Business Park</u>	<u>Heartland Ranch 2013</u>	<u>VOP Infrastructure</u>	<u>Total</u>
ASSET					
Cash and investments	\$ 4,055,485	\$ 4,598,107	\$ 805,244	\$ -	\$ 9,458,836
Restricted cash and investments	3,821,429	5,530,259	-	-	9,351,688
Accounts receivable	57,185	-	4,091	-	61,276
Interest receivable	14,585	8,452	1,179	-	24,216
Other assets	-	-	-	41,371	41,371
Total assets	<u>\$ 7,948,684</u>	<u>\$ 10,136,818</u>	<u>\$ 810,514</u>	<u>\$ 41,371</u>	<u>\$ 18,937,387</u>
LIABILITIES					
Accounts payable	\$ -	\$ 580	\$ 3,500	\$ 5,652	\$ 9,732
Due to City	-	72,705	-	35,719	108,424
Due to bondholders	7,948,684	10,063,533	807,014	-	18,819,231
Total liabilities	<u>\$ 7,948,684</u>	<u>\$ 10,136,818</u>	<u>\$ 810,514</u>	<u>\$ 41,371</u>	<u>\$ 18,937,387</u>

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City of Patterson
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>West Patterson Financing Authority</u>				
Assets:				
Cash and investments	\$ 3,575,584	\$ 479,901	\$ -	\$ 4,055,485
Restricted cash and investments	4,063,355	-	(241,926)	3,821,429
Accounts receivable	101,078	-	(43,893)	57,185
Interest receivable	3,296	11,289	-	14,585
Total assets	\$ 7,743,313	\$ 491,190	\$ (285,819)	\$ 7,948,684
Liabilities:				
Due to bondholders	\$ 7,743,313	\$ 205,371	\$ -	\$ 7,948,684
Total liabilities	\$ 7,743,313	\$ 205,371	\$ -	\$ 7,948,684
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>West Patterson Business Park</u>				
Assets:				
Cash and investments	\$ 3,045,022	\$ 1,553,085	\$ -	\$ 4,598,107
Restricted cash and investments	7,443,147	-	(1,912,888)	5,530,259
Accounts receivable	12,141	-	(12,141)	-
Interest receivable	2,883	5,569	-	8,452
Total assets	\$ 10,503,193	\$ 1,558,654	\$ (1,925,029)	\$ 10,136,818
Liabilities:				
Accounts payable	\$ -	\$ 580	\$ -	\$ 580
Due to City	75,226	-	(2,521)	72,705
Due to bondholders	10,427,967	-	(364,434)	10,063,533
Total liabilities	\$ 10,503,193	\$ 580	\$ (366,955)	\$ 10,136,818
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Heartland Ranch 2013</u>				
Assets:				
Cash and investments	\$ 734,249	\$ 70,995	\$ -	\$ 805,244
Restricted cash and investments	2,705	-	(2,705)	-
Accounts receivable	6,870	-	(2,779)	4,091
Interest receivable	744	435	-	1,179
Total assets	\$ 744,568	\$ 71,430	\$ (5,484)	\$ 810,514
Liabilities:				
Accounts payable	\$ 4,000	\$ -	\$ (500)	\$ 3,500
Due to bondholders	740,568	66,446	-	807,014
Total liabilities	\$ 744,568	\$ 66,446	\$ (500)	\$ 810,514

City of Patterson
Statement of Changes in Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>VOP Infrastructure</u>				
Assets:				
Other assets	\$ -	\$ 41,371	\$ -	\$ 41,371
Total assets	\$ -	\$ 41,371	\$ -	\$ 41,371
Liabilities:				
Accounts payable	\$ -	\$ 5,652	\$ -	\$ 5,652
Due to City	-	35,719	-	35,719
Total liabilities	\$ -	\$ 41,371	\$ -	\$ 41,371
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 7,354,855	\$ 2,103,981	\$ -	\$ 9,458,836
Restricted cash and investments	11,509,207	-	(2,157,519)	9,351,688
Accounts receivable	120,089	-	(58,813)	61,276
Interest receivable	6,923	17,293	-	24,216
Other assets	-	41,371	-	41,371
Total assets	\$ 18,991,074	\$ 2,162,645	\$ (2,216,332)	\$ 18,937,387
Liabilities:				
Accounts payable	\$ 4,000	\$ 6,232	\$ (500)	\$ 9,732
Due to City	75,226	35,719	(2,521)	108,424
Due to bondholders	18,911,848	271,817	(364,434)	18,819,231
Total liabilities	\$ 18,991,074	\$ 313,768	\$ (367,455)	\$ 18,937,387

STATISTICAL SECTION

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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>Contents</u>	<u>Page</u>
Financial Trends Information	148
Helps readers understand how the City's financial position and well-being have changed over time.	
Revenue Capacity Information	158
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	170
Helps 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	172
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				
	2018	2017	2016	2015	2014
Governmental activities:					
Net investment in capital assets	\$ 60,721,785	\$ 55,621,936	\$ 55,756,984	\$ 50,237,700	\$ 47,460,440
Non-Spendable	-	-	78,491	-	-
Restricted	8,385,204	6,391,176	5,270,127	4,867,200	4,866,877
Unrestricted net position	(4,612,193)	1,816,668	1,831,382	987,000	7,418,444
Total Net Asset	\$ 64,494,796	\$ 63,829,780	\$ 62,936,984	\$ 56,091,900	\$ 59,745,761
Business-type activities:					
Net investment in capital assets	37,346,159	38,857,716	35,232,028	34,725,800	34,941,039
Restricted	469,905	-	4,102,582	5,303,228	5,437,345
Unrestricted net position	(77,313)	517,319	1,250,675	1,737,680	4,704,599
Total Net Asset	\$ 37,738,751	\$ 39,375,035	\$ 40,585,285	\$ 41,766,708	\$ 45,082,983

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 1
Net Position by Classification (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental activities:					
Net investment in capital assets	\$ 46,822,970	\$ 42,804,314	\$ 41,633,066	\$ 39,108,419	\$ 34,065,197
Non-Spendable	-	-	-	-	-
Restricted	4,983,481	5,670,040	5,875,879	-	-
Unrestricted net position	11,140,880	15,213,609	18,288,877	27,742,898	31,214,878
Total Net Asset	\$ 62,947,331	\$ 63,687,963	\$ 65,797,822	\$ 66,851,317	\$ 65,280,075
Business-type activities:					
Net investment in capital assets	36,814,164	38,967,545	40,214,015	47,602,499	40,631,090
Restricted	5,772,477	5,809,966	6,393,524	-	-
Unrestricted net position	3,395,687	2,879,695	2,491,841	(301,507)	6,064,149
Total Net Asset	\$ 45,982,328	\$ 47,657,206	\$ 49,099,380	\$ 47,300,992	\$ 46,695,239

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				
	2018	2017	2016	2015	2014
Expenses					
Governmental activities:					
General Government	\$ 3,408,080	\$ 2,259,261	\$ 2,003,932	\$ 2,650,997	\$ 3,945,285
Police	6,888,086	4,458,567	4,156,842	3,298,276	3,987,323
Fire	2,720,043	3,532,864	3,594,435	3,381,961	3,339,030
Community development and planning	1,724,228	3,024,928	1,258,725	1,213,617	1,460,591
Public Works	4,901,136	2,631,811	4,652,522	4,043,774	4,412,453
Parks and recreation	4,283,486	3,277,134	2,696,555	2,558,315	2,463,941
Interest and fiscal charges	3,810,538	3,955,958	3,935,590	4,118,232	80,122
Total Governmental Activities	\$ 27,735,597	\$ 23,140,523	\$ 22,298,601	\$ 21,265,172	\$ 19,688,745
Business-type activities:					
Water	\$ 4,917,985	\$ 4,481,750	\$ 3,567,751	\$ 3,734,709	\$ 3,474,567
Sewer	5,297,929	4,893,962	4,221,112	4,091,034	3,867,142
Garbage	2,397,523	2,310,200	2,080,840	2,069,439	1,971,695
Total Business-type Activities	12,613,437	11,685,912	9,869,703	9,895,182	9,313,404
Total Expenses	\$ 40,349,034	\$ 34,826,435	\$ 32,168,304	\$ 31,160,354	\$ 29,002,149
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ 136,307	\$ 678,608	\$ 108,119	\$ 166,427	\$ 38,738
Police	274,555	218,337	268,929	392,009	217,030
Fire	720,761	587,593	413,973	681,690	376,520
Community development and planning	42,010	645,985	390,721	885,242	385,554
Public Works	2,362,593	2,161,045	2,000,190	2,296,599	1,802,849
Parks and recreation	1,626,656	1,481,692	1,804,685	1,780,112	1,628,009
Operating grants and contributions	2,794,266	1,590,404	998,122	1,318,671	1,236,474
Capital grants and contributions	1,877,817	1,112,733	342,867	556,120	861,536
Total Governmental Activities	\$ 9,834,965	8,476,397	6,327,606	8,076,870	6,546,710
Business-type activities:					
Water	\$ 4,197,555	3,680,373	3,389,473	3,972,456	4,156,756
Sewer	4,344,858	4,011,227	3,855,492	3,406,079	3,275,496
Garbage	3,079,843	2,921,089	2,800,845	2,667,681	2,475,705
Operating grants and contributions	68,852	701,283	-	-	-
Capital grants and contributions	-	-	(1,582)	-	-
Total Business-type Activities	11,691,108	11,313,972	10,044,228	10,046,216	9,907,957
Total Revenue	\$ 21,526,073	19,790,369	16,371,834	18,123,086	16,454,667
Net (Expense) Revenues					
Governmental activities	\$ (17,900,632)	\$ (14,664,126)	\$ (15,970,995)	\$ (13,188,302)	\$ (13,142,035)
Business-type activities	(922,329)	(371,940)	174,525	151,034	594,553
Total Primary Government	\$ (18,822,961)	\$ (15,036,066)	\$ (15,796,470)	\$ (13,037,268)	\$ (12,547,482)

City of Patterson
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
Expenses					
Governmental activities:					
General Government	\$ 2,807,815	\$ 2,333,516	\$ 1,137,344	\$ 2,048,675	\$ 1,751,864
Police	3,821,033	3,261,512	3,305,964	2,943,414	3,074,123
Fire	2,809,442	2,245,100	1,957,740	2,031,411	1,874,633
Community development and planning	1,136,097	1,116,622	1,585,362	3,094,621	2,146,734
Public Works	3,835,002	3,509,406	3,564,561	4,336,645	4,701,557
Parks and recreation	2,223,206	2,157,614	1,755,783	1,794,052	1,794,251
Interest and fiscal charges	60,882	68,414	125,929	21,599	30,168
Total Governmental Activities	\$ 16,693,477	\$ 14,692,184	\$ 13,432,683	\$ 16,270,417	\$ 15,373,330
Business-type activities:					
Water	\$ 3,363,991	\$ 3,216,668	\$ 2,524,277	\$ 1,812,872	\$ 1,948,774
Sewer	3,406,173	3,386,088	3,048,082	2,779,975	2,455,620
Garbage	2,003,563	1,666,878	1,735,341	1,641,995	1,670,589
Total Business-type Activities	8,773,727	8,269,634	7,307,700	6,234,842	6,074,983
Total Expenses	\$ 25,467,204	\$ 22,961,818	\$ 20,740,383	\$ 22,505,259	\$ 21,448,313
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ 92,657	\$ 74,190	\$ 132,150	\$ 432,761	\$ 38,893
Police	244,926	207,306	445,911	286,581	165,375
Fire	505,790	334,540	327,501	551,112	434,000
Community development and planning	676,548	676,078	228,818	580,185	368,444
Public Works	1,716,066	1,957,980	1,791,514	1,749,392	1,673,858
Parks and recreation	1,557,024	1,521,838	1,352,457	1,373,768	1,407,250
Operating grants and contributions	1,173,683	1,121,738	1,514,416	886,004	1,645,700
Capital grants and contributions	2,061,872	601,377	1,111,481	4,951,831	2,169,742
Total Governmental Activities	8,028,566	6,495,047	6,904,248	10,811,634	7,903,262
Business-type activities:					
Water	4,039,314	3,528,681	3,183,221	3,273,525	3,177,195
Sewer	3,004,341	2,708,584	2,505,838	2,384,185	2,256,588
Garbage	2,274,016	2,147,980	1,953,379	1,784,026	1,721,426
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	1,138,000	-	7,862,204
Total Business-type Activities	9,317,671	8,385,245	8,780,438	7,441,736	15,017,413
Total Revenue	17,346,237	14,880,292	15,684,686	18,253,370	22,920,675
Net (Expense) Revenues					
Governmental activities	\$ (8,664,911)	\$ (8,197,137)	\$ (6,528,435)	\$ (5,458,783)	\$ (7,470,068)
Business-type activities	543,944	115,611	1,472,738	1,206,894	8,942,430
Total	\$ (8,120,967)	\$ (8,081,526)	\$ (5,055,697)	\$ (4,251,889)	\$ 1,472,362

City of Patterson
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
General Revenues:					
Governmental activities:					
Taxes:					
Property tax	\$ 3,417,541	\$ 3,414,365	\$ 3,172,489	\$ 2,657,306	\$ 2,068,125
Sales tax	5,027,535	5,502,627	5,045,260	3,732,177	3,394,908
Franchise tax	206,354	274,792	188,834	179,313	174,558
Motor vehicle in lieu	1,947,375	1,844,519	1,693,793	1,596,755	1,288,025
Other taxes	717,288	137,847	549,654	719,718	769,476
Use of money and property	-	-	4,530,279	4,491,782	117,176
Revenue from Fiduciary Fund	4,131,216				
Investment earnings	1,681,843	4,312,058	6,075,652	-	809,908
Other revenue	352,105	633,427	188,402	159,416	201,549
Transfers (Note 6)	1,271,753	895,861	1,371,990	2,117,754	1,083,500
Special / Extraordinary item *	-	-	-	-	-
Total governmental activities	18,753,010	17,015,496	22,816,353	15,654,221	9,907,225
Business-type activities:					
Use of money and property	74,144	31,002	14,451	13,985	34,679
Revenue from Fiduciary Fund	500,786				
Other revenue	64,483	26,549			
Capital Contributions					
Transfers (Note 6)	(1,271,753)	(895,861)	(1,371,990)	(2,117,754)	(1,083,500)
Total business-type activities	(632,340)	(838,310)	(1,357,539)	(2,103,769)	(1,048,821)
Total general revenues	18,120,670	16,177,186	21,458,814	13,550,452	8,858,404
Change in Net Position					
Governmental activities	18,753,010	2,351,370	6,845,358	2,465,919	(3,234,810)
Business-type activities:	(632,340)	(1,210,250)	(1,183,014)	(1,952,735)	(454,268)
Total	18,120,670	\$ 1,141,120	\$ 5,662,344	\$ 513,184	\$ (3,689,078)

* Special / Extraordinary item

City of Patterson
Table 2
Changes in Net Position (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
General Revenues:					
Governmental activities:					
Taxes:					
Property tax	\$ 2,103,703	\$ 1,900,394	\$ 2,113,461	\$ 2,481,955	\$ 3,166,290
Sales tax	2,358,667	1,542,190	1,385,013	1,270,488	1,404,074
Franchise tax	161,946	168,451	173,004	137,236	137,306
Motor vehicle in lieu	1,238,447	1,199,856	1,326,975	1,351,624	1,677,243
Other taxes	595,982	676,915	622,234	461,844	458,266
Use of money and property	205,181	159,602	251,643	242,411	721,719
Investment earnings	-	980,003	-		
Other revenue	307,230	217,324	202,452	461,844	251,062
Transfers (Note 6)	2,253,123	791,584	(301,480)	620,952	624,337
Special / Extraordinary item *	(1,300,000)	(1,549,041)	-	-	-
Total governmental activities	7,924,279	6,087,278	5,773,302	7,028,354	8,440,297
Business-type activities:					
Use of money and property	34,301	32,583	24,170	19,811	109,516
Other revenue					
Capital Contributions					
Transfers (Note 6)	(2,253,123)	(980,003)	301,480	(620,952)	(624,337)
Total business-type activities	(2,218,822)	(947,420)	325,650	(601,141)	(514,821)
Total general revenues	5,705,457	5,139,858	6,098,952	6,427,213	7,925,476
Change in Net Position					
Governmental activities	(740,632)	(2,109,859)	(755,133)	1,569,571	970,229
Business-type activities:	(1,674,878)	(831,809)	1,798,388	605,753	8,427,609
Total	\$ (2,415,510)	\$ (2,941,668)	\$ 1,043,255	\$ 2,175,324	\$ 9,397,838

* Special / Extraordinary item

2013 Lawsuit Settlement (Note 17)

2012 Redevelopment Dissolution (Note 17)

City of Patterson
Table 3
Fund Balance, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
FUND BALANCES:					
General Fund					
Nonspendable	\$ 73,526	\$ 68,630	\$ 78,491	\$ -	\$ 850
Restricted	243,828	144,229	51,773	40,508	81,663
Committed	3,668,980	3,642,337	3,626,143	3,605,039	3,605,039
Assigned	2,893,227	2,879,809	1,879,546	2,051,675	2,246,696
Unassigned	755,213	1,502,483	1,564,376	568,385	283,289
Total General Fund	\$ 7,634,774	8,237,488	7,200,329	6,265,607	6,217,537
All Other Governmental Funds					
Nonspendable	2,865	574	-	-	-
Restricted	75,770,466	76,995,568	78,162,371	78,664,140	2,935,022
Committed	4,905,500	6,016,084	5,734,508	6,335,270	5,833,844
Assigned	-	-	38,985	105	-
Unassigned	(1,283,973)	(729,053)	(283,235)	(135,283)	(152,677)
Total All Other Governmental Funds	79,394,858	82,283,173	83,652,629	84,864,232	8,616,189
Total Fund Balance	\$ 87,029,632	\$ 90,520,661	\$ 90,852,958	\$ 91,129,839	\$ 14,833,726

	Fiscal Year				
	2018	2017	2016	2015	2014
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 (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
FUND BALANCES:					
General Fund					
Nonspendable	\$ 850	\$ -	\$ -	\$ -	\$ -
Restricted	209,823	173,885	294,037	-	-
Committed	3,594,200	3,580,604	3,564,292	-	-
Assigned	3,555,248	5,389,558	6,476,305	-	-
Unassigned	-	195,478	239,958	-	-
Total General Fund	7,360,121	9,339,525	10,574,592	-	-
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	3,445,665	4,024,858	5,385,329	-	-
Committed	6,516,526	6,465,547	6,322,805	-	-
Assigned	-	-	-	-	-
Unassigned	(25,708)	(35,484)	(151,513)	-	-
Total All Other Governmental Funds	9,936,483	10,454,921	11,556,621	-	-
Total Fund Balance	\$ 17,296,604	\$ 19,794,446	\$ 22,131,213	\$ -	\$ -

	Fiscal Year				
	2013	2012	2011	2010	2009
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
Special projects	-	-	-	287,278	287,278
Endowments	-	-	-	32,000	92,185
Unreserved reported in:					
Special revenue funds	-	-	-	2,238,533	2,041,661
Capital project funds	-	-	-	9,384,631	9,948,728
Undesignated	-	-	-	-	-
Total All Other Governmental Funds	-	-	-	13,327,324	13,645,740
Total Fund Balance	\$ -	\$ -	\$ -	\$ 24,332,765	\$ 25,623,997

City of Patterson
Table 4
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Taxes:					
Property	\$ 3,417,541	\$ 3,414,365	\$ 3,172,489	\$ 2,657,306	\$ 2,068,125
Sales	5,027,535	5,502,627	5,045,260	3,732,177	3,394,908
Franchise	206,354	274,792	188,834	179,313	174,558
Motor vehicle in lieu	1,947,375	1,844,519	1,693,793	1,596,755	1,288,025
Other	131,701	137,847	549,654	719,718	769,476
License, permits, and fees	2,055,729	1,791,391	983,115	2,016,921	557,204
Charges for current services	4,223,199	3,849,087	3,763,566	4,021,749	3,680,478
Intergovernmental	3,336,028	1,989,969	1,340,990	1,844,850	2,138,010
Fines, forfeitures and penalties	146,100	157,307	239,936	193,350	211,018
Investment earnings	5,873,469	4,312,058	4,530,279	4,577,761	117,176
Miscellaneous revenues	365,308	612,457	188,402	1,565,122	416,362
Total Revenues	\$ 26,730,339	23,886,419	21,696,318	23,105,022	14,815,340
Expenditures:					
Current:					
General government	2,736,137	2,507,830	2,704,512	2,744,062	2,602,651
Police	6,384,421	4,218,306	4,290,965	4,039,064	3,916,598
Fire	2,458,251	3,574,689	3,274,834	3,069,601	2,822,442
Community development and planning	1,654,121	1,485,366	1,240,042	1,374,632	1,254,394
Public Works	3,677,339	2,874,435	2,691,886	2,746,358	3,114,271
Parks and recreation	3,530,225	2,466,882	1,940,339	1,841,033	1,741,109
Capital outlay	7,377,590	2,080,160	1,432,210	1,873,381	3,344,428
Debt service:					
Principal	1,936,705	2,060,273	1,765,836	3,105,901	286,833
Interest and fiscal charges	4,167,332	3,954,933	4,016,686	4,123,116	80,122
Total Expenditures	33,922,121	25,222,874	23,357,310	24,917,148	19,162,848
Excess (deficiency) of revenue over (under) expenditures	(7,191,782)	(1,336,455)	(1,660,992)	(1,812,126)	(4,347,508)
Other financing sources (uses)					
Proceeds from capital leases	-	161,990	-	-	-
Proceeds from loan repayments	-	-	12,116	760	717,421
Proceeds from Issuance of Bonds	2,429,000	-	-	-	-
Transfers In	4,107,492	3,012,930	4,711,665	4,655,106	3,295,570
Transfers Out	(2,835,739)	(2,117,069)	(3,339,675)	(3,223,826)	(2,212,070)
Total Other Financing Sources	3,700,753	1,057,851	1,384,106	1,432,040	1,800,921
Net Change in Fund Balance	(3,491,029)	\$ (278,604)	\$ (276,886)	\$ (380,086)	\$ (2,546,587)

Source: City of Patterson Finance Department

City of Patterson
Table 4
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2012	2011	2010	2009
Revenues:					
Taxes:					
Property	\$ 2,103,703	\$ 1,900,394	\$ 2,113,461	\$ 2,481,955	\$ 3,166,290
Sales	2,358,667	1,542,190	1,385,013	1,270,488	1,404,074
Franchise	161,946	168,451	173,004	137,236	137,306
Motor vehicle in lieu	1,238,447	1,199,856	1,326,975	1,351,624	1,677,243
Other	595,982	676,915	622,234	443,787	458,266
License, permits, and fees	1,165,199	1,152,693	368,757	1,120,652	448,116
Charges for current services	3,497,197	3,426,554	3,450,489	3,362,429	3,513,433
Intergovernmental	1,437,603	1,723,115	2,542,044	1,429,692	2,233,724
Fines, forfeitures and penalties	130,614	192,685	459,105	231,789	126,271
Investment earnings	205,181	159,602	202,762	306,255	783,864
Miscellaneous revenues	307,229	217,324	196,721	512,444	251,062
Total Revenues	13,201,768	12,359,779	12,840,565	12,648,351	14,199,649
Expenditures:					
Current:					
General government	2,260,009	1,756,247	1,319,972	1,664,066	1,614,829
Police	3,800,959	3,229,131	3,305,964	2,943,414	3,071,336
Fire	2,500,294	2,096,942	1,790,490	1,759,305	1,577,585
Community development and planning	973,757	991,918	1,287,622	2,899,000	1,842,813
Public Works	2,736,664	2,811,602	2,433,966	3,253,016	3,222,578
Parks and recreation	1,555,750	1,182,646	1,053,444	1,138,479	1,178,685
Capital outlay	2,464,827	1,548,410	3,687,843	1,928,937	1,587,486
Debt service:					
Principal	282,583	300,578	334,669	333,687	344,875
Interest and fiscal charges	60,882	68,414	77,048	85,443	92,313
Total Expenditures	16,635,725	13,985,888	15,291,018	16,005,347	14,532,500
Excess (deficiency) of revenue over (under) expenditures	(3,433,957)	(1,626,109)	(2,450,453)	(3,356,996)	(332,851)
Other financing sources (uses)					
Proceeds from capital leases	-	-	-	-	58,814
Proceeds from loan repayments	208,962	197,739	192,348	187,109	182,013
	-	-	-	-	-
Transfers In	2,435,589	2,668,660	2,328,731	1,587,393	1,751,638
Transfers Out	(1,779,196)	(1,877,076)	(2,630,211)	(966,441)	(1,127,301)
Total Other Financing Sources	865,355	989,323	(109,132)	808,061	865,164
Net Change in Fund Balance	\$ (2,568,602)	\$ (2,185,827)	\$ (2,559,585)	\$ (2,548,935)	\$ 532,313

Source: City of Patterson Finance Department

City of Patterson
Table 5
Tax Revenues by Source
Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Taxes:					
Property	\$ 3,417,541	\$ 3,414,365	\$ 3,172,489	\$ 2,657,306	\$ 2,068,125
Sales	5,027,535	5,502,627	5,045,260	3,732,177	3,394,908
Franchise	206,534	274,792	188,834	179,313	174,558
Motor vehicle in lieu	1,947,375	1,844,519	1,693,793	1,596,755	1,288,025
Other	131,701	137,847	549,654	719,718	769,476
Total Revenues	\$ 10,730,686	\$ 11,174,150	\$ 10,650,030	\$ 8,885,269	\$ 7,695,092

Source: City of Patterson Finance Department

City of Patterson
Table 5
Tax Revenues by Source (Continued)
Last Ten Fiscal Years

	Fiscal Year					% Change 2009 (or inception to 2018)
	2013	2012	2011	2010	2009	
Revenues:						
Taxes:						
Property	\$ 2,103,703	\$ 1,900,394	\$ 2,113,461	\$ 2,481,955	\$ 3,166,290	8%
Sales	2,358,667	1,542,190	1,385,013	1,270,488	1,404,074	258%
Franchise	161,946	168,451	173,004	137,236	137,306	50%
Motor vehicle in lieu	1,238,447	1,199,856	1,326,975	1,351,624	1,677,243	16%
Other	595,982	676,915	622,234	443,787	458,266	-71%
Total Revenues	\$ 6,458,745	\$ 5,487,806	\$ 5,620,687	\$ 5,685,090	\$ 6,843,179	57%

Source: City of Patterson Finance Department

City of Patterson
Table 6a
Water Sold by Customer Type
Last Five Fiscal Years

Type of Customer	Fiscal Year				
	2018	2017	2016	2015	2014
Residential	1,049,166 cf	1,116,364 cf	884,153 cf	1,027,141 cf	1,197,333 cf
Commercial/Industrial	123,676	99,656	122,608	132,510	139,298
Irrigation	287,977	260,565	204,934	331,083	356,687
Total	1,460,819 cf	1,476,585 cf	1,211,695 cf	1,490,734 cf	1,693,318 cf

City of Patterson
Table 6b
Water and Wastewater Utility Rates
Last Ten Fiscal Years

Fiscal Year	Water		Wastewater	
	Monthly Base Rate	Additional Per 100cf**	Monthly Base Rate	
2018	\$ 11.06	\$ 2.54	\$ 44.44	
2017	\$ 11.06	\$ 2.54	\$ 44.44	
2016	\$ 11.04	\$ 2.76	\$ 41.92	
2015	\$ 11.04	\$ 2.76	\$ 39.55	
2014	\$ 10.62	\$ 2.65	\$ 37.31	
2013	\$ 10.21	\$ 2.55	\$ 35.20	
2012	\$ 9.82	\$ 2.45	\$ 33.21	
2011	\$ 9.44	\$ 2.36	\$ 30.75	
2010	\$ 9.08	\$ 2.46	\$ 28.47	
2009	\$ 9.08	\$ 2.46	\$ 26.36	

100 cf = 100 cubic feet (748 gallons)

Rates are based on 3/4" meter, which is the standard household meter size.

**The Utility charges an excess use rate above normal demand.

Source: City of Patterson Department of Administrative Services

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*	2016-17	2017-18
Residential Property	-	-	-	-	1,067,738,189	1,125,435,937	1,221,805,158
Commercial Property	-	-	-	-	106,365,150	134,692,261	141,903,335
Industrial Property	-	-	-	-	278,228,208	461,416,004	460,796,304
Other Property	1,146,822,457	1,174,200,272	1,243,040,268	1,490,319,496	187,566,714	62,594,490	66,537,768
Unsecured Property	21,466,697	22,827,604	22,211,957	69,354,774	81,491,675	87,592,650	84,553,479
Less Tax-Exempt Property	19,891,800	19,583,220	18,900,554	18,375,785	35,591,679	36,416,220	38,086,325
Taxable Assessed Value	1,148,397,354	1,177,444,656	1,246,351,671	1,541,298,485	1,685,798,257	1,835,315,122	1,937,329,719
Total Direct Tax Rate (1)	1.124542	1.132936	1.126574	1.092819	1.097113	1.095707	1.104825
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	2,515,245,600	2,880,528,379
Factor of Taxable Assessed Value (2)	1.000000	1.000000	1.000000	1.000000	1.467680	1.370471	1.486855

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 Three Fiscal Years

Category	Fiscal Year		
	2015-16	2016-17	2017-18
Agriculture	13,022,637	14,009,788	14,548,636
Commercial	106,365,150	134,692,261	141,903,335
Industrial	278,228,208	461,416,004	460,796,304
Institution	-	-	-
Miscellaneous	51,126	51,905	52,942
Residential	1,067,738,189	1,125,435,937	1,221,805,158
Rural	739,952	1,337,947	712,923
Unknown	138,855,433	5,164,703	1,245,101
Vacant	34,897,566	41,941,904	49,709,923
Unitary	476,983	88,243	88,243
Gross Secured Value	1,640,375,244	1,784,138,692	1,890,862,565
Unsecured	81,014,692	87,592,650	84,553,479
Exemptions	35,591,649	36,416,220	38,086,325
Net Taxable Value	1,685,798,287	1,835,315,122	1,937,329,719

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	2016-17	2017-18
Basic City and County Levy:								
	City of Patterson	0.188770	0.188770	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	0.241442	0.241442
Co Supt of Schools		0.003947	0.003947	0.003947	0.003947	0.003947	0.003947	0.003947
County Fire Service		0.005658	0.005658	0.005658	0.005658	0.005658	0.005658	0.005658
Patterson Cemetery		0.007696	0.007696	0.007696	0.007696	0.007696	0.007696	0.007696
Patterson Hospital District		0.034410	0.034410	0.034410	0.034410	0.034410	0.034410	0.034410
Turlock Mosquito Abatement		0.011318	0.011318	0.011318	0.011318	0.011318	0.011318	0.011318
Patterson Unified School District		0.386426	0.386426	0.386426	0.386426	0.386426	0.386426	0.386426
Yosemite Community College		0.070620	0.070620	0.070620	0.070620	0.070620	0.070620	0.070620
County School Service Fund		0.020908	0.020908	0.020908	0.020908	0.020908	0.020908	0.020908
Schools-equalization aid		0.018355	0.018355	0.018355	0.018355	0.018355	0.018355	0.018355
Schools-tuition		0.010450	0.010450	0.010450	0.010450	0.010450	0.010450	0.010450
	TOTAL	1.000000	1.000000	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	0.010415	0.009953
Patterson U - 01A		0.070130	0.074108	0.069589	0.045680	0.043932	0.043952	0.042364
Patterson U - 01B		0.012167	0.012052	0.011402	0.008691	0.007974	0.007850	0.000000
Patterson U - 2008A		0.000000	0.000000	0.001938	0.004985	0.007691	0.010456	0.010179
Patterson U - 2016 GO Ref		0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.018261
YCCD 2005 A		0.005962	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
YCCD 2007 C		0.018004	0.020892	0.019024	0.015663	0.011618	0.009190	0.007585
YCCD 2010 D		0.000666	0.000399	0.000390	0.000334	0.000467	0.000459	0.000359
YCCD 2012 Ref		0.000000	0.007469	0.007567	0.005826	0.008285	0.008500	0.008753
YCCD 2015 Ref		0.000000	0.000000	0.000000	0.000000	0.006550	0.004885	0.007371
	TOTAL	0.124542	0.132936	0.126574	0.092819	0.097113	0.095707	0.104825
TOTAL TAX RATE		1.124542	1.132936	1.126574	1.092819	1.097113	1.095707	1.104825

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 Taxpayers
Current Year and Ten Fiscal Years Ago

Taxpayer	2017-18		2007-08	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Wr Griffin Patterson LLC	100,198,114	5.17%		
W W Grainger Inc	92,233,794	4.76%		
Bit Holdings Seventy-Seven Inc	75,480,000	3.90%		
Longs Drug Stores California I	62,556,391	3.23%	60,470,394	4.37%
Golden State Fc LLC	49,424,650	2.55%		
Kohls Department Stores Inc	43,260,710	2.23%	55,913,736	4.04%
Lba Rv-Company Xvii Lp	28,968,000	1.50%		
Wal Mart Real Estate Business	25,053,952	1.29%		
Sierra Pacific Refrig Serv Ltd	13,808,248	0.71%	10,877,389	0.79%
Ramos John J & Brenda J	9,279,049	0.48%	10,501,104	0.76%
Restoration Hardware	9,097,970	0.47%		
Oates Development Group LLC	8,958,294	0.46%		
Traina Pacific LLC	8,949,879	0.46%		
Pilot Travel Centers LLC	7,298,360	0.38%		
Patterson Industrial Center Ll	7,219,019	0.37%	18,619,000	1.35%
Patterson Marketplace LLC	7,206,540	0.37%	5,528,021	0.40%
Boersma Properties LLC	5,604,023	0.29%		
Save Mart Supermarkets	5,270,972	0.27%	5,196,713	0.38%
Three D Patterson LLC	5,040,000	0.26%		
Jkb Living Inc	4,960,300	0.26%		
Ormond Peter M	4,564,382	0.24%		
Proto	4,313,000	0.22%	5,778,215	0.42%
Gea Mechanical Equipment Us In	4,185,012	0.22%		
Arambel Jeffery E	3,798,743	0.20%		
Westside Property Management	3,678,271	0.19%	2,708,391	0.20%
Patterson Vegetable Company Ll			26,515,466	1.92%
Deutsche Bank National Trust C			15,787,300	1.14%
Taylor Morrison Of California			13,387,334	0.97%
Shea Homes Limited Partnership			13,165,682	0.95%
Ryland Homes Of Calif Inc			6,481,801	0.47%
Fhkk-Raphel LLC			5,768,500	0.42%
Del Lago Plaza Associates, LLC			4,852,506	0.35%
Bright Development			4,767,140	0.34%
Patterson Hotel Associates			4,291,708	0.31%
Keystone Flex Ii Associates Ll			4,095,504	0.30%
Maring Jon E Et Al			3,732,930	0.27%
Pacific Triple E Lp			3,682,143	0.27%
Sperry Commercial Lp			3,303,857	0.24%
U S Bank National Assn Trustee			3,029,500	0.22%
Teg Investments			2,290,417	0.17%
Ornellas Mary S Tr Et Al			2,142,000	0.15%
Patterson Seniors LLC				0.00%
Flores Rebecca				0.00%
Ornellas Mary S Tr Et Al				0.00%
Total Top 25 Taxpayers	590,407,673	30.48%	292,886,751	21.17%
Total Taxable Value	1,937,329,719	100.00%	1,383,289,809	100.00%

Source: Stanislaus County Assessor data, MuniServices, LLC

City of Patterson
Table 10
Principal Sales Tax Producers
Current Year and Ten Years Ago

2017-18	
Taxpayer	Business Type
76	Service Stations
76	Service Stations
Chevron	Service Stations
Chevron	Service Stations
CVS	Drug Stores
Del Don Chemical	Garden/Ag Supplies
Dennys	Restaurants
Flying J Travel Plaza	Service Stations
George W Lowry	Petroleum Prod/Equip
G's Food Mart	Service Stations
Jack In The Box	Quick Service Restaurant
JM Equipments	Warehse/Farm/Const Equip
Kwik Serv Gas	Service Stations
McAuley Ford	New Motor Vehicle
McDonalds	Restaurants
Phillin Station	Service Stations
Premier Packaging	Light Industrial Printer
San Joaquin Equip.	Garden/Ag Supplies
Save Mart	Food Markets
Taco Bell	Restaurants
Thompson Chevrolet Buick	New Motor Vehicle
True Value	Hardware
WWGrainger	Electrical Equipment
Walgreen's Drug Stores	Drug Stores
Walmart Supercenter	Discount Dept Store

Source: HdL Companies

City of Patterson
Table 10
Principal Sales Tax Producers (Continued)
Current Year and Ten Years Ago

2008-09	
Taxpayer	Business Type
76	Service Stations
76	Service Stations
Auto Zone	Auto Repair
Carls Jr	Quick Service Restaurant
Chevron	Service Stations
CVS	Drug Stores
Del Don Chemical	Garden/Ag Supplies
Dennys	Casual Dining
Design Mobile Systems	Trailers/RVs
Dollar Tree	Variety Stores
G's Food Mart	Service Stations
Jack in the Box	Quick Service Restaurant
JM Equipment	Warehse/Farm/Cons Equip
Kwik Serv Gas	Service Stations
Lowry Cardlock Fuel	Petroleum Prod/Equipment
M T Gasoline	Service Stations
McAuley Ford	Auto Sales - New
McDonalds	Restaurants
Patterson Exxon Liquor	Service Stations
Phillin Station	Service Stations
San Joaquin Equipment Co	Warehse/Farm/Cons Equip
Save Mart	Grocery Store
Taco Bell	Quick Service Restaurant
Thompson Chevrolet Buick	New Motor Vehicle
True Value	Hardware

Source: HdL Companies

City of Patterson
Table 11
Historical Sales Tax Amounts by Benchmark Year
Last Ten Fiscal Years

CATEGORY NAME	2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1
All Other Outlets	18,706	30,616	31,538	16,502	254,533
Apparel Stores	264	255	245	301	357
Auto Dealers & Auto	58,180	62,059	61,021	63,804	71,100
Bldg. Matrl. & Farm	35,002	44,236	48,476	56,007	60,320
Drug Stores	7,904	10,175	11,371	13,143	10,176
Eating & Drinking Pl	45,125	32,565	35,574	41,980	44,396
Food Stores	20,564	19,857	19,300	19,509	15,938
Home Furnishings & A	2,264	2,384	2,361	2,624	3,255
General Merchandise	3,105	3,409	3,274	3,517	77,738
Other Retail Stores	2,675	2,126	2,313	898	1,392
Packaged Liquor Store	1,813	193	608	550	467
Service Station	49,841	64,959	76,802	84,261	79,145
TOTAL	245,443	272,834	292,883	303,096	618,817

Source: HdL Companies

* HdL combined business type Packaged Liquor Stores with Convenience Stores in 4Q16 thus causing a spike in 1Q17 and forward.

City of Patterson
Table 11
Historical Sales Tax Amounts by Benchmark Year (Continued)
Last Ten Fiscal Years

CATEGORY NAME	2014 Q1	2015 Q1	2016 Q1	2017 Q1	2018 Q1
All Other Outlets	339,350	389,253	592,368	597,886	567,498
Apparel Stores	233	799	597	774	526
Auto Dealers & Auto	89,599	107,648	104,804	123,336	123,204
Bldg. Matr. & Farm	59,860	102,671	62,643	60,911	32,749
Drug Stores	9,079	9,002	8,922	9,318	4,655
Eating & Drinking Pl	51,559	53,868	58,015	56,766	56,023
Food Stores	14,677	18,922	16,884	14,235	13,203
Home Furnishings & A	4,366	5,519	9,228	12,564	10,601
General Merchandise	91,259	72,612	79,659	80,118	83,482
Other Retail Stores	1,655	3,149	3,345	3,495	5,543
Packaged Liquor Store	1,209	689	997	8,353 *	4,945
Service Station	80,038	73,795	63,428	142,584	174,114
TOTAL	742,884	837,927	1,000,890	1,110,340	1,076,543

* HdL combined business type Packaged Liquor Stores with Convenience Stores in 4Q16 thus causing a spike in 1Q17 and forward.

City of Patterson
Table 12
Demographic and Economic Statistics
Last Nine Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income		**Public School Enrollment	County Unemployment Rate (%) (3)		City Unemployment Rate (%) (3)		County Population (1)
			(2)	Median Age (4)		Rate (%) (3)	Rate (%) (3)			
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%	-	-	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	
2016-17	22,730	459,580,598	20,219	30.5	6,083	8.5%	-	8.1%	548,057	
2017-18	22,679	487,720,286	21,505	30.6	6,103	7.1%	-	7.2%	555,624	

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

	2017-18	
Business Name	Number of Employees	Percent of Total Employment (%)
Amazon Fulfillment Center	800	8.33%
Patterson Joint Unified School District	682	5.07%
CVS Caremark Distribution Center	487	3.88%
Grainger Distribution Center	372	2.79%
Walmart Supercenter	268	2.34%
City of Patterson*	225	1.04%
Restoration Hardware	180	1.88%
King's Roofing	100	1.04%
Advanced Linen Service	87	0.91%
Savemart	83	0.86%
	3,284	28.15%
Total Top 10 Employers		
Total City Labor Force (1)	9,600	

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

2017-18 Assessed Valuation: \$1,955,328,119

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2018	% Applicable (1)	City's Share of Debt 6/30/18
Yosemite Community College District	\$ 276,621,074	3.067%	\$ 8,483,968
Patterson Joint Unified School District	26,379,746	70.514%	18,601,414
City of Patterson Community Facilities District No. 2001-1	68,005,000	100.000%	68,005,000
City of Patterson Community Facilities District No. 2005-1	9,500,000	100.000%	9,500,000
City of Patterson Community Facilities District No. 2015-1	4,745,000	100.000%	4,745,000
City of Patterson 1915 Act Bonds	3,531,771	100.000%	3,531,771
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$112,867,153
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
Stanislaus County Certificates of Participation	\$ 29,365,000	4.177%	\$1,226,576
Stanislaus County Board of Education Certificates of Participation	2,500,000	4.177%	\$104,425
City of Patterson	2,429,000	100.000%	\$2,429,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$3,760,001
TOTAL DIRECT DEBT			\$2,429,000
TOTAL OVERLAPPING DEBT			\$114,198,154
COMBINED TOTAL DEBT			\$116,627,154 (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 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	5.77%
Total Direct Debt.....	0.12%
Combined Total Debt.....	5.96%

City of Patterson
Table 15
Full-Time Equivalent City Government Employees
By Function/Program/Department
Last Fiscal Years

	Number Authorized	Number Authorized	Number Authorized	Number Authorized	Number Authorized
	13-14	14-15	15-16	16-17	17-18
Administration					
City Manager	1	1	1	1	1
Human Resources Director	0	0	0	1	1
Human Resources Manager	1	1	1	0	0
City Clerk	1	1	1	1	1
HR Analyst	0	0	0	1	1
Executive Administrative Assistant Confidential	0	0	0	0	1
Secretary - Confidential	1	1	1	1	0
Administrative Assistant	0	0	1	1	1
	4	4	5	6	6
Finance					
Finance Director	1	1	1	1	1
Supervising Accountant	0	0	0	1	1
Revenue & Utility Billing Manager	1	1	1	1	1
Accountant	1	1	1	0	1
Accounting Technician	0	0	0	1	1
Account Clerk, Senior	4	4	4	3	3
Account Clerk	0	1	1	2	3
	7	8	8	9	11
Recreation & Community Services					
Recreation & Community Services Director	1	1	1	1	1
Recreation & Community Services Manager	0	0	0	1	1
Recreation & Community Services Supervisor	0	1	1	0	1
Account Clerk, Senior	1	0	0	0	0
Recreation Coordinator II	2	1	1	1	3
Recreation Coordinator I	0	2	2	3	1
Account Clerk	0	0	1	1	2
Facilities & Maintenance Supervisor	0	1	1	1	1
Maintenance Worker III	1	1	1	1	1
Maintenance Worker I	0	0	0	0	1
	5	7	8	9	12
Fire					
Chief	1	1	1	1	1
Division Chief	2	2	2	2	2
Fire Captain - Paramedic		0	1	2	2
Fire Captain	7	6	5	3	4
Fire Engineer - Paramedic		0	0	1	1
Fire Engineer	4	5	5	4	5
Fire Fighters - Paramedic		0	4	3	6
Fire Fighters	2	2	1	0	0
Fire Marshall		0	0	1	0
Fire Prevention Specialist	1	1	1	0	1
Administrative Manager	1	1	1	1	1
Secretary II	1	1	1	1	1
Code Enforcement Officer II	1	1	1	1	1
Code Enforcement Officer I	1	1	1	1	1
	21	21	24	21	26

City of Patterson
Table 15
Full-Time Equivalent City Government Employees (Continued)
By Function/Program/Department
Last Fiscal Years

	Number Authorized	Number Authorized	Number Authorized	Number Authorized	Number Authorized
	13-14	14-15	15-16	16-17	17-18
Planning & Community Development					
Community Development Director	0	0	0	0	1
Planner	1	1	1	1	1
Associate Planner	1	1	1	1	1
Planning Technician II	2	2	2	2	2
	4	4	4	4	5
Engineering, Building & Capital Projects					
Director of Engineering	1	1	1	1	1
Associate Engineer	0	1	1	0	1
Assistant Engineer	1	1	1	2	1
Secretary I	0	1	1	1	1
	2	4	4	4	4
Capital Projects					
Capital Project Manager	1	1	1	1	1
Building & Permits					
Permit Technician II	1	1	1	1	1
Public Works					
Director of Public Works	1	1	1	1	1
Deputy Director of Public Works Ops & Maint	1	1	1	1	1
Sr. Administrative Manager	0	1	1	1	1
Administrative Manager	1	0	0	0	0
Public Works Inspector III	1	1	1	1	1
Public Works Inspector I				1	1
Management Analyst	2	2	2	3	3
Secretary II	2	3	3	2	2
Maintenance Worker I	0	0	0	0	1
	8	9	9	10	11
Equipment Mechanic					
Mechanic - Crew Leader	1	1	1	1	1
Mechanic II	1	0	0	1	1
Mechanic I	0	1	1	0	0
	2	2	2	2	2
Building Maintenance					
Maintenance Worker II	1	1	1	2	1
Maintenance Worker I	0	0	0	0	1
	1	1	1	2	2
Parks					
Parks Supervisor	1	0	1	1	1
Maintenance Worker III	7	7	5	6	4
Maintenance Worker II	0	1	1	1	3
Maintenance Worker I	0	0	0	1	3
	8	8	7	9	11
Streets					
Public Works Supervisor - Streets	1	0.5	0.5	0.5	0.5
Maintenance Worker II	2	1	1	1	1
Maintenance Worker I	0	1	1	1	1
	3	3	3	3	3

City of Patterson
Table 15
Full-Time Equivalent City Governemnt Employees (Continued)
By Function/Program/Department
Last Fiscal Years

	Number Authorized	Number Authorized	Number Authorized	Number Authorized	Number Authorized
	13-14	14-15	15-16	16-17	17-18
Urban Forestry					
Public Works Supervisor - Tree	1	1	1	1	1
Maintenance Worker III	0	0	1	1	1
Maintenance Worker II	2	2	2	1	1
Maintenance Worker I	1	1	1	2	2
	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>
Water					
Public Works Supervisor - Water	1	1	1	1	1
Water Operator III	2	2	2	3	4
Water Operator II	1	1	3	1	1
Electrical & Instrumentation Manager	0	0	0	0	0.5
Electrician - Crew Leader	0	0	0	0.5	0
Electrician Technician					0.5
	<u>4</u>	<u>4</u>	<u>6</u>	<u>5.5</u>	<u>7</u>
Sewer					
Wastewater Manager	1	1	1	1	1
Chief Waste Water Operator	1	1	1	1	1
Wastewater Operator III	1	1	1	1	2
Wastewater Operator II	2	1	2	2	1
Wastewater Operator I	1	0	0	1	1
Electrical & Instrumentation Manager	0	0	0	0	0.5
Electrician - Crew Leader	0	0	0	0.5	0
Electrician Technician	0	0	0	0	0.5
Maintenance Worker I	0	1	1	0	0
	<u>6</u>	<u>5</u>	<u>6</u>	<u>6.5</u>	<u>7</u>
Collection					
Public Works Supervisor - Collections	0.5	0.5	0.5	0.5	0.5
Maintenance Worker III	1	1	2	1	3
Maintenance Worker II	2	2	1	2	0
	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
Total Allocated Positions	<u>84</u>	<u>89</u>	<u>97</u>	<u>101</u>	<u>118</u>

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

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**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***

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the 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 the City of Patterson, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of the City Council
of the City of Patterson
Patterson, California
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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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
January 30, 2019