



**CITY OF PATTERSON  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

---

**CITY OF PATTERSON**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**TABLE OF CONTENTS**

	Page
<b>Independent Auditor's Report</b>	1- 2
<b>Management's Discussion and Analysis</b>	3 - 16
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet - Governmental Funds	19
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25 - 26
Statement of Net Position - Fiduciary Funds	27
Notes to Basic Financial Statements	28 - 68
<b>Required Supplemental Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund	69
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget To Actual - Patterson Public Financing Authority	70
Schedule of the City's Proportionate Share of the Net Pension Liability	71
Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plan	72
Schedule of Funding Progress - Other Postemployment Benefits (OPEB)	73
<b>Supplemental Information</b>	
Combining Balance Sheets - Non Major Funds	74 - 79
Combining Schedules of Revenues, Expenses and Changes in Fund Balances - Non-Major Funds	80 - 87
Combining Schedule of Net Position - Agency Funds	88

**CITY OF PATTERSON**  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015  
TABLE OF CONTENTS

	<u>Page</u>
<b>Other Reports</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89
Schedule of Findings and Responses	90 - 92
Schedule of Prior Year Findings	93



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Patterson  
Patterson, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Patterson's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson as of June 30, 2015, 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.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. 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 and analysis, Schedule of the City's OPEB Funding Progress, Schedules Related to the City's Net Pension Liability, and budgetary comparison information on pages 3 - 16 and 69 - 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Patterson's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the City of Patterson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Patterson's internal control over financial reporting and compliance.

*Manant. N. CPAs*

Sacramento, California  
October 27, 2016

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

As management of the City of Patterson (the City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor's Report, the basic financial statements, and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

Financial highlights of fiscal year ended June 30, 2015 include the following:

Government-wide:

- In June 2012, the Government Accounting Standards Board (GASB) adopted Statement No. 68, Accounting and Financial Reporting for Pensions. The primary purpose of GASB Statement No. 68 was to improve accounting and reporting by state and local government for pensions. As a result of GASB 68, state and local governments, for the first time, are required to present any unfunded pension liability in its financial statements. For virtually all government agencies, including City of Patterson, this will have a major impact on how financial statements will be interpreted.
- The City's total net position was \$97,858,343 as of June 30, 2015. Of this total, \$56,091,626 was governmental net position and \$41,766,717 was business-type net position.
- Government-wide revenues was \$31,673,538. Of this total, governmental program revenues of \$8,076,870 and general revenues and transfers of \$15,654,221, for a total of \$23,731,091. Business-type program revenues, general revenues, and transfers were \$7,942,447.
- Government-wide expenses were 31,160,354. Of this total, \$21,265,172 was governmental expenses and \$9,895,182 was business-type expenses.

Fund Level:

- Governmental fund balances decreased \$380,086 or 0.4% in fiscal year 2015.
- Governmental fund revenues increased \$7,277,156 or 44% in fiscal year 2015.
- Governmental fund expenditures increased \$1,576,427 or 8% in fiscal year 2015.

General Fund:

- General Fund revenues of \$10,388,161 was \$449,005 or 15% higher than the prior year.
- General Fund expenditures of \$12,654,900 represented a decrease of \$785,506 or 6% over the prior year.
- General Fund balance of \$6,265,607 as of June 30, 2015, increased by \$48,070 or 1% from 2014 fiscal year's fund balance of \$6,217,537. The General Fund reserve level was approximately 32%, which is 3% higher than prior year.

**OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This Annual Financial Report is divided into three parts:

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

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

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

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

Comparisons of budget and actual financial information are presented only for the General Fund and any major special revenue funds starting on page 69, as required by GASB No. 34.

**FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

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

Table 1  
**GOVERNMENTAL NET POSITION AT JUNE 30, 2015**

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
	<u>          </u>	<u>          </u>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 91,926,236	\$ 15,975,575
Other assets	3,402,654	5,078,415
Capital assets, net	<u>50,237,729</u>	<u>49,776,154</u>
<b>TOTAL ASSETS</b>	<u>145,566,619</u>	<u>70,830,144</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows of resources	<u>1,288,983</u>	<u>-</u>
<b><u>LIABILITIES</u></b>		
Long-term liabilities	85,167,645	7,956,711
Other liabilities	<u>4,483,513</u>	<u>3,106,232</u>
<b>TOTAL LIABILITIES</b>	<u>89,651,158</u>	<u>11,062,943</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred inflows of resources	<u>1,112,818</u>	<u>21,440</u>
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	50,237,729	47,460,440
Restricted	4,866,877	4,866,877
Unrestricted	<u>987,020</u>	<u>7,418,444</u>
<b>TOTAL NET POSITION</b>	<u>\$ 56,091,626</u>	<u>\$ 59,745,761</u>

The City's governmental net position amounted to \$56,091,626 as of June 30, 2015, a decrease of \$3,654,135 over 2014. The change in net position was reduced by a prior period adjustment of \$6,120,054 due to the GASB



**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

Statement No. 68 implementation. This decrease in the change in net position is reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net position as of June 30, 2015 comprised the following:

Cash and investments totaled \$17,213,839. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised \$1,439,922 of current receivables and loans receivable of \$1,962,732 that are due over longer periods of time as explained in Note 4.

Capital assets of \$50,237,729 net of depreciation charges, which included all the City's capital assets used in governmental activities.

Current liabilities, including accounts payable, claims and other amounts due currently, totaled \$4,483,513.

Compensated absences payable to employees were \$348,184, as explained in Note 10 to the financial statements.

Long-term liabilities of \$85,167,645 consisted of \$5,721,870 related to the City's other postemployment benefits, \$4,003,314 in the Net Pension Liability, \$734,333 in a settlement liability, and \$74,711,128 of other long-term liabilities.

Net investment in capital assets of \$50,237,729, representing the City's investment in capital assets used in governmental activities, net of amounts borrowed to finance those investments.

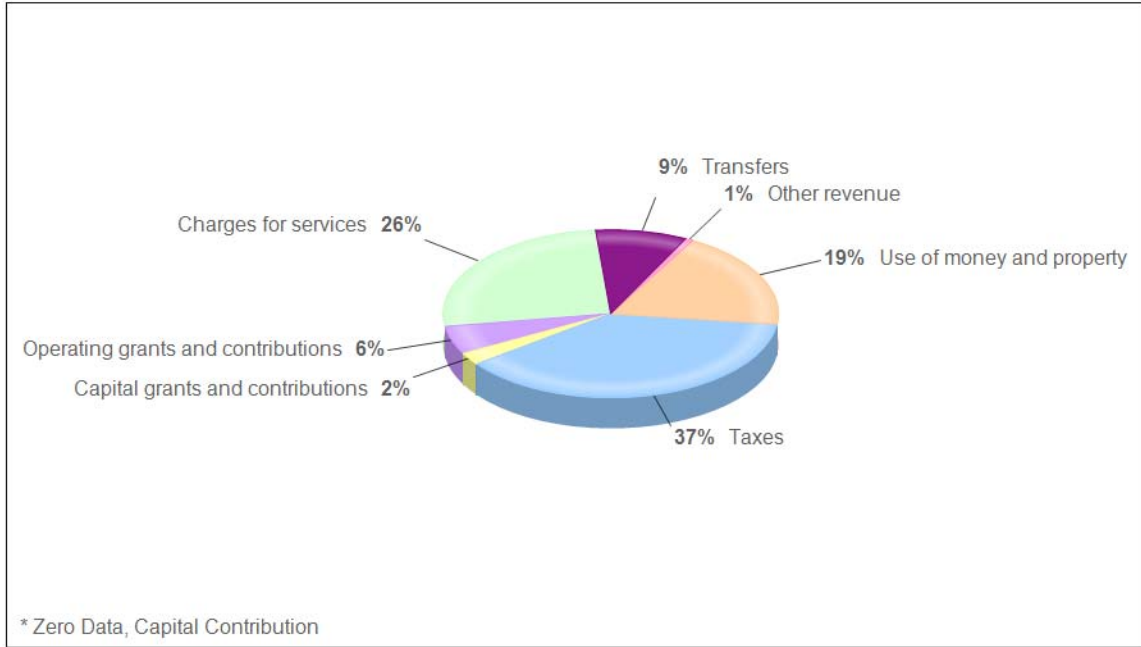
Restricted net position of \$4,866,877 was comprised of \$4,560,489 restricted for grants, taxes, and fees; \$81,663 restricted for debt service; and \$224,725 restricted for capital projects.

Unrestricted net position, the part of net position that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was \$987,020 as of June 30, 2015.

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

**Governmental Activities**

Sources of Revenues

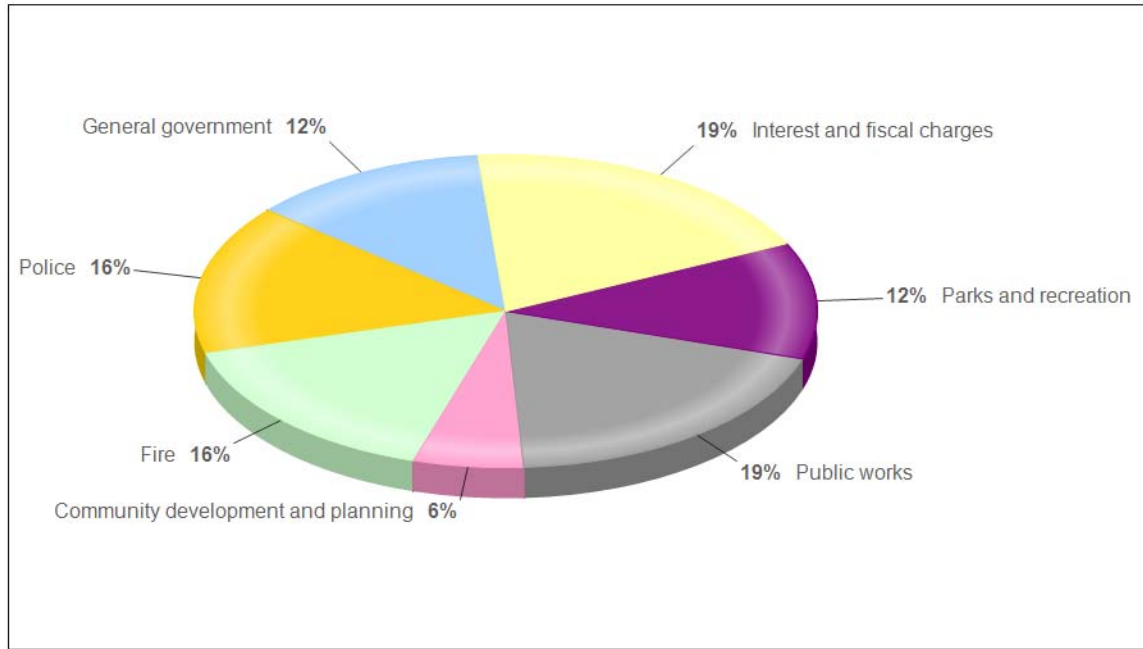


As the Governmental Activities Sources of Revenue chart above shows, \$8,885,269, or 37% of the City's fiscal year 2015 governmental activities revenue came from taxes, while \$6,202,079, or 26% came from charges for services, \$556,120 or 2%, came from capital grants and contributions, \$1,318,671 or 6% came from operating grants and contributions, and the remainder came from a variety of sources, as shown above.

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

**Governmental Activities**

Functional Expenses



The Governmental Activities Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$2,650,997, or 12%, of total governmental expenses, community development and planning was \$1,213,617, or 6%, police was \$3,298,276, or 16%, fire was \$3,381,961, or 16%, public works was \$4,043,774, or 19%, parks and recreation was \$2,558,315, or 12%, and interest on long-term liabilities was the remaining amount.

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

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

Table 2  
**CHANGE IN GOVERNMENTAL NET POSITION**

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
<b><u>EXPENSES</u></b>		
General government	\$ 2,650,997	\$ 3,945,285
Police	3,298,276	3,987,323
Fire	3,381,961	3,339,030
Community development and planning	1,213,617	1,460,591
Public works	4,043,774	4,412,453
Parks and recreation	2,558,315	2,463,941
Interest and fiscal charges	<u>4,118,232</u>	<u>80,122</u>
<b>TOTAL EXPENSES</b>	<b><u>21,265,172</u></b>	<b><u>19,688,745</u></b>
<b><u>REVENUES</u></b>		
<b>Program revenues</b>		
Charges for services	6,202,079	4,448,700
Operating grants and contributions	1,318,671	1,236,474
Capital grants and contributions	<u>556,120</u>	<u>861,536</u>
<b>Total program revenues</b>	<b><u>8,076,870</u></b>	<b><u>6,546,710</u></b>
<b>General revenues</b>		
Taxes	8,885,269	7,695,092
Use of money and property	4,491,782	117,176
Capital Contribution	-	809,908
Other	<u>2,277,170</u>	<u>1,285,049</u>
<b>Total general revenues</b>	<b><u>15,654,221</u></b>	<b><u>9,907,225</u></b>
<b>TOTAL REVENUES</b>	<b><u>23,731,091</u></b>	<b><u>16,453,935</u></b>
<b>CHANGES IN NET POSITION</b>	<b><u>\$ 2,465,919</u></b>	<b><u>\$ (3,234,810)</u></b>

As Table 2 above shows, \$8,076,870 or 34%, of the City's fiscal year 2015 governmental revenue, came from program revenues and \$15,654,221, or 66%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$6,202,079, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,318,671 of operating grants and contributions, which included housing and police grants; and capital grants and contributions of \$556,120, that consisted mainly of Federal grants and reimbursements. General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

The increase in expenditures of approximately 8% is primarily due to an increase in interest and fiscal charges from Patterson Public Financing Authority Debt Service Fund.

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

Table 3 presents the net expense or revenue of each of the City's governmental activities, including interest on long-term liabilities. Net expense is defined as total program cost less the revenues generated by those specific activities. The decrease in net (expense) revenues in Public Works, relates to an increase in salaries and benefits in building and maintenance and LMD. The decrease in the net (expense) revenues in Police and Fire is due to an increase in overall service cost. The decrease in net (expense) revenues for General Government, Parks and Recreation and Community Development and Planning is due to increases in salaries and benefits in Administration and Park Recreation departments and vacancy savings in Engineering and Building department.

Table 3  
**GOVERNMENTAL ACTIVITIES**

	<b>Net (Expense) Revenues from Services 2015</b>	<b>Net (Expense) Revenues from Services 2014</b>
	<u>2015</u>	<u>2014</u>
General government	\$ (2,393,452)	\$ (3,607,157)
Police	(2,771,326)	(3,620,469)
Fire	(2,299,183)	(2,618,396)
Community development and planning	(166,661)	(671,447)
Public works	(661,245)	(1,708,512)
Parks and recreation	(778,203)	(835,932)
Interest and fiscal charges	<u>(4,118,232)</u>	<u>(80,122)</u>
Total	<u>\$ (13,188,302)</u>	<u>\$ (13,142,035)</u>

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

**BUSINESS-TYPE ACTIVITIES**

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

Table 4  
**BUSINESS-TYPE NET POSITION AT JUNE 30, 2015**

	<u>Business-type 2015</u>	<u>Business-type 2014</u>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 10,506,656	\$ 11,556,953
Other assets	984,101	1,119,928
Capital assets, net	<u>51,883,341</u>	<u>52,121,138</u>
<b>TOTAL ASSETS</b>	<u>63,374,098</u>	<u>64,798,019</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred outflows of resources	<u>558,035</u>	<u>119,504</u>
<b><u>LIABILITIES</u></b>		
Long-term liabilities	20,213,578	18,575,559
Other liabilities	<u>1,601,532</u>	<u>1,258,981</u>
<b>TOTAL LIABILITIES</b>	<u>21,815,110</u>	<u>19,834,540</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred outflows of resources	<u>350,306</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Invested in capital, net of related debt	34,725,802	34,941,039
Restricted	5,303,232	5,437,345
Unrestricted	<u>1,737,683</u>	<u>4,704,599</u>
<b>TOTAL NET POSITION</b>	<u>\$ 41,766,717</u>	<u>\$ 45,082,983</u>

The net position of business-type activities decreased by \$3,316,266 in fiscal year 2015, which includes a prior period adjustment of \$1,363,531 due to GASB Statement No. 68. The decrease of cash and investments of \$1,050,297 is due to a decrease in water charges for services a traction from water conservancy measure and decrease in interest income. The increase in long-term liabilities of \$1,638,019 was primarily due to the net pension liability. The increase in other liabilities of \$342,551 was primarily due to the increase in accounts payable and accrued interest at year end.

Table 5  
**CHANGE IN BUSINESS-TYPE NET POSITION**

	<u>2015</u>	<u>2014</u>
Water	\$ (1,091,674)	\$ 186,501
Sewer	(2,289,764)	(833,491)
Garbage	<u>65,172</u>	<u>192,722</u>
<b>Total</b>	<u>\$ (3,316,266)</u>	<u>\$ (454,268)</u>

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

**ANALYSIS OF MAJOR FUNDS**

Governmental Funds

*General Fund*

General Fund property tax and sales tax increased by \$449,005 or 22% and \$337,269 or 10% respectively due to traction from large businesses such as Amazon and Walmart Supercenter present in Patterson that increase employment and thus commercial and residential real estate sales.

General Fund expenditures were \$12,654,900 a decrease of \$785,506 from the prior year due to decrease in capital outlay from \$1,288,957 to \$111,030.

As of June 30, 2015, the General Fund's fund balance totaled \$6,265,607. The unassigned portion of the fund balances represents available liquid resources.

*Patterson Public Financing Authority Debt Service Fund*

This fund accounts for 2013 Heartland Ranch Refunding Revenue Bonds, 2013 Heartland Ranch Authority Bonds, and WPFA 2013 Revenue Bonds. The fund's fiscal year end fund balance was \$74,356,156.

Proprietary Funds

*Water Fund*

Operating revenues increased by \$184,300 in fiscal year 2015 and operating expenses increased by \$263,414 resulting in operating income of \$664,134. Revenue decrease is due to water conveyancy. Increase in water expenses results from increased personnel costs, professional services, and operating costs.

The fund's net position increase was \$19,863,621. Of this amount, \$13,494,067 was the net investment in capital assets, \$554,909 was restricted for debt services, and \$4,531,848 was restricted for capital projects and \$1,282,797 was unrestricted.

*Sewer Fund*

Operating revenues increased by \$130,583. Operating expenses increased by \$194,888. The fund's net position decreased by \$64,305 in fiscal year 2015. Revenue increase is due to increase in sewer rates. Sewer operating expenses increased as the result of increased personnel costs, professional services, and operating costs

As of June 30, 2015, the fund's net position was \$21,455,787, of which \$21,199,123 was invested in capital assets, net of related debt, \$216,475 was restricted, and \$40,189 was unrestricted.

*Garbage Fund*

Operating revenues increased by \$191,976. Operating expenses increased by \$97,744. The change in net position of the Garbage Fund resulted in an increase of \$94,232 in fiscal year 2015. Revenue increase is due to increase in garbage rates. Increase in garbage expenses results from an increase in controlled costs of contract services

As of June 30, 2015, the fund's net position was \$447,309, of which \$32,612 was the net investment in capital assets and \$414,697 was unrestricted.

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

**CAPITAL ASSETS**

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

In fiscal year 2015, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2015, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 and 7 below:

The City's governmental activities net investment in capital assets for the current fiscal year increased \$461,575 or 1%. The following are the significant changes in capital assets compared to prior fiscal year:

- Land increased by \$626,886 or 23% due to Public Safety Facility Land capital contribution.
- Improvement increased by \$491,508 or 6.6% due to projects completion for Sperry Avenue resurfacing.
- Streets and roads increased by \$385,830 or 2.5% due to Baldwin road repairs and safe route to school project completions.

Table 6  
**GOVERNMENTAL ACTIVITIES CAPITAL ASSETS AT JUNE 30,**

	<b>2015</b>	<b>2014</b>
<b>Governmental Activities</b>		
Capital assets not being depreciated		
Land	\$ 3,395,717	\$ 2,768,831
Construction in progress	<u>2,022,677</u>	<u>2,335,108</u>
<b>Total capital assets not being depreciated</b>	<u>5,418,394</u>	<u>5,103,939</u>
Capital assets being depreciated		
Buildings	23,972,873	23,972,873
Improvements	12,682,951	11,626,370
Streets and roads	19,300,268	18,483,700
Equipment	<u>5,246,580</u>	<u>5,034,480</u>
<b>Total capital assets not being depreciated</b>	<u>61,202,672</u>	<u>59,117,423</u>
<b>Less: accumulated depreciation</b>		
Buildings	(3,704,459)	(3,104,382)
Improvements	(4,772,891)	(4,207,818)
Streets and roads	(3,704,590)	(3,273,852)
Equipment	<u>(4,201,397)</u>	<u>(3,859,156)</u>
<b>Total accumulated depreciation</b>	<u>(16,383,337)</u>	<u>(14,445,208)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 50,237,729</u>	<u>\$ 49,776,154</u>



**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

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

The City's business-type activities net investment in capital assets for the current fiscal year decreased \$237,797 or 0.5%. Details on capital assets, current year additions and construction in progress can be found in Note 5.

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

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

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

	<b>2015</b>	<b>2014</b>
<b>Business-type Activities</b>		
Capital assets not being depreciated		
Land	\$ 5,745,597	\$ 5,745,597
Construction in progress	2,174,475	1,442,707
<b>Total capital assets not being depreciated</b>	<b>7,920,072</b>	<b>7,188,304</b>
Capital assets being depreciated		
Infrastructure	59,991,193	58,627,102
Equipment	4,121,127	4,044,681
<b>Total capital assets being depreciated</b>	<b>64,112,320</b>	<b>62,671,783</b>
<b>Less: accumulated depreciation</b>		
Infrastructure	(18,362,638)	(16,262,454)
Equipment	(1,786,413)	(1,476,495)
<b>Total accumulated depreciation</b>	<b>(20,149,051)</b>	<b>(17,738,949)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 51,883,341</b>	<b>\$ 52,121,138</b>

**CITY OF PATTERSON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR END JUNE 30, 2015**

**DEBT ADMINISTRATION**

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

Table 8  
**LONG-TERM LIABILITIES**

	<u>2015</u>	<u>2014</u>
<b>Governmental activities</b>		
Compensated absences	\$ 348,184	\$ 377,351
State water resources loan	-	1,591,183
Banc of America loan	-	700,643
PPFA 2013 Heartland Ranch revenue bonds	4,641,907	-
PPFA 2013 Series A revenue bonds	65,980,000	-
Discount on bonds	(796,497)	-
PPFA 2013 Series B revenue bonds	6,375,000	-
Capital leases	-	23,888
	<u>                    </u>	<u>                    </u>
<b>Total governmental activities</b>	<b><u>\$ 76,548,594</u></b>	<b><u>\$ 2,693,065</u></b>
<b>Business-type activities</b>		
<b>Water</b>		
Compensated absences	\$ 78,018	\$ 70,372
2011 water revenue bond	9,020,000	9,225,000
Capital leases	-	11,699
	<u>                    </u>	<u>                    </u>
<b>Total for water fund</b>	<b><u>9,098,018</u></b>	<b><u>9,307,071</u></b>
<b>Sewer</b>		
Compensated absences	75,782	44,801
Economic bank loan	300,000	400,000
State revolving fund loan	696,586	734,174
1979 sewer bonds	-	75,000
2009 sewer bonds	2,840,000	2,905,000
Banc of america loan	1,596,991	929,302
CEC loan	2,703,962	2,876,172
Capital leases	-	23,753
	<u>                    </u>	<u>                    </u>
<b>Total for sewer fund</b>	<b><u>8,213,321</u></b>	<b><u>7,988,202</u></b>
<b>Garbage</b>		
Compensated absences	12,636	8,708
	<u>                    </u>	<u>                    </u>
<b>Total for garbage fund</b>	<b><u>12,636</u></b>	<b><u>8,708</u></b>
	<u>                    </u>	<u>                    </u>
<b>Total business-type activities</b>	<b><u>\$ 17,323,975</u></b>	<b><u>\$ 17,303,981</u></b>

Governmental activities bonded indebtedness, increase by \$75 million due to adjustments to PPFA Heartland Ranch 2013 Revenue Refunding Bonds, PPFA CFD 2001-1 Series A Revenue Bonds, and PPFA CFD 2001-1 Series B Revenue Bonds.

Business-type activities bond indebtedness increased by \$20,000 due to an adjustment of the 2014 Banc of America

**CITY OF PATTERSON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR END JUNE 30, 2015

loan which was classified as governmental debt in the prior year.

**ECONOMIC CONDITION, OUTLOOK AND ACTIVITY**

Patterson is a medium-sized city located in the state of California. With a population of 21,498 people and three constituent neighborhoods, Patterson is the 306th largest community in California. There's nothing like the smell of a brand new house, and in Patterson, you'll find that a large proportion of houses were recently built. New growth in the residential real estate is an indication that people are choosing to move to Patterson, and putting their money on brand new construction. Patterson's real estate is, on average, some of the newest in the nation. Patterson does seem to be experiencing an influx of affluent people, because the median household income is \$54,422. Commuters to Bay area have chosen Patterson as their affordable housing.

Patterson's geographic position in the valley being accessible from Interchange 5 and Highway 33 has attracted businesses such as Restoration Hardware, Flying J Travel Center, Prime Shine Car Wash and Gas Stations. Patterson has successfully established itself as the prime location for travelers to stop and growing needs of auto and fuel services as we see influx of businesses as mentioned above.

**NEXT YEAR'S BUDGET**

The following factors were taken into consideration during the preparation of the City's budget for the fiscal year 2015/2016.

The City projected to issue Community Facilities District (CFD) 2015-1 Arambel-KDN Special Tax Bond Series 2015 in the amount of \$4,775,000 and Community Facilities District (CFD) 2005-1 West Patterson Business Park Special Tax Bond Series 2015 in the amount of \$9,630,000 in fiscal year 2016 to fund capital projects within the districts.

General Fund property tax, sales tax and motor vehicle in lieu revenues are projected to increase as new commercial and residential developments are completed.

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

General Fund's fund balance reserve is projected to be at 28% by end of fiscal year 2016.

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

Enterprise Fund expenses are projected to increase due to equipment need replacements and repairs and increase operating costs.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**CITY OF PATTERSON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and investments (Note 3)	\$ 17,213,839	\$ 5,203,424	\$ 22,417,263
Receivables:			
Accounts	1,414,719	982,556	2,397,275
Interest	25,203	1,545	26,748
Notes and loans (Note 4)	1,962,732	-	1,962,732
Restricted cash and investments (Note 3)	74,712,397	5,303,232	80,015,629
Capital assets (Note 5):			
Capital assets, net of accumulated depreciation	50,237,729	51,883,341	102,121,070
<b>Total Assets</b>	<b>145,566,619</b>	<b>63,374,098</b>	<b>208,940,717</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred charges, net of amortization	-	114,903	114,903
Deferred outflow of resources - pensions (Note 14)	1,288,983	443,132	1,732,115
<b>Total Deferred Outflow of Resources</b>	<b>1,288,983</b>	<b>558,035</b>	<b>1,847,018</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	1,536,396	589,986	2,126,382
Unearned revenue	84,597	-	84,597
Deposits	631,958	140,308	772,266
Accrued interest	81,096	58,281	139,377
Accrued compensated absences (Note 10):			
Due within one year	348,184	166,436	514,620
Long-term liabilities (Note 10):			
Due within one year	1,489,282	646,521	2,135,803
Due in more than one year	74,711,128	16,511,018	91,222,146
Settlement liability (Note 9)			
Due within one year	312,000	-	312,000
Due in more than one year	734,333	-	734,333
Other postemployment benefits (Note 16)			
Due in more than one year	5,721,870	2,402,914	8,124,784
Net pension liability (Note 14)	4,000,314	1,299,646	5,299,960
<b>Total Liabilities</b>	<b>89,651,158</b>	<b>21,815,110</b>	<b>111,466,268</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflow of resources - pensions (Note 14)	1,112,818	350,306	1,463,124
<b>Total Deferred Inflow of Resources</b>	<b>1,112,818</b>	<b>350,306</b>	<b>1,463,124</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	50,237,729	34,725,802	84,963,531
Restricted for:			
Capital projects	224,725	4,531,848	4,756,573
Debt service	81,663	771,384	853,047
Grants, taxes, and fees	4,560,489	-	4,560,489
Total restricted net position	4,866,877	5,303,232	95,133,640
Unrestricted net position	987,020	1,737,683	2,724,703
<b>Total Net Position</b>	<b>\$ 56,091,626</b>	<b>\$ 41,766,717</b>	<b>\$ 97,858,343</b>

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

**CITY OF PATTERSON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 2,650,997	\$ 166,427	\$ 91,118	\$ -	\$ (2,393,452)	\$ -	\$ (2,393,452)
Police	3,298,276	392,009	134,941	-	(2,771,326)	-	(2,771,326)
Fire	3,381,961	681,690	399,288	1,800	(2,299,183)	-	(2,299,183)
Community development and planning	1,213,617	885,242	158,810	2,904	(166,661)	-	(166,661)
Public works	4,043,774	2,296,599	534,514	551,416	(661,245)	-	(661,245)
Parks and recreation	2,558,315	1,780,112	-	-	(778,203)	-	(778,203)
Interest and fiscal charges	<u>4,118,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,118,232)</u>	<u>-</u>	<u>(4,118,232)</u>
Total Governmental Activities	<u>21,265,172</u>	<u>6,202,079</u>	<u>1,318,671</u>	<u>556,120</u>	<u>(13,188,302)</u>	<u>-</u>	<u>(13,188,302)</u>
Business-type activities:							
Water	3,734,709	3,972,456	-	-	-	237,747	237,747
Sewer	4,091,034	3,406,079	-	-	-	(684,955)	(684,955)
Garbage	<u>2,069,439</u>	<u>2,667,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>598,242</u>	<u>598,242</u>
Total Business-type Activities	<u>9,895,182</u>	<u>10,046,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,034</u>	<u>151,034</u>
Total Primary Government	<u>\$ 31,160,354</u>	<u>\$ 16,248,295</u>	<u>\$ 1,318,671</u>	<u>\$ 556,120</u>	<u>\$ (13,188,302)</u>	<u>\$ 151,034</u>	<u>\$ (13,037,268)</u>
General Revenues:							
Taxes:							
Property tax					\$ 2,657,306	\$ -	\$ 2,657,306
Sales tax					3,732,177	-	3,732,177
Franchise tax					179,313	-	179,313
Motor vehicle in lieu					1,596,755	-	1,596,755
Other taxes					719,718	-	719,718
Use of money and property					4,491,782	13,985	4,505,767
Capital contribution					-	-	-
Other revenue					159,416	-	159,416
Transfers (Note 6)					<u>2,117,754</u>	<u>(2,117,754)</u>	<u>-</u>
Total General Revenues and Transfers					<u>15,654,221</u>	<u>(2,103,769)</u>	<u>13,550,452</u>
Change in Net Position					2,465,919	(1,952,735)	513,184
Net Position - July 1, 2014					<u>59,745,761</u>	<u>45,082,983</u>	<u>104,828,744</u>
Prior period restatement (Note 18)					<u>(6,120,054)</u>	<u>(1,363,531)</u>	<u>(7,483,585)</u>
Net Position - July 1, 2014, restated					<u>53,625,707</u>	<u>43,719,452</u>	<u>97,345,159</u>
Net Position - June 30, 2015					<u>\$ 56,091,626</u>	<u>\$ 41,766,717</u>	<u>\$ 97,858,343</u>

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

**CITY OF PATTERSON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<b>General Fund</b>	<b>Patterson Public Financing Authority</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 6,981,621	\$ -	\$ 10,232,218	\$ 17,213,839
Restricted cash and investments with fiscal agents	-	74,712,397	-	74,712,397
Receivables:				
Accounts	581,414	-	833,305	1,414,719
Interest	2,236	1,401	21,566	25,203
Notes and loans	16,632	-	1,946,100	1,962,732
Due from other funds (Note 6)	644,761	-	-	644,761
 Total Assets	 \$ 8,226,664	 \$ 74,713,798	 \$ 13,033,189	 \$ 95,973,651
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,326,743	\$ 26,922	\$ 182,731	\$ 1,536,396
Due to other funds (Note 6)	-	330,720	314,041	644,761
Unearned Revenue	49,532	-	35,065	84,597
Deposits	584,782	-	47,176	631,958
 Total Liabilities	 1,961,057	 357,642	 579,013	 2,897,712
 <b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflow of resources	\$ -	\$ -	\$ 1,946,100	\$ 1,946,100
 <b>FUND BALANCES:</b>				
Restricted	40,508	74,356,156	4,307,984	78,704,648
Committed	3,605,039	-	6,335,270	9,940,309
Assigned	2,051,675	-	105	2,051,780
Unassigned	568,385	-	(135,283)	433,102
 Total Fund Balances	 6,265,607	 74,356,156	 10,508,076	 91,129,839
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 8,226,664	 \$ 74,713,798	 \$ 13,033,189	 \$ 95,973,651

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

**CITY OF PATTERSON**  
**RECONCILIATION OF THE**  
**BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Total fund balances of governmental funds	\$ 91,129,839
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$16,383,337.	50,237,729
Certain accounts, notes and loans receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.	1,946,100
Deferred outflows of resources related to 2015 pension contributions were made subsequent to the measurement date.	1,288,983
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Long-term liabilities	(76,200,410)
Settlement Liability	(1,046,333)
Compensated absences	(348,184)
Net OPEB obligation	(5,721,870)
Net pension liability	(4,000,314)
Deferred inflows related to changes in the net pension liability	(1,112,818)
Accrued interest from the current portion of interest due on long-term receivables and liabilities have not been reported in the governmental funds.	
Accrued interest payable	(81,096)
Net position of governmental activities	\$ 56,091,626

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

**CITY OF PATTERSON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Patterson Public Financing Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Taxes:				
Property	\$ 2,517,130	\$ -	\$ 140,176	\$ 2,657,306
Sales	3,732,177	-	-	3,732,177
Franchise	179,313	-	-	179,313
Motor vehicle in lieu	1,596,755	-	-	1,596,755
Other	125,485	-	594,233	719,718
License, permits, and fees	787,968	-	1,228,953	2,016,921
Charges for current services	475,363	-	3,546,386	4,021,749
Intergovernmental	615,978	-	1,228,872	1,844,850
Fines, forfeitures and penalties	193,350	-	-	193,350
Investment earnings	19,868	4,502,874	55,019	4,577,761
Miscellaneous revenues	<u>144,774</u>	<u>-</u>	<u>1,420,348</u>	<u>1,565,122</u>
Total Revenues	<u>10,388,161</u>	<u>4,502,874</u>	<u>8,213,987</u>	<u>23,105,022</u>
<b><u>EXPENDITURES</u></b>				
General government	2,451,760	280,698	11,604	2,744,062
Police	4,039,064	-	-	4,039,064
Fire	1,817,224	-	1,252,377	3,069,601
Community development and planning	1,229,065	-	145,567	1,374,632
Public works	1,114,857	-	1,631,501	2,746,358
Parks and recreation	1,841,033	-	-	1,841,033
Capital outlay	111,030	88,230	1,674,121	1,873,381
Debt service:				
Principal	26,113	1,476,661	1,603,127	3,105,901
Interest and fiscal charges	<u>24,754</u>	<u>4,077,318</u>	<u>21,044</u>	<u>4,123,116</u>
Total Expenditures	<u>12,654,900</u>	<u>5,922,907</u>	<u>6,339,341</u>	<u>24,917,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,266,739)</u>	<u>(1,420,033)</u>	<u>1,874,646</u>	<u>(1,812,126)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from loan repayments	-	-	760	760
Transfers in	2,580,055	-	2,075,051	4,655,106
Transfers out	<u>(265,246)</u>	<u>-</u>	<u>(2,958,580)</u>	<u>(3,223,826)</u>
Total Other Financing Sources (Uses)	<u>2,314,809</u>	<u>-</u>	<u>(882,769)</u>	<u>1,432,040</u>
Net Change in Fund Balances	<u>48,070</u>	<u>(1,420,033)</u>	<u>991,877</u>	<u>(380,086)</u>
Fund Balances - July 1, 2014	<u>6,217,537</u>	<u>-</u>	<u>9,933,017</u>	<u>16,150,554</u>
Prior Period Adjustment (Note 18)	<u>-</u>	<u>75,776,189</u>	<u>(416,818)</u>	<u>75,359,371</u>
Fund Balance Restated - July 1, 2014	<u>6,217,537</u>	<u>75,776,189</u>	<u>9,516,199</u>	<u>91,509,925</u>
Fund Balances - June 30, 2015	<u>\$ 6,265,607</u>	<u>\$ 74,356,156</u>	<u>\$ 10,508,076</u>	<u>\$ 91,129,839</u>

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



**CITY OF PATTERSON**  
**RECONCILIATION OF THE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balance - total governmental funds	\$ (380,086)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets.</p>	
Capital asset purchases capitalized	1,684,708
Depreciation expense	(1,938,129)
<p>Contributions of capital assets are not included in the governmental fund statements. Thus, the change in net position differs from the change in fund balance by the value of these asset contributions.</p>	
	714,996
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Loan principal payments	3,768,485
Capital lease obligation principal payments	23,888
Bond discount costs	(28,446)
<p>Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenues and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Position.</p>	
	(1,234,851)
<p>Some revenues reported in the Statement of Activities will not be collected for several months after year-end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.</p>	
	(85,979)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Compensated absences	29,167
Lawsuit settlement	253,667
Net pension liability	423,469
Interest expense	4,883
Other post employment benefits	<u>(769,853)</u>
Change in net position of governmental activities	<u>\$ 2,465,919</u>

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

**CITY OF PATTERSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and investments	\$ 3,026,308	\$ 1,602,481	\$ 574,635	\$ 5,203,424
Accounts receivable	370,377	335,462	276,717	982,556
Interest receivable	<u>945</u>	<u>451</u>	<u>149</u>	<u>1,545</u>
Total Current Assets	<u>3,397,630</u>	<u>1,938,394</u>	<u>851,501</u>	<u>6,187,525</u>
Restricted cash and investments	5,086,757	216,475	-	5,303,232
Capital assets				
Land	2,877,956	2,867,641	-	5,745,597
Construction in progress	1,588,704	585,771	-	2,174,475
Infrastructure	23,176,647	36,814,545	-	59,991,192
Machinery and equipment	896,294	3,096,235	128,598	4,121,127
Less: accumulated depreciation	<u>(6,025,534)</u>	<u>(14,027,530)</u>	<u>(95,986)</u>	<u>(20,149,050)</u>
Total Capital Assets	<u>22,514,067</u>	<u>29,336,662</u>	<u>32,612</u>	<u>51,883,341</u>
Total Assets	<u>30,998,454</u>	<u>31,491,531</u>	<u>884,113</u>	<u>63,374,098</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred charges, net of amortization	75,890	39,013	-	114,903
Deferred outflows of resources	<u>208,194</u>	<u>206,075</u>	<u>28,863</u>	<u>443,132</u>
Total deferred outflows of resources	<u>284,084</u>	<u>245,088</u>	<u>28,863</u>	<u>558,035</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	250,306	195,237	144,443	589,986
Deposits payable	140,308	-	-	140,308
Accrued interest	34,685	23,596	-	58,281
Compensated absences, current portion	78,018	75,782	12,636	166,436
Long-term liabilities, current portion	<u>210,000</u>	<u>436,521</u>	<u>-</u>	<u>646,521</u>
Total Current Liabilities	<u>713,317</u>	<u>731,136</u>	<u>157,079</u>	<u>1,601,532</u>
Long-term Liabilities				
Net OPEB obligation	1,120,414	1,081,379	201,121	2,402,914
Net pension liability	610,604	604,392	84,650	1,299,646
Long-term liabilities, net of current	<u>8,810,000</u>	<u>7,701,018</u>	<u>-</u>	<u>16,511,018</u>
Total Long-term Liabilities	<u>10,541,018</u>	<u>9,386,789</u>	<u>285,771</u>	<u>20,213,578</u>
Total Liabilities	<u>11,254,335</u>	<u>10,117,925</u>	<u>442,850</u>	<u>21,815,110</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows of resources	<u>164,582</u>	<u>162,907</u>	<u>22,817</u>	<u>350,306</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	13,494,067	21,199,123	32,612	34,725,802
Restricted for debt service	554,909	216,475	-	771,384
Restricted for capital projects	4,531,848	-	-	4,531,848
Unrestricted	<u>1,282,797</u>	<u>40,189</u>	<u>414,697</u>	<u>1,737,683</u>
Total Net Position	<u>\$ 19,863,621</u>	<u>\$ 21,455,787</u>	<u>\$ 447,309</u>	<u>\$ 41,766,717</u>

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

**CITY OF PATTERSON**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>				
Charges for services	\$ 3,822,434	\$ 3,224,629	\$ 2,560,562	\$ 9,607,625
Other governmental	-	70,524	-	70,524
Fees, fines, and penalties	143,837	95,433	107,119	346,389
Miscellaneous revenues	<u>6,185</u>	<u>15,493</u>	<u>-</u>	<u>21,678</u>
Total Operating Revenues	<u>3,972,456</u>	<u>3,406,079</u>	<u>2,667,681</u>	<u>10,046,216</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	1,497,761	1,511,244	298,719	3,307,724
Contractual and professional services	331,570	286,240	1,657,303	2,275,113
Supplies and operating costs	659,866	445,374	110,456	1,215,696
Depreciation	<u>819,125</u>	<u>1,604,384</u>	<u>2,961</u>	<u>2,426,470</u>
Total Operating Expenses	<u>3,308,322</u>	<u>3,847,242</u>	<u>2,069,439</u>	<u>9,225,003</u>
Operating Income (Loss)	<u>664,134</u>	<u>(441,163)</u>	<u>598,242</u>	<u>821,213</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest income	8,552	4,081	1,352	13,985
Interest expense	<u>(426,387)</u>	<u>(243,792)</u>	<u>-</u>	<u>(670,179)</u>
Total Non-Operating Revenues (Expenses)	<u>(417,835)</u>	<u>(239,711)</u>	<u>1,352</u>	<u>(656,194)</u>
Income (Loss) Before Transfers and Contributions	<u>246,299</u>	<u>(680,874)</u>	<u>599,594</u>	<u>165,019</u>
<b><u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>				
Transfers in	-	237,562	-	237,562
Transfers out	<u>(697,353)</u>	<u>(1,212,352)</u>	<u>(445,611)</u>	<u>(2,355,316)</u>
Total Transfers and Capital Contributions	<u>(697,353)</u>	<u>(974,790)</u>	<u>(445,611)</u>	<u>(2,117,754)</u>
Change in Net Position	<u>(451,054)</u>	<u>(1,655,664)</u>	<u>153,983</u>	<u>(1,952,735)</u>
Net Position - July 1, 2014	<u>20,955,295</u>	<u>23,745,551</u>	<u>382,137</u>	<u>45,082,983</u>
Prior Period Adjustment (Note 18)	(640,620)	(634,100)	(88,811)	(1,363,531)
Net Position Restated- July 1, 2014	<u>20,314,675</u>	<u>23,111,451</u>	<u>293,326</u>	<u>43,719,452</u>
Net Position - June 30, 2015	<u>\$ 19,863,621</u>	<u>\$ 21,455,787</u>	<u>\$ 447,309</u>	<u>\$ 41,766,717</u>

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

**CITY OF PATTERSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Cash received from customers	\$ 4,091,494	\$ 3,444,663	\$ 2,656,933	\$ 10,193,090
Cash paid to suppliers	(835,365)	(589,039)	(1,769,543)	(3,193,947)
Cash paid to employees	<u>(1,397,097)</u>	<u>(1,388,011)</u>	<u>(274,350)</u>	<u>(3,059,458)</u>
Net Cash Provided by Operating Activities	<u>1,859,032</u>	<u>1,467,613</u>	<u>613,040</u>	<u>3,939,685</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Transfers out	<u>(697,353)</u>	<u>(288,316)</u>	<u>(445,611)</u>	<u>(1,431,280)</u>
Net Cash Used for Noncapital Financing Activities	<u>(697,353)</u>	<u>(288,316)</u>	<u>(445,611)</u>	<u>(1,431,280)</u>
<b><u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u></b>				
Principal payments on capital debt	(205,000)	(468,583)	-	(673,583)
Interest paid on capital debt	(427,422)	(247,539)	-	(674,961)
Principal payments on capital lease	(11,699)	(23,753)	-	(35,452)
Acquisition and construction of capital assets	<u>(1,402,391)</u>	<u>(786,283)</u>	<u>-</u>	<u>(2,188,674)</u>
Net Cash Used for Capital Financing Activities	<u>(2,046,512)</u>	<u>(1,526,158)</u>	<u>-</u>	<u>(3,572,670)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest	<u>8,599</u>	<u>4,080</u>	<u>1,289</u>	<u>13,968</u>
<b><u>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</u></b>	<u>8,599</u>	<u>4,080</u>	<u>1,289</u>	<u>13,968</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>(876,234)</u>	<u>(342,781)</u>	<u>168,718</u>	<u>(1,050,297)</u>
Cash and Cash Equivalents - July 1, 2014	<u>8,989,299</u>	<u>2,161,737</u>	<u>405,917</u>	<u>11,556,953</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 8,113,065</u>	<u>\$ 1,818,956</u>	<u>\$ 574,635</u>	<u>\$ 10,506,656</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>				
Cash and investments	\$ 3,026,308	\$ 1,602,481	\$ 574,635	\$ 5,203,424
Restricted cash and investments	<u>5,086,757</u>	<u>216,475</u>	<u>-</u>	<u>5,303,232</u>
Total cash and investments	<u>\$ 8,113,065</u>	<u>\$ 1,818,956</u>	<u>\$ 574,635</u>	<u>\$ 10,506,656</u>

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

**CITY OF PATTERSON**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>				
<b><u>TO NET CASH PROVIDED BY OPERATING</u></b>				
<b><u>ACTIVITIES:</u></b>				
Operating Income (Loss)	\$ 664,134	\$ (441,163)	\$ 598,242	\$ 821,213
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	819,125	1,604,384	2,961	2,426,470
Amortization expense	2,976	1,625	-	4,601
Pension expense	(73,628)	(72,876)	(10,207)	(156,711)
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	108,008	38,584	(10,748)	135,844
Increase (decrease) in accounts payable	153,095	140,950	(1,784)	292,261
Increase in customer deposits	11,030	-	-	11,030
Increase in compensated absences	7,646	30,981	3,928	42,555
Increase in net OPEB obligation	<u>166,646</u>	<u>165,128</u>	<u>30,648</u>	<u>362,422</u>
Net Cash Provided by Operating Activities	<u>\$ 1,859,032</u>	<u>\$ 1,467,613</u>	<u>\$ 613,040</u>	<u>\$ 3,939,685</u>

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

**CITY OF PATTERSON**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b><u>ASSETS</u></b>	<b><u>Agency Funds</u></b>
Cash and investments (Note 3)	\$ 6,877,801
Restricted cash and investments (Note 3)	3,891,805
Accounts receivable	84,871
Other assets	<u>968</u>
Total Assets	<u>10,855,445</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	6,318
Due to bondholders	<u>10,849,127</u>
Total Liabilities	<u>10,855,445</u>

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

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

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

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

Patterson Public Financing Authority: The Patterson Public Financing Authority was formed in 2001 pursuant to a joint exercise of powers agreement between the City of Patterson and the 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 the Agency and to provide financing for public capital improvements for lease to public entities, including the City and the Agency. The members of the City Council also sit as the Board of Directors of the Authority.

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

West Patterson Financing Authority: The West Patterson Financing Authority (the Authority) was formed in 2001 pursuant to a joint exercise of powers agreement between the City of Patterson and the 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. The financial activities of the Authority are included in the City's agency funds. Separate financial statements for the Authority may be obtained from the City at 1 Plaza, Patterson, CA 95363.

**B. Basis of Presentation**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

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

Government-wide Financial Statements

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

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

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

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

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

**Proprietary Funds**

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



**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fiduciary Funds (not included in government-wide statements)**

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

**Major Funds**

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

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

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

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

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

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

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

The City also reports the following fund type:

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

**C. Measurement Focus and Basis of Accounting**

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

Measurement Focus

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

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

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Property Taxes**

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

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

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

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

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

**E. Cash and Investments**

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

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

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

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Accounts and Interest Receivable**

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

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

**G. Capital Assets**

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Compensated Absences**

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. The City's liability for compensated absences is recorded in the government-wide Statement of Net Position for governmental funds and the Statement of Net Position for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2015. The amount of accrued sick pay is not due upon termination and therefore is not recorded as a liability for the City.

**I. Long-Term Liabilities**

In the government-wide financial statements and the proprietary fund financial statements, long-term liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Initial issue bond premiums and discounts, as well as issuance costs, 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, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

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

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Interfund Transactions**

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

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

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

**L. Equity Classifications**

Government-wide Statements

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

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Statements

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

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

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

**M. Use of Estimates**

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

**N. Reclassifications**

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

**O. Implementation of Government Accounting Standards Board Statements**

Effective July 1, 2014, the City implemented the following accounting and financial reporting standards:

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Government Accounting Standards Board Statements No. 68 and 71

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. See note 14 for information on implementation.

**P. Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2015 or later. The City has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits other than Pension Plans*. This statement replaces Statement No. 43 and 57 and improves the usefulness of information about postemployment benefits other than pensions. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2017.



**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Government Accounting Standards Board Statement No. 75

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

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

Government Accounting Standards Board Statement No. 77

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

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2: BUDGET**

**A. Budgets and Budgetary Accounting**

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

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

**B. Excess of Expenditures or Expense over Appropriations**

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

Fund	Amount
CDBG	\$ 3,489
Gas Tax	\$ 200
WWTP Construction	\$ 1,611,603
HUD Fed Grant	\$ 16,625
CFD 2013-1	\$ 2,173
TDA	\$ 159,754
Patterson Gardens Fire Suppression	\$ 27

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 2: BUDGET (continued)**

**C. Fund Deficits**

The following funds had deficit fund balances at June 30, 2015:

Fund	Deficit
Patterson Gardens Fire Suppression Assessment	\$ 5,091
Public Safety	\$ 95,374
Federal CDBG Grant 2003	\$ 31,038
Senior Center	\$ 398
Heartland Ranch Infrastructure	\$ 3,382

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

**NOTE 3: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2015 were classified in the accompanying financial statements as follows:

	Cash and investments	Restricted cash and investments	Total
Governmental activities	\$ 17,213,839	\$ 74,712,397	\$ 91,926,236
Business-type activities	<u>5,203,424</u>	<u>5,303,232</u>	<u>10,506,656</u>
Total government-wide cash and investments	<u>22,417,263</u>	<u>80,015,629</u>	<u>102,432,892</u>
Fiduciary activities	<u>6,877,801</u>	<u>3,891,805</u>	<u>10,769,606</u>
Total cash and investments	<u>\$ 29,295,064</u>	<u>\$ 83,907,434</u>	<u>\$ 113,202,498</u>

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

Cash and investments were carried at fair value as of June 30, 2015 and consisted of the following:

Cash on hand	\$ 1,170
Deposits with financial institutions	<u>12,327,960</u>
Total cash	<u>12,329,130</u>
Municipal Bonds (WPFA)	72,699,136
Money market mutual funds	11,481,860
Central San Joaquin Valley Risk Management Authority (CSJVRMA)	3,555,711
Local Area Investment Fund (LAIF)	<u>13,136,661</u>
Total investments	<u>100,873,368</u>
Total cash and investments	<u>\$ 113,202,498</u>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 3: CASH AND INVESTMENTS (continued)**

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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

Investments Authorized by Debt Agreements

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

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 3: CASH AND INVESTMENTS (continued)**

Disclosure Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2015:

	Remaining Maturity				Fair Value
	12 months or less	1-5 years	6-10 years	Thereafter	
LAIF	\$ 13,136,661	\$ -	\$ -	\$ -	\$ 13,136,661
CSJVRMA	3,555,711	-	-	-	3,555,711
Money market funds	273,562	-	-	-	273,562
Municipal bonds (WPFA)	801,252	4,430,030	8,812,309	54,564,941	68,608,532
Municipal bonds (HR)	272,833	1,674,120	1,792,416	351,235	4,090,604
Held by bond trustee:					
Money market funds	<u>11,208,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,208,298</u>
	<u>\$ 29,248,317</u>	<u>\$ 6,104,150</u>	<u>\$ 10,604,725</u>	<u>\$ 54,916,176</u>	<u>\$ 100,873,368</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2015.

Disclosures Relating to Credit Risk

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

	Total	Minimum Legal Rating	Rating as of Fiscal Year End		
			S&P	Moody's	N/A
LAIF	\$ 13,136,661	N/A			Not rated
CSJVRMA	3,555,711	N/A			Not rated
Money market funds	273,562	N/A			Not rated
Municipal bonds (WPFA)	68,608,532	N/A			Not rated
Municipal bonds (HR)	4,090,604	N/A			Not rated
Held by bond trustee:					
Money market funds	<u>11,208,298</u>	N/A	AAAm	Aaa-mf	
	<u>\$ 100,873,368</u>				

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (continued)**

Concentration of Credit Risk

The City held the following investments in a single issuer (other than U.S. Treasury securities, external investment pools and mutual funds) that represented 5% or more of total City investment as of June 30, 2015.

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
West Patterson Financing Agency	Municipal Bonds	\$ 68,608,532

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the carrying amount of the City's deposits was \$12,327,960 and bank balances were \$12,661,473 of which \$11,449,670 was uninsured under the FDIC.

Investment in State Investment Pool

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

**NOTE 4: LOANS AND NOTES RECEIVABLE**

The City engages in programs designed to encourage business enterprises, construction or improvements in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, homeowners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by deferred revenue, as they are not expected to be repaid within the first 60 days of fiscal year 2016. These notes receivable comprised the following at June 30, 2015:

Housing Authority of the County of Stanislaus	\$ 290,000
Greater Valley Housing Development Corporation	900,000
Housing Rehabilitation and Affordable Housing	<u>772,732</u>
<b>Total loans and notes receivable</b>	<b><u>\$ 1,962,732</u></b>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 4: LOANS AND NOTES RECEIVABLE (continued)**

State Water Loan Letter of Credit

The City borrowed \$3,783,532 from the State of California Water Resource Board in April 2000. The proceeds were used to expand the wastewater treatment plant. The City received security from KB Home by the way of a letter of credit for the principal and interest payments on the loan. The note bears interest of 2.5% per annum payable on February 1. The remaining balance on the note receivable was repaid on July 15, 2014.

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 revenue 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, 2015 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, 2015 was \$772,732.

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the Governmental funds for the fiscal year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 2,768,831	\$ 626,886	\$ -	\$ -	\$ 3,395,717
Construction in progress	<u>2,335,108</u>	<u>154,137</u>	<u>-</u>	<u>(466,568)</u>	<u>2,022,677</u>
Total capital assets not being depreciated	<u>5,103,939</u>	<u>781,023</u>	<u>-</u>	<u>(466,568)</u>	<u>5,418,394</u>
Capital assets being depreciated					
Buildings	23,972,873	-	-	-	23,972,873
Improvements	11,626,370	1,056,581	-	-	12,682,951
Streets and roads	18,483,700	350,000	-	466,568	19,300,268
Equipment	<u>5,034,480</u>	<u>212,100</u>	<u>-</u>	<u>-</u>	<u>5,246,580</u>
Total capital assets being depreciated	<u>59,117,423</u>	<u>1,618,681</u>	<u>-</u>	<u>466,568</u>	<u>61,202,672</u>
Less: accumulated depreciation					
Buildings	(3,104,382)	(600,077)	-	-	(3,704,459)
Improvements	(4,207,818)	(565,073)	-	-	(4,772,891)
Streets and roads	(3,273,852)	(430,738)	-	-	(3,704,590)
Equipment	<u>(3,859,156)</u>	<u>(342,241)</u>	<u>-</u>	<u>-</u>	<u>(4,201,397)</u>
Total accumulated depreciation	<u>(14,445,208)</u>	<u>(1,938,129)</u>	<u>-</u>	<u>-</u>	<u>(16,383,337)</u>
Governmental activities capital assets, net	<u>\$ 49,776,154</u>	<u>\$ 461,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,237,729</u>

During the fiscal year June 30, 2015, the West Patterson Financing Authority transferred assets to governmental activities totaling \$626,886.



**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 5: CAPITAL ASSETS (continued)**

Capital asset activity for the Business-type activities for the fiscal year ended June 30, 2015 was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 5,745,597	\$ -	\$ -	\$ -	\$ 5,745,597
Construction in progress	<u>1,442,707</u>	<u>1,385,262</u>	<u>-</u>	<u>(653,494)</u>	<u>2,174,475</u>
Total capital assets not being depreciated	<u>7,188,304</u>	<u>1,385,262</u>	<u>-</u>	<u>(653,494)</u>	<u>7,920,072</u>
Capital assets being depreciated					
Infrastructure	58,627,102	710,597	-	653,494	59,991,193
Equipment	<u>4,044,681</u>	<u>92,814</u>	<u>(16,368)</u>	<u>-</u>	<u>4,121,127</u>
Total capital assets being depreciated	<u>62,671,783</u>	<u>803,411</u>	<u>(16,368)</u>	<u>653,494</u>	<u>64,112,320</u>
Less: accumulated depreciation					
Infrastructure	(16,262,454)	(2,100,184)	-	-	(18,362,638)
Equipment	<u>(1,476,495)</u>	<u>(326,286)</u>	<u>16,368</u>	<u>-</u>	<u>(1,786,413)</u>
Total accumulated depreciation	<u>(17,738,949)</u>	<u>(2,426,470)</u>	<u>16,368</u>	<u>-</u>	<u>(20,149,051)</u>
Business-type activities capital assets, net	<u>\$ 52,121,138</u>	<u>\$ (237,797)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,883,341</u>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 5: CAPITAL ASSETS (continued)**

Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program as of June 30, 2015 were as follows:

**Governmental Activities**

General government	\$ 48,647
Fire	53,880
Public works	1,157,257
Parks and recreation	<u>678,345</u>
Total Governmental Activities	<u>\$ 1,938,129</u>

**Business-type Activities**

Water	\$ 819,125
Sewer	1,604,384
Garbage	<u>2,961</u>
Total Business-type Activities	<u>\$ 2,426,470</u>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 6: INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of June 30, 2015 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Patterson Gardens Fire Suppression Assessment	Overdrawn Cash	\$ 10,682
General Fund	Federal CDBG Grant 2003	Overdrawn Cash	42,099
General Fund	Senior Center	Overdrawn Cash	398
General Fund	Street Project Fund	Overdrawn Cash	164,967
General Fund	Patterson Public Financing Authority	Overdrawn Cash	330,720
General Fund	Public Safety	Overdrawn Cash	<u>95,895</u>
<b>Total Interfund Receivables/Payables</b>			<b>\$ <u>644,761</u></b>

Transfer between funds during the fiscal year ended June 30, 2015 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of Transfer</u>	<u>Amount</u>
<b><u>Major Governmental Funds</u></b>			
General Fund	Public Safety	Administrative costs	<u>265,246</u>
Total Major Governmental Funds Transfers			<u>265,246</u>
<b><u>Non-Major Governmental Funds</u></b>			
Landscape Maintenance District	General Fund	Administrative costs	266,879
Benefit Assessment Districts	General Fund	Administrative costs	71,936
Benefit Assessment Districts	Sewer	Administrative costs	110,970
Benefit Assessment Districts	Street Project Fund	Capital projects	335,385
Patterson Gardens Fire Assessment	Public Safety	Fire assessments	400,000
Public Safety	General Fund	Administrative costs	339,240
Federal CDBG Grant 2003	General Fund	Administrative costs	11,276
Federal HOME Funds	General Fund	Administrative costs	8,000
Gas Tax	General Fund	Capital projects	518,253
Gas Tax	Street Project Fund	Capital projects	167,049
Local Transportation Fund	Street Project Fund	Capital projects	253,000
Street Improvement Impact Fee	Street Project Fund	Capital projects	350,000
Sewer Impact Fee	Sewer	Capital projects	<u>126,592</u>
Total Non-Major Governmental Funds Transfers			<u>2,958,580</u>
<b>Total Governmental Interfund Transfers</b>			<b>\$ <u>3,223,826</u></b>
<b><u>Proprietary Funds</u></b>			
Garbage	General Fund	Administrative costs	\$ 345,611
Garbage	Street Project Fund	Capital projects	100,000
Sewer	General Fund	Administrative costs	471,507
Sewer	Street Project Fund	Capital projects	50,000
Sewer	General Government	Transfer of debt	686,474
Sewer	Storm Drain Impact Fees	Capital purchase	4,371
Water	General Fund	Administrative costs	547,353
Water	Street Project	Capital projects	<u>150,000</u>
<b>Total Proprietary Interfund Transfers</b>			<b>\$ <u>2,355,316</u></b>

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7: OPERATING LEASES**

The City has commitments to lease certain office equipment and property. The total rent expense during the year ended June 30, 2015 was \$158,156. Minimum future lease payments under non-cancelable operating leases as of June 30, 2015 are as follows:

<u>Fiscal year ended June 30,</u>	
2016	\$ 78,922
2017	<u>50,053</u>
Total	<u>\$ 128,975</u>

**NOTE 8: DEFERRED INFLOWS OF RESOURCES - NOTES RECEIVABLE**

Governmental funds report deferred inflows of resources in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer inflows of resources recognition in connection with resources that have been received, but not yet earned. At June 30, 2015, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

Housing Authority of the County of Stanislaus	\$ 290,000
Greater Valley Housing Development Corporation	1,131,875
First Time Homebuyer	<u>524,225</u>
Total Deferred Inflow of Resources	<u>\$ 1,946,100</u>

Of the amount of deferred inflow of resources in the governmental funds, \$6,375,000 was recognized as revenue in the Statement of Activities.

**NOTE 9: SETTLEMENT LIABILITY**

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

Under the terms of the settlement agreement, the total amount the City will pay Keystone is \$1,300,000. Of that sum, \$936,000 will be paid in three annual installments, beginning July 15, 2014 with the final payment due in 2016. The remaining amount of the settlement in the amount of \$364,000 will be paid to Keystone upon collection from the entitlement or development of undeveloped land in the West Patterson Business Park. The settlement agreement does not require payment of the \$364,000 in any particular time frame other than as early in the entitlement or development process as possible but no later than entering into development agreements or approving tentative maps or final maps on currently underdeveloped land in the West Patterson Business Park. As of June 30, 2015, the remaining balance of \$1,046,333 was recorded on the statement of net position.

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES**

The following is a summary of debt transactions of the City for the year ended June 30, 2015:

	<u>Original Issue Amount</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Due within one year</u>
<b>Governmental activities</b>							
Compensated absences	\$ -	\$ 377,351	\$ 274,274	\$ -	\$ (303,441)	\$ 348,184	\$ 348,184
Banc of America	717,421	700,643	-	(686,474)	(14,169)	-	-
State water resource loan	3,783,532	1,591,183	-	-	(1,591,183)	-	-
PPFA 2013 Heartland Ranch revenue bonds	4,963,568	4,963,568	-	-	(321,661)	4,641,907	350,836
PPFA 2013-series A revenue bonds	67,190,000	67,055,000	-	-	(1,075,000)	65,980,000	1,030,000
Discount on bonds	(853,389)	(824,943)	-	-	28,446	(796,497)	28,446
PPFA 2013 series B revenue bonds	6,465,000	6,455,000	-	-	(80,000)	6,375,000	80,000
Capital leases	<u>792,492</u>	<u>23,888</u>	<u>-</u>	<u>-</u>	<u>(23,888)</u>	<u>-</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b><u>\$ 83,058,624</u></b>	<b><u>\$ 80,341,690</u></b>	<b><u>\$ 274,274</u></b>	<b><u>\$ (686,474)</u></b>	<b><u>\$ (3,380,896)</u></b>	<b><u>\$ 76,548,594</u></b>	<b><u>\$ 1,837,466</u></b>
<b>Business-type activities</b>							
<b>Water</b>							
Compensated absences	\$ -	\$ 70,372	\$ 59,239	\$ -	\$ (51,593)	\$ 78,018	\$ 78,018
2011 Water revenue bonds	10,200,000	9,225,000	-	-	(205,000)	9,020,000	210,000
Capital leases	<u>144,521</u>	<u>11,699</u>	<u>-</u>	<u>-</u>	<u>(11,699)</u>	<u>-</u>	<u>-</u>
Total Water fund	<u>10,344,521</u>	<u>9,307,071</u>	<u>59,239</u>	<u>-</u>	<u>(268,292)</u>	<u>9,098,018</u>	<u>288,018</u>
<b>Sewer</b>							
Compensated absences	-	44,801	90,927	-	(59,946)	75,782	75,782
Economic Bank loan	652,144	400,000	-	-	(100,000)	300,000	100,000
State Revolving Fund loan	774,790	734,174	-	-	(37,588)	696,586	38,564
Banc of America loan	951,540	929,302	-	686,474	(18,785)	1,596,991	44,970
CEC loan	2,876,172	2,876,172	-	-	(172,210)	2,703,962	187,987
1979 Sewer revenue bonds	250,000	75,000	-	-	(75,000)	-	-
2009 Sewer revenue bonds	3,195,000	2,905,000	-	-	(65,000)	2,840,000	65,000
Capital leases	<u>80,289</u>	<u>23,753</u>	<u>-</u>	<u>-</u>	<u>(23,753)</u>	<u>-</u>	<u>-</u>
Total Sewer fund	<u>8,779,935</u>	<u>7,988,202</u>	<u>90,927</u>	<u>686,474</u>	<u>(552,282)</u>	<u>8,213,321</u>	<u>512,303</u>
<b>Garbage</b>							
Compensated absences	<u>-</u>	<u>8,708</u>	<u>9,941</u>	<u>-</u>	<u>(6,013)</u>	<u>12,636</u>	<u>12,636</u>
<b>Total Business-type Activities</b>	<b><u>\$ 19,434,909</u></b>	<b><u>\$ 17,303,981</u></b>	<b><u>\$ 160,107</u></b>	<b><u>\$ 686,474</u></b>	<b><u>\$ (826,587)</u></b>	<b><u>\$ 17,323,975</u></b>	<b><u>\$ 812,957</u></b>

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10: LONG TERM LIABILITIES (continued)**

Governmental activities future debt obligations at June 30, 2015 consisted of the following:

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 Fund and Sewer Fund. 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 \$686,474 was transferred to the Sewer fund.

State Water Resource Loan:

In 2005, the City entered into an agreement with the State Water Resource Board for a loan in the amount of \$3,783,532. Interest is calculated at 2.8% per annum payable each February 1. Principal payments are due annually on February 1 and are payable from developer reimbursements. On July 15, 2014, the City of Patterson repaid the balance of \$1,591,183 of the State Water Resource Control Board loan.

2013 Heartland Ranch Revenue Bond

On July 30, 2013, the Patterson Public Financing Authority issued \$4,963,568 of revenue refunding bonds (Series 2013 Heartland Ranch Revenue Bonds) to repay, in part, the principal of the Authority's 2002 Heartland Ranch Revenue bond. Interest on the bonds is payable semi-annually on March 2 and September 2 of each year through September 2, 2027, beginning on March 2, 2014. The interest rates on the bonds is 3.73 percent. Principal payments are due annually beginning on September 2, 2014. The outstanding balance of the 2013 Heartland Ranch Revenue bonds at June 30, 2015 was \$4,641,907.

<b>2013 Heartland Ranch Revenue Bond</b>			
<b>Years Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 350,836	\$ 166,600	\$ 517,436
2017	373,583	153,090	526,673
2018	385,717	138,929	524,646
2019	397,349	124,324	521,673
2020	408,446	109,296	517,742
2021 - 2025	2,084,963	303,040	2,388,003
2026 - 2028	641,013	32,028	673,041
<b>Totals</b>	<b>\$ 4,641,907</b>	<b>\$ 1,027,307</b>	<b>\$ 5,669,214</b>

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10: LONG TERM LIABILITIES (continued)**

2013 PPFA Series A Bond

On August 14, 2013, the Patterson Public Financing Authority issued \$67,190,000 of special tax refunding bonds (Senior Series 2013A) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds Issued by the West Patterson Financing Authority. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rates on the bonds is 3.00 percent. Principal payments are due annually beginning on September 1, 2014. The notes are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2013 PPFA Series A bonds at June 30, 2015 was \$65,980,000.

<b>2013 PPFA Series A Bond</b>			
<b>Years Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 1,030,000	\$ 3,496,638	\$ 4,526,638
2017	1,105,000	3,465,738	4,570,738
2018	1,225,000	3,432,588	4,657,588
2019	1,340,000	3,383,588	4,723,588
2020	1,450,000	3,329,988	4,779,988
2020 - 2024	9,035,000	15,626,863	24,661,863
2025 - 2029	12,645,000	12,956,313	25,601,313
2030 - 2034	15,980,000	9,160,238	25,140,238
2035 - 2039	22,170,000	4,025,575	26,195,575
<b>Totals</b>	<b>\$ 65,980,000</b>	<b>\$ 58,877,529</b>	<b>\$ 124,857,529</b>

2013 PPFA Series B Bond

On August 14, 2013, the Patterson Public Financing Authority issued \$6,465,000 of special tax refunding bonds (Subordinate Series 2013B) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds Issued by the West Patterson Financing Authority. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rates on the bonds is 5.875 percent. Principal payments are due annually beginning on September 1, 2014. The notes are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2013 PPFA Series B bonds at June 30, 2015 was \$6,375,000.

<b>2013 PPFA Series B Bond</b>			
<b>Years Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 80,000	\$ 374,531	\$ 454,531
2017	85,000	369,831	454,831
2018	100,000	364,838	464,838
2019	110,000	358,963	468,963
2020	125,000	352,500	477,500
2021 - 2025	845,000	1,635,013	2,480,013
2026 - 2030	1,230,000	1,341,850	2,571,850
2031 - 2035	1,600,000	932,950	2,532,950
2036 - 2040	2,200,000	407,138	2,607,138
<b>Totals</b>	<b>\$ 6,375,000</b>	<b>\$ 6,137,614</b>	<b>\$ 12,512,614</b>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES (continued)**

Total Governmental Activities:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,460,836	\$ 4,037,769	\$ 5,498,605
2017	1,563,583	3,988,659	5,552,242
2018	1,710,717	3,936,355	5,647,072
2019	1,847,349	3,866,875	5,714,224
2020	1,983,446	3,791,784	5,775,230
2021 - 2025	11,964,963	17,564,916	29,529,879
2026 - 2030	14,516,013	14,330,191	28,846,204
2031 - 2035	17,580,000	10,093,188	27,673,188
2036 - 2040	<u>24,370,000</u>	<u>4,432,713</u>	<u>28,802,713</u>
<b>Total</b>	<b><u>\$ 76,996,907</u></b>	<b><u>\$ 66,042,450</u></b>	<b><u>\$ 143,039,357</u></b>



**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES (continued)**

Business type activities future debt obligations at June 30, 2015 consisted of the following:

2011 Water Revenue Bonds:

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 210,000	\$ 421,157	\$ 631,157
2017	215,000	416,223	631,223
2018	220,000	410,632	630,632
2019	225,000	404,363	629,363
2020	235,000	397,500	632,500
2021 - 2025	1,330,000	1,835,750	3,165,750
2026 - 2030	1,685,000	1,486,000	3,171,000
2031 - 2035	2,155,000	1,020,000	3,175,000
2036 - 2040	<u>2,745,000</u>	<u>425,500</u>	<u>3,170,500</u>
<b>Totals</b>	<b>\$ <u>9,020,000</u></b>	<b>\$ <u>6,817,125</u></b>	<b>\$ <u>15,837,125</u></b>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES (continued)**

Economic Bank Loan:

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 100,000	\$ -	\$ 100,000
2017	100,000	-	100,000
2018	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>Totals</b>	<b><u>\$ 300,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 300,000</u></b>

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.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 38,564	\$ 18,111	\$ 56,675
2017	39,567	17,109	56,676
2018	40,596	16,080	56,676
2019	41,651	15,024	56,675
2020	42,734	13,941	56,675
2021 - 2025	230,926	52,452	283,378
2026- 2030	<u>262,548</u>	<u>20,829</u>	<u>283,377</u>
<b>Totals</b>	<b><u>\$ 696,586</u></b>	<b><u>\$ 153,546</u></b>	<b><u>\$ 850,132</u></b>

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.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 44,970	\$ 54,870	\$ 99,840
2017	57,971	53,202	111,173
2018	72,017	51,076	123,093
2019	9,433	49,121	58,554
2020	23,602	48,673	72,275
2021 - 2025	374,352	203,850	578,202
2026 - 2030	<u>1,014,646</u>	<u>92,317</u>	<u>1,106,963</u>
<b>Total</b>	<b><u>\$ 1,596,991</u></b>	<b><u>\$ 553,109</u></b>	<b><u>\$ 2,150,100</u></b>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES (continued)**

CEC Loan

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 187,987	\$ 26,644	\$ 214,631
2017	189,943	24,688	214,631
2018	191,847	22,783	214,630
2019	193,770	20,860	214,630
2020	195,662	16,956	212,618
2021 - 2025	1,008,359	64,793	1,073,152
2026 - 2030	<u>736,394</u>	<u>14,813</u>	<u>751,207</u>
<b>Total</b>	<b>\$ <u>2,703,962</u></b>	<b>\$ <u>191,537</u></b>	<b>\$ <u>2,895,499</u></b>

1979 Sewer Revenue Bonds

In 1979, the City issued \$250,000 in sewer revenue bonds (Series 1979). Interest is payable semi-annually on each January 1 and July 1 at 5%. The bonds are payable from the revenues of the sewer system and the remaining balance of \$75,000 was paid off in fiscal year 2015.

2009 Sewer Revenue Bonds

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 65,000	\$ 148,562	\$ 213,562
2017	70,000	146,287	216,287
2018	70,000	143,488	213,488
2019	75,000	140,687	215,687
2020	75,000	137,688	212,688
2021 - 2025	435,000	630,962	1,065,962
2026 - 2030	565,000	505,175	1,070,175
2031 - 2035	735,000	332,200	1,067,200
2036 - 2039	<u>750,000</u>	<u>105,875</u>	<u>855,875</u>
<b>Totals</b>	<b>\$ <u>2,840,000</u></b>	<b>\$ <u>2,290,924</u></b>	<b>\$ <u>5,130,924</u></b>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 10: LONG TERM LIABILITIES (continued)**

Total Business-type Activities:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 646,521	\$ 669,344	\$ 1,315,865
2017	672,481	657,509	1,329,990
2018	694,460	644,059	1,338,519
2019	544,854	630,055	1,174,909
2020	571,998	614,758	1,186,756
2021 - 2025	3,378,637	2,787,807	6,166,444
2026 - 2030	4,263,588	2,119,134	6,382,722
2031 - 2035	2,890,000	1,352,200	4,242,200
2036 - 2040	<u>3,495,000</u>	<u>531,375</u>	<u>4,026,375</u>
<b>Totals</b>	<b>\$ <u>17,157,539</u></b>	<b>\$ <u>10,006,241</u></b>	<b>\$ <u>27,163,780</u></b>

Compensated Absences

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

	<u>Total Current Portion</u>	<u>Total Compensated Absences</u>
<u>Government Wide</u>		
General government	\$ 34,829	\$ 34,829
Fire	152,235	152,235
Public works	34,586	34,586
Community development and planning	31,588	31,588
Parks and recreation	<u>94,946</u>	<u>94,946</u>
Total Government Wide	<b>\$ <u>348,184</u></b>	<b>\$ <u>348,184</u></b>
<u>Business-type Activities</u>		
Water	\$ 78,018	\$ 78,018
Sewer	75,782	75,782
Garbage	<u>12,636</u>	<u>12,636</u>
Total Business-type Activities	<b>\$ <u>166,436</u></b>	<b>\$ <u>166,436</u></b>

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 11: RISK MANAGEMENT**

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

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

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

The Authority is currently operating as a common risk management and insurance program for 55 member cities. The program's general objectives are to formulate, develop, and administer, on the behalf of the member cities, a program of insurance, to obtain lower cost for that coverage, and to develop a comprehensive loss control program. A member may withdraw from the Authority only by giving six months notice. Cities applying for membership in the Authority may do so on approval of a two-thirds vote of the board of the Authority.

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

**NOTE 12: DEBT WITHOUT CITY COMMITMENT**

Special assessment districts in various parts of the City have issued debt finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but does not have direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the general long-term liabilities of the City. The outstanding balance of each of these issues as of June 30, 2015 was as follows:

Heartland Ranch Authority Bonds	\$ 4,090,604
Community Facilities District No. 2013-A1 Special Tax Bonds	35,249,080
Community Facilities District No. 2013-A2 Special Tax Bonds	29,077,163
Community Facilities District No. 2013-B Special Tax Bonds	<u>4,282,289</u>
<b>Total Debt without City Commitment</b>	<b><u>\$ 72,699,136</u></b>

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13: FUND BALANCE**

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The City established the following fund balance procedures:

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

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

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

As of June 30, 2015, fund balances consisted of the following:

	General Fund	Patterson Public Financing Authority	Non-Major Governmental Funds	Total
<b>Restricted:</b>				
Grants	\$ -	\$ -	\$ 1,049,933	\$ 1,049,933
Debt service	40,508	74,356,156	-	74,396,664
Taxes, fees, and assessments	-	-	3,258,051	3,258,051
Total Restricted	<u>40,508</u>	<u>74,356,156</u>	<u>4,307,984</u>	<u>78,704,648</u>
<b>Committed:</b>				
Contingencies	3,605,039	-	-	3,605,039
Capital projects	-	-	6,335,270	6,335,270
Total Committed	<u>3,605,039</u>	<u>-</u>	<u>6,335,270</u>	<u>9,940,309</u>
<b>Assigned:</b>				
General government operations	-	-	105	105
Capital projects	2,051,675	-	-	2,051,675
Total Assigned	<u>2,051,675</u>	<u>-</u>	<u>105</u>	<u>2,051,780</u>
<b>Unassigned</b>	<u>568,385</u>	<u>-</u>	<u>(135,283)</u>	<u>433,102</u>
<b>Nonspendable</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>\$ 6,265,607</u>	<u>\$ 74,356,156</u>	<u>\$ 10,508,076</u>	<u>\$ 91,129,839</u>

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN**

**A. General Information about the Pension Plans**

Plan Description

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

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

Hire Date	Miscellaneous	
	Classic Prior to January 1, 2013	(PEPRA) On or After January 1, 2013
Benefit Formula	2.7% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.7%	2.0%
Required Employee Contribution Rates	8.000%	6.250%
Required Employer Contribution Rates	11.008%	6.555%
Safety		
Classic		
Hire Date	Prior to January 1, 2013	
Benefit Formula	3.0% @ 50	
Benefit Vesting Schedule	5 years service	
Benefit Payments	monthly for life	
Retirement Age	50	
Monthly Benefits, as a % of Eligible Compensation	3.0%	
Required Employee Contribution Rates	9.000%	
Required Employer Contribution Rates	18.428%	

**CITY OF PATTERSON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

**NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)**

Contributions

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Classic	PEPRA	Safety Classic
Contributions - Employer	\$ 985,724	\$ 18,231	\$ 365,401
Contributions - Employee	\$ 21,946	\$ 18,231	-

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Classic	\$ 3,638,246
PEPRA	348
Safety Classic	<u>1,661,366</u>
Total Net Pension Liability	<u>\$ 5,299,960</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Classic	PEPRA	Safety Classic
Proportion - June 30, 2013	0.05576%	0.00002%	0.02668%
Proportion - June 30, 2014	0.05847%	0.00001%	0.02670%
Change - Increase (Decrease)	0.00271%	(0.00001%)	0.00002%



**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)**

For the year ended June 30, 2015, the City recognized pension expense of \$789,175. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,369,355	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	362,760	-
Net differences between projected and actual earnings on plan investments	-	1,463,124
<b>Total</b>	<b>\$ 1,732,115</b>	<b>\$ 1,463,124</b>

\$1,369,355 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,		
2015	\$	(255,841)
2016	\$	(255,841)
2017	\$	(268,673)
2018	\$	(320,009)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Cost-Sharing Miscellaneous & Safety Plans
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)**

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent 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 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

**CITY OF PATTERSON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

**NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)**

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)

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

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

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

The following presents the City's proportionate share of the net pension liability for each 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:

<u>Net Pension Liability (Asset)</u>	<u>Discount Rate -1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate +1% (8.50%)</u>
Miscellaneous - Classic	\$ 5,751,060	\$ 3,638,246	\$ 1,884,811
Miscellaneous - PEPRA	\$ 621	\$ 348	\$ 122
Safety - Classic	\$ 2,731,181	\$ 1,661,366	\$ 779,889

Pension Plan Fiduciary Net Position

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

**NOTE 15: DEFERRED COMPENSATION PLAN**

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

**CITY OF PATTERSON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2015

**NOTE 16: POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT**

This note includes information required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Description of the Plan

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

For the year ended June 30, 2015, the City reported 89 active and 18 retired employees. Of the actives, 2 are not currently participating but retain the right to elect coverage in the future and have been included in the valuation. Of the retirees, 7 have waived coverage and are assumed not to participate in the future.

Funding Policy

Employees become eligible to retire under PEMHCA and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City has selected the unequal contribution method, where it contributes a percent of the amount paid for actives to its eligible retirees. The percent increases each year until the City's contribution for retirees eventually equals that for similarly stated active employees. The City currently covers 100% of the cost of medical coverage for active employees and their dependents up to, but not exceeding, the dollar amount of the family premium for the lowest cost HMO. As of June 30, 2015, the City had not established a formal funding policy or trust to maintain future required contributions. The City is currently funding the benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2015, the City's annual cost for the healthcare plan was \$1,191,105. The net OPEB obligation for governmental activities was \$5,721,870 as of June 30, 2015, and the net OPEB obligation for business-type activities was \$2,402,914 as of June 30, 2015. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2015 were as follows:

Annual required contribution		
Service cost at year-end	\$	872,000
30-year amortization of unfunded liability		368,000
Interest		280,000
Amortization of net OPEB obligation		<u>(328,895)</u>
 Total annual required contribution		 <u>1,191,105</u>
 Employer contributions		 (58,830)
 Net OPEB obligation at July 1, 2014		 <u>6,992,509</u>
 Net OPEB obligation at June 30, 2015	\$	 <u>8,124,784</u>

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2013	\$ 1,446,687	\$ 44,300	3.1 %	\$ 5,883,093
June 30, 2014	\$ 1,155,570	\$ 46,154	4.0 %	\$ 6,992,509
June 30, 2015	\$ 1,191,105	\$ 58,830	4.9 %	\$ 8,124,784

**CITY OF PATTERSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

Funded Status and Funding Progress

The funded status of the plan based on the most recent actuarial study (2013) using age-adjusted premiums as of June 30, 2015, was as follows:

Actuarial accrued liability (AAL)		
Active employees	\$	7,147,200
Retired employees		<u>1,786,800</u>
		<u>8,934,000</u>
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>8,934,000</u>
Funded Ratio (actuarial value of plan assets / AAL)		0 %
Covered payroll (active plan members)	\$	4,978,000
UAAL as a percentage of covered payroll		179 %

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

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

Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The asset valuation method was based on the market value of assets. The actuarial assumptions included a 4.0% interest rate. Salary increases were assumed to be 3.25% per year. Current active and retired participants are assumed to continue their current election through retirement. Non-participating actives are assigned a 50% probability of electing coverage at retirement. Existing elections for spousal coverage are assumed to be maintained through retirement and surviving spouses retain coverage until their death.

**NOTE 17: CONTINGENT LIABILITIES AND COMMITMENTS**

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

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 18 : PRIOR PERIOD ADJUSTMENTS**

As a result of implementing GASB Statement Nos. 68 and 71, the City has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013 by \$8,308,528. The decrease resulted from the following:

<u>Description of Restatement</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Recording of net pension liability	\$ (4,000,314)	\$ (1,299,646)	\$ (5,299,960)
Application of 2014 contributions	(247,304)	(63,885)	(311,189)
PPFA adjustment noted below	<u>(2,697,379)</u>	<u>-</u>	<u>(2,697,379)</u>
Total Prior Period Adjustment	<u>\$ (6,944,997)</u>	<u>\$ (1,363,531)</u>	<u>\$ (8,308,528)</u>

In addition, management determined that the Patterson Public Financing Authority, previously reported as a fiduciary fund, qualifies as a blended component unit. The adjustment had the following effects on the government-wide and fund financial statements.

<u>Financial Statement</u>	<u>Description</u>	<u>Amount</u>
Balance Sheet	To recognize the Patterson Public Financing Authority as a blended component unit.	\$ 75,776,189
Statement of Net Position	To recognize the Patterson Public Financing Authority as a blended component unit.	\$ (2,697,379)

Management also determined that the following prior period adjustments were necessary, which do not affect the government wide financial statements.:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
First time homebuyers	To record deferred inflows of resources for note payments not received within 60 days.	(184,943)
Developer housing in-lieu fee	To record deferred inflows of resources for note payments not received within 60 days.	<u>(231,875)</u>
	Total prior period adjustment	<u>\$ (416,818)</u>

**CITY OF PATTERSON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 19: SUBSEQUENT EVENT**

**West Patterson Financing Authority Community Facilities District No. 2005-1**

On September 29, 2015, the West Patterson Financing Authority (“the Authority”) issued Special Tax Bonds, Series 2005 in the aggregate principal amount of \$9,630,000. The Authority is not liable for repayment and is only responsible for collecting the special taxes, making payment from the special taxes to the bondholders, and initiating foreclosure proceedings when necessary. This bond is payable solely from special taxes, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the Authority’s basic financial statements.

**West Patterson Financing Authority Community Facilities District No. 2015-1 (Arambel-KDN)**

On September 29, 2015, the West Patterson Financing Authority (“the Authority”) issued Special Tax Bonds, Series 2015 in the aggregate principal amount of \$4,775,000. The Authority is not liable for repayment and is only responsible for collecting the special taxes, making payment from the special taxes to the bondholders, and initiating foreclosure proceedings when necessary. This bond is payable solely from special taxes, specific reserves, and the proceeds from property foreclosures. Accordingly, the bonds are not reported as liabilities in the Authority’s basic financial statements.

**Patterson Hotel Associates, LLC Lawsuit**

On October 6, 2011, the City of Patterson filed suit against the Patterson Hotel Associates, LLC for unpaid transient occupancy taxes pursuant to Revenue and Taxation Code section 7280(a) in the amount of \$173,499. At the time of this trial this amount was estimated to be \$237,149 with interest.

The trial concluded on July 24, 2014, and the Court found in favor of the City of Patterson on the complaint in the amount of \$237,148 plus pre-judgment interest at 18%. The City of Patterson estimated the settlement to be in the amount of \$350,000.

On January 4, 2016, the Court issued a ruling on the City’s Motion for Attorneys’ Fees. The final award is \$673,660 in attorneys’ fees and \$16,997.89 in costs, totaling \$690,657.89.

**Eli Development Corporation Reimbursement**

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF PATTERSON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**  
**JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
Taxes				
Property	\$ 2,749,836	\$ 2,749,836	\$ 2,517,130	\$ (232,706)
Sales	3,755,000	3,755,000	3,732,177	(22,823)
Franchise	175,000	175,000	179,313	4,313
Motor vehicle in lieu	1,325,000	1,325,000	1,596,755	271,755
Other	105,950	105,950	125,485	19,535
License, permits, and fees	910,813	910,813	787,968	(122,845)
Charges for current services	378,503	378,503	475,363	96,860
Intergovernmental	700,498	700,498	615,978	(84,520)
Fines, forfeitures and penalties	176,500	176,500	193,350	16,850
Investment earnings	32,089	32,089	19,868	(12,221)
Miscellaneous revenues	<u>149,816</u>	<u>149,816</u>	<u>144,774</u>	<u>(5,042)</u>
Total Revenues	<u>10,459,005</u>	<u>10,459,005</u>	<u>10,388,161</u>	<u>(70,844)</u>
<b><u>EXPENDITURES</u></b>				
General government	2,320,655	2,320,655	2,451,760	(131,105)
Police	4,651,835	4,651,835	4,039,064	612,771
Fire	1,925,040	1,925,040	1,817,224	107,816
Community development and planning	1,398,208	1,398,208	1,229,065	169,143
Public works	1,151,087	1,151,087	1,114,857	36,230
Parks and recreation	1,905,965	1,905,965	1,841,033	64,932
Capital outlay	81,350	81,350	111,030	(29,680)
Debt service:				
Principal	30,890	30,890	26,113	4,777
Interest and fiscal charges	<u>32,535</u>	<u>32,535</u>	<u>24,754</u>	<u>7,781</u>
Total Expenditures	<u>13,497,565</u>	<u>13,497,565</u>	<u>12,654,900</u>	<u>842,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,038,560)</u>	<u>(3,038,560)</u>	<u>(2,266,739)</u>	<u>771,821</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	2,746,240	2,746,240	2,580,055	(166,185)
Transfers out	<u>-</u>	<u>(265,246)</u>	<u>(265,246)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,746,240</u>	<u>2,480,994</u>	<u>2,314,809</u>	<u>(166,185)</u>
Net Change in Fund Balance	<u>\$ (292,320)</u>	<u>\$ (557,566)</u>	<u>48,070</u>	<u>\$ 605,636</u>
Fund Balance - July 1, 2014			6,217,537	
Fund Balance - June 30, 2015			<u>\$ 6,265,607</u>	

**CITY OF PATTERSON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL**  
**PATTERSON PUBLIC FINANCING AUTHORITY**  
**JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Investment earnings	-	500	4,502,874	4,502,374
Total Revenues	-	500	4,502,874	4,502,374
<b><u>EXPENDITURES</u></b>				
General government	-	-	280,698	(280,698)
Capital outlay	-	400,000	88,230	311,770
Debt service:				
Principal	-	1,176,661	1,476,661	(300,000)
Interest and fiscal charges	-	4,079,658	4,077,318	2,340
Total Expenditures	-	5,656,319	5,922,907	(266,588)
Excess (deficiency) of revenues over (under) expenditures	-	(5,655,819)	(1,420,033)	4,768,962
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	5,272,666	-	(5,272,666)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	5,272,666	-	(5,272,666)
Net Change in Fund Balance	\$ -	\$ (383,153)	(1,420,033)	\$ (503,704)
Fund Balance - July 1, 2014			-	
<b>PRIOR PERIOD ADJUSTMENTS</b>			75,776,189	
Fund Balance - June 30, 2015			\$ 74,356,156	

**CITY OF PATTERSON  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Prepared for the City's Miscellaneous and Safety Plans, Cost Sharing Defined Benefit Pension Plans  
As of June 30, 2015  
Last 10 Years \***

	2015		Safety Classic
	Miscellaneous Classic	PEPRA	
Proportion of the net pension liability	0.05847 %	0.00001 %	0.02670 %
Proportionate share of the net pension liability	\$ 3,638,246	\$ 348	\$ 1,661,368
Covered - employee payroll	\$ 3,566,991	\$ 108,178	\$ 991,506
Proportionate share of the net pension liability as a percentage of covered - employee payroll	102.00 %	0.32 %	167.56 %
Plan's fiduciary net position	12,287,961	1,706	6,325,433
Plan fiduciary net position as a percentage of the total pension liability	77.16 %	83.06 %	79.20 %

**Notes to Schedule:**

**Benefit changes** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions** - There were no changes in assumptions.

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF PATTERSON  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS  
Prepared for the City's Miscellaneous and Cost Sharing Plans,  
Cost Sharing Defined Benefit Pension Plans  
As of June 30, 2015  
Last 10 Years \***

	2015		Safety Classic
	Miscellaneous Classic	PEPRA	
Contractually required contribution (actuarially determined)	\$ 678,067	\$ 13,087	\$ 312,579
Contributions in relation to the actuarially determined contributions	<u>678,067</u>	<u>13,087</u>	<u>312,579</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	3,566,991	108,178	991,506
Contributions as a percentage of covered - employee payroll	19.01 %	12.10 %	31.53 %

**Notes to Schedule:**

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies; 2.75% thereafter
Mortality rate table	Derived using CalPERS' membership data for all funds

\* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF PATTERSON**  
**REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2009	\$ 5,050,847	\$ -	\$ 5,050,847	0%	\$ 4,372,476	116 %
June 30, 2010	\$ 8,845,000	\$ -	\$ 8,845,000	0%	\$ 4,159,809	213 %
June 30, 2013	\$ 6,767,000	\$ -	\$ 6,767,000	0%	\$ 4,821,000	140 %

**SUPPLEMENTARY INFORMATION**

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Special Revenue</b>				
	<b>Landscape Maintenance District</b>	<b>Benefit Assessment Districts</b>	<b>CSA #15 Assessment District</b>	<b>Patterson Gardens Fire Suppression Assessment</b>	<b>Public Safety</b>
<b>ASSETS</b>					
Cash and investments	\$ 1,100,567	\$ 1,279,520	\$ 10,558	\$ -	\$ -
Receivables:					
Accounts	19,479	5,849	-	5,591	8,560
Interest	326	479	3	-	-
Notes and loans	-	-	-	-	-
Total Assets	<u>\$ 1,120,372</u>	<u>\$ 1,285,848</u>	<u>\$ 10,561</u>	<u>\$ 5,591</u>	<u>\$ 8,560</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 62,577	\$ 4,441	\$ 214	\$ -	\$ 8,039
Due to other funds	-	-	-	10,682	95,895
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Total Liabilities	<u>62,577</u>	<u>4,441</u>	<u>214</u>	<u>10,682</u>	<u>103,934</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	-	-	-	-	-
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	1,057,795	1,281,407	10,347	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(5,091)	(95,374)
Total Fund Balances (Deficits)	<u>1,057,795</u>	<u>1,281,407</u>	<u>10,347</u>	<u>(5,091)</u>	<u>(95,374)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,120,372</u>	<u>\$ 1,285,848</u>	<u>\$ 10,561</u>	<u>\$ 5,591</u>	<u>\$ 8,560</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Special Revenue</b>				
	<b>Beautification Committee</b>	<b>CDBG HA Loan Fund</b>	<b>State HCD Rehab Program</b>	<b>Federal CDBG Grant 2003</b>	<b>First Time Home Buyers</b>
<b>ASSETS</b>					
Cash and investments	\$ 38,851	\$ -	\$ 144,212	\$ -	\$ 17,864
Receivables:					
Accounts	-	-	-	-	-
Interest	12	-	43	18,432	5
Notes and loans	-	293,489	58,031	-	184,943
	<u>-</u>	<u>293,489</u>	<u>58,031</u>	<u>-</u>	<u>184,943</u>
Total Assets	<u>\$ 38,863</u>	<u>\$ 293,489</u>	<u>\$ 202,286</u>	<u>\$ 18,432</u>	<u>\$ 202,812</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	42,099	-
Unearned revenue	-	-	-	7,371	-
Deposits	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,470</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	<u>-</u>	<u>293,489</u>	<u>58,031</u>	<u>-</u>	<u>184,943</u>
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	38,758	-	144,255	-	17,869
Committed	-	-	-	-	-
Assigned	105	-	-	-	-
Unassigned	-	-	-	(31,038)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,038)</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>38,863</u>	<u>-</u>	<u>144,255</u>	<u>(31,038)</u>	<u>17,869</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 38,863</u>	<u>\$ 293,489</u>	<u>\$ 202,286</u>	<u>\$ 18,432</u>	<u>\$ 202,812</u>



**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Special Revenue</b>				
	<b>Federal HOME Funds</b>	<b>Local Law Enforcement Block Grant</b>	<b>Gas Tax</b>	<b>Local Transportation Fund</b>	<b>Street Project Fund</b>
<b>ASSETS</b>					
Cash and investments	\$ 45,959	\$ 815	\$ 143,542	\$ 398,269	\$ -
Receivables:					
Accounts	-	-	57,687	160,512	575,627
Interest	14	-	43	118	-
Notes and loans	<u>246,910</u>	<u>30,852</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 292,883</u>	<u>\$ 31,667</u>	<u>\$ 201,272</u>	<u>\$ 558,899</u>	<u>\$ 575,627</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 44,948
Due to other funds	-	-	-	-	164,967
Unearned revenue	-	-	-	12,328	15,366
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,328</u>	<u>225,281</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	<u>246,910</u>	<u>30,852</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	45,973	815	201,272	546,571	350,346
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>45,973</u>	<u>815</u>	<u>201,272</u>	<u>546,571</u>	<u>350,346</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 292,883</u>	<u>\$ 31,667</u>	<u>\$ 201,272</u>	<u>\$ 558,899</u>	<u>\$ 575,627</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue</u>			<u>Capital Project</u>	
	<u>Developer Housing In-Lieu Fee</u>	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>
<b>ASSETS</b>					
Cash and investments	\$ 506,253	\$ 62,480	\$ -	\$ 106,142	\$ 145,106
Receivables:					
Accounts	-	-	-	-	-
Interest	150	19	-	31	43
Notes and loans	<u>1,131,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,638,278</u>	<u>\$ 62,499</u>	<u>\$ -</u>	<u>\$ 106,173</u>	<u>\$ 145,149</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	398	-	-
Unearned revenue	-	-	-	-	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>398</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	<u>1,131,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	506,403	-	-	106,173	-
Committed	-	62,499	-	-	145,149
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>506,403</u>	<u>62,499</u>	<u>(398)</u>	<u>106,173</u>	<u>145,149</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,638,278</u>	<u>\$ 62,499</u>	<u>\$ -</u>	<u>\$ 106,173</u>	<u>\$ 145,149</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Capital Project</b>				
	<b>General Government Impact Fee</b>	<b>Public Safety Impact Fee</b>	<b>Parkland In-Lieu Fee</b>	<b>Street Improvement Impact Fee</b>	<b>Water Impact Fee</b>
<b>ASSETS</b>					
Cash and investments	\$ 629,553	\$ 799,031	\$ 32,752	\$ 3,057,720	\$ 217,993
Receivables:					
Accounts	-	-	-	-	-
Interest	187	237	10	906	65
Notes and loans	-	-	-	-	-
Total Assets	<u>\$ 629,740</u>	<u>\$ 799,268</u>	<u>\$ 32,762</u>	<u>\$ 3,058,626</u>	<u>\$ 218,058</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 204	\$ 44,514	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Total Liabilities	<u>204</u>	<u>44,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	-	-	-	-	-
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	-	-	-	-	-
Committed	629,536	754,754	32,762	3,058,626	218,058
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>629,536</u>	<u>754,754</u>	<u>32,762</u>	<u>3,058,626</u>	<u>218,058</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 629,740</u>	<u>\$ 799,268</u>	<u>\$ 32,762</u>	<u>\$ 3,058,626</u>	<u>\$ 218,058</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Capital Project</b>				
	<b>Storm Drain Impact Fee</b>	<b>Sewer Impact Fee</b>	<b>Delta Mendota Storm Gate</b>	<b>Aquatic Center Construction</b>	<b>Future Water Acquisition</b>
<b>ASSETS</b>					
Cash and investments	\$ 1,120,175	\$ 64,583	\$ 165,755	\$ 39,478	\$ 56,811
Receivables:					
Accounts	-	-	-	-	-
Interest	332	19	49	12	17
Notes and loans	-	-	-	-	-
	-	-	-	-	-
Total Assets	\$ 1,120,507	\$ 64,602	\$ 165,804	\$ 39,490	\$ 56,828
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 17,794	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits	-	-	-	-	-
	-	-	-	-	-
Total Liabilities	17,794	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows of resources	-	-	-	-	-
	-	-	-	-	-
<b>FUND BALANCES (DEFICITS):</b>					
Restricted	-	-	-	-	-
Committed	1,102,713	64,602	165,804	39,490	56,828
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
	-	-	-	-	-
Total Fund Balances (Deficits)	1,102,713	64,602	165,804	39,490	56,828
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 1,120,507	\$ 64,602	\$ 165,804	\$ 39,490	\$ 56,828

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Capital Project</b>		<b>Total Non-major Governmental Funds</b>
	<b>Heartland Ranch Infrastructure</b>	<b>WTTP Construction</b>	
<b>ASSETS</b>			
Cash and investments	\$ 43,781	\$ 4,448	\$ 10,232,218
Receivables:			
Accounts	-	-	833,305
Interest	13	1	21,566
Notes and loans	-	-	1,946,100
	\$ 43,794	\$ 4,449	\$ 13,033,189
<b>Total Assets</b>	<b>\$ 43,794</b>	<b>\$ 4,449</b>	<b>\$ 13,033,189</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 182,731
Due to other funds	-	-	314,041
Unearned revenue	-	-	35,065
Deposits	47,176	-	47,176
	47,176	-	579,013
<b>Total Liabilities</b>	<b>47,176</b>	<b>-</b>	<b>579,013</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows of resources	-	-	1,946,100
	-	-	1,946,100
<b>FUND BALANCES (DEFICITS):</b>			
Restricted	-	-	4,307,984
Committed	-	4,449	6,335,270
Assigned	-	-	105
Unassigned	(3,382)	-	(135,283)
	(3,382)	-	(135,283)
<b>Total Fund Balances (Deficits)</b>	<b>(3,382)</b>	<b>4,449</b>	<b>10,508,076</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 43,794</b>	<b>\$ 4,449</b>	<b>\$ 13,033,189</b>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Special Revenue</b>				
	<b>Landscape Maintenance District</b>	<b>Benefit Assessment Districts</b>	<b>CSA #15 Assessment District</b>	<b>Patterson Gardens Fire Suppression Assessment</b>	<b>Public Safety</b>
<b>REVENUES</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	1,698,808	594,902	8,506	370,793	866,184
Intergovernmental	-	-	-	-	-
Investment earnings	2,958	4,332	27	-	1,762
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>1,701,766</u>	<u>599,234</u>	<u>8,533</u>	<u>370,793</u>	<u>867,946</u>
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Fire	-	-	-	5,027	1,247,350
Public works	1,456,627	146,399	-	-	-
Community development and planning	-	-	4,740	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	11,944	-	-	-	-
Interest and fiscal charges	624	-	-	-	-
Total Expenditures	<u>1,469,195</u>	<u>146,399</u>	<u>4,740</u>	<u>5,027</u>	<u>1,247,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>232,571</u>	<u>452,835</u>	<u>3,793</u>	<u>365,766</u>	<u>(379,404)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	665,246
Transfers out	(266,879)	(518,291)	-	(400,000)	(339,240)
Total Other Financing Sources (Uses)	<u>(266,879)</u>	<u>(518,291)</u>	<u>-</u>	<u>(400,000)</u>	<u>326,006</u>
Net Change in Fund Balances	<u>(34,308)</u>	<u>(65,456)</u>	<u>3,793</u>	<u>(34,234)</u>	<u>(53,398)</u>
Fund Balances (Deficits) - July 1, 2014	<u>1,092,103</u>	<u>1,346,863</u>	<u>6,554</u>	<u>29,143</u>	<u>(41,976)</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>1,092,103</u>	<u>1,346,863</u>	<u>6,554</u>	<u>29,143</u>	<u>(41,976)</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 1,057,795</u>	<u>\$ 1,281,407</u>	<u>\$ 10,347</u>	<u>\$ (5,091)</u>	<u>\$ (95,374)</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**Special Revenue**

	<u>Beautification Committee</u>	<u>CDBG HA Loan</u>	<u>State HCD Rehab Program</u>	<u>Federal CDBG Grant 2003</u>	<u>First Time Home Buyers</u>
<b>REVENUES</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	18,810	-
Investment earnings	105	-	651	-	2,812
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>105</u>	<u>-</u>	<u>651</u>	<u>18,810</u>	<u>2,812</u>
<b>EXPENDITURES</b>					
General government	-	3,489	8,031	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	-	317	-
Capital outlay	-	-	-	18,432	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>3,489</u>	<u>8,031</u>	<u>18,749</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105</u>	<u>(3,489)</u>	<u>(7,380)</u>	<u>61</u>	<u>2,812</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(11,276)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,276)</u>	<u>-</u>
Net Change in Fund Balances	<u>105</u>	<u>(3,489)</u>	<u>(7,380)</u>	<u>(11,215)</u>	<u>2,812</u>
Fund Balances (Deficits) - July 1, 2014	<u>38,758</u>	<u>3,489</u>	<u>151,635</u>	<u>(19,823)</u>	<u>200,000</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,943)</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>38,758</u>	<u>3,489</u>	<u>151,635</u>	<u>(19,823)</u>	<u>15,057</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 38,863</u>	<u>\$ -</u>	<u>\$ 144,255</u>	<u>\$ (31,038)</u>	<u>\$ 17,869</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Special Revenue**

	<b>Federal HOME Funds</b>	<b>Local Law Enforcement Block Grant</b>	<b>Gas Tax</b>	<b>Local Transportation Fund</b>	<b>Street Project Fund</b>
<b>REVENUES</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	594,233	-	-
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	140,000	-	-	561,843	421,593
Investment earnings	597	2	385	1,068	1
Miscellaneous revenues	49,453	-	-	-	-
Total Revenues	<u>190,050</u>	<u>2</u>	<u>594,618</u>	<u>562,911</u>	<u>421,594</u>
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	453	13,072
Community development and planning	140,510	-	-	-	-
Capital outlay	-	-	-	28,282	1,377,240
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>140,510</u>	<u>-</u>	<u>-</u>	<u>28,735</u>	<u>1,390,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,540</u>	<u>2</u>	<u>594,618</u>	<u>534,176</u>	<u>(968,718)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loan repayments	-	760	-	-	-
Transfers in	-	-	-	-	1,405,434
Transfers out	(8,000)	-	(685,302)	(253,000)	-
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>760</u>	<u>(685,302)</u>	<u>(253,000)</u>	<u>1,405,434</u>
Net Change in Fund Balances	<u>41,540</u>	<u>762</u>	<u>(90,684)</u>	<u>281,176</u>	<u>436,716</u>
Fund Balances (Deficits) - July 1, 2014	<u>4,433</u>	<u>53</u>	<u>291,956</u>	<u>265,395</u>	<u>(86,370)</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>4,433</u>	<u>53</u>	<u>291,956</u>	<u>265,395</u>	<u>(86,370)</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 45,973</u>	<u>\$ 815</u>	<u>\$ 201,272</u>	<u>\$ 546,571</u>	<u>\$ 350,346</u>



**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue</u>				<u>Capital Projects</u>
	<u>Developer Housing In-Lieu Fee</u>	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>
<b><u>REVENUES</u></b>					
Taxes					
Property	\$ 140,176	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-
License, permits, and fees	-	-	-	108,538	35,883
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	1,359	168	-	418	390
Miscellaneous revenues	-	-	-	-	-
	<u>141,535</u>	<u>168</u>	<u>-</u>	<u>108,956</u>	<u>36,273</u>
Total Revenues					
<b><u>EXPENDITURES</u></b>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	2,173	-
Community development and planning	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,173</u>	<u>-</u>
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>141,535</u>	<u>168</u>	<u>-</u>	<u>106,783</u>	<u>36,273</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	<u>141,535</u>	<u>168</u>	<u>-</u>	<u>106,783</u>	<u>36,273</u>
Fund Balances (Deficits) - July 1, 2014	<u>596,743</u>	<u>62,331</u>	<u>(398)</u>	<u>(610)</u>	<u>108,876</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(231,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>364,868</u>	<u>62,331</u>	<u>(398)</u>	<u>(610)</u>	<u>108,876</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 506,403</u>	<u>\$ 62,499</u>	<u>\$ (398)</u>	<u>\$ 106,173</u>	<u>\$ 145,149</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**Capital Projects**

	<b>General Government Impact Fee</b>	<b>Public Safety Impact Fee</b>	<b>Parkland In-Lieu Fee</b>	<b>Street Improvement Impact Fee</b>	<b>Water Impact Fee</b>
<b>REVENUES</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes					
License, permits, and fees	365,753	317,701	17,416	306,454	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	-	59,818
Investment earnings	1,690	2,144	88	9,043	585
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>367,443</u>	<u>319,845</u>	<u>17,504</u>	<u>315,497</u>	<u>60,403</u>
<b>EXPENDITURES</b>					
General government	-	84	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	-	-	-
Capital outlay	11,516	211,177	-	13,174	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>11,516</u>	<u>211,261</u>	<u>-</u>	<u>13,174</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>355,927</u>	<u>108,584</u>	<u>17,504</u>	<u>302,323</u>	<u>60,403</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(350,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>355,927</u>	<u>108,584</u>	<u>17,504</u>	<u>(47,677)</u>	<u>60,403</u>
Fund Balances (Deficits) - July 1, 2014	<u>273,609</u>	<u>646,170</u>	<u>15,258</u>	<u>3,106,303</u>	<u>157,655</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>273,609</u>	<u>646,170</u>	<u>15,258</u>	<u>3,106,303</u>	<u>157,655</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 629,536</u>	<u>\$ 754,754</u>	<u>\$ 32,762</u>	<u>\$ 3,058,626</u>	<u>\$ 218,058</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**Capital Projects**

	<b>Storm Drain Impact Fee</b>	<b>Sewer Impact Fee</b>	<b>Delta Mendota Storm Gate</b>	<b>Aquatic Center Construction</b>	<b>Future Water Acquisition</b>
<b>REVENUES</b>					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes					
License, permits, and fees	50,171	-	-	-	27,037
Charges for current services	-	-	-	2,904	4,289
Intergovernmental	-	26,808	-	-	-
Investment earnings	3,007	174	445	106	152
Miscellaneous revenues	-	-	-	-	-
	<u>53,178</u>	<u>26,982</u>	<u>445</u>	<u>3,010</u>	<u>31,478</u>
Total Revenues					
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	12,777	-	-	-	-
Community development and planning	-	-	-	-	-
Capital outlay	14,300	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
	<u>27,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>26,101</u>	<u>26,982</u>	<u>445</u>	<u>3,010</u>	<u>31,478</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from loan repayments	-	-	-	-	-
Transfers in	4,371	-	-	-	-
Transfers out	-	(126,592)	-	-	-
	<u>4,371</u>	<u>(126,592)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	<u>30,472</u>	<u>(99,610)</u>	<u>445</u>	<u>3,010</u>	<u>31,478</u>
Fund Balances (Deficits) - July 1, 2014	<u>1,072,241</u>	<u>164,212</u>	<u>165,359</u>	<u>36,480</u>	<u>25,350</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>1,072,241</u>	<u>164,212</u>	<u>165,359</u>	<u>36,480</u>	<u>25,350</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 1,102,713</u>	<u>\$ 64,602</u>	<u>\$ 165,804</u>	<u>\$ 39,490</u>	<u>\$ 56,828</u>

**CITY OF PATTERSON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

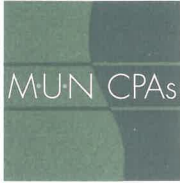
**Capital Projects**

	<b>Heartland Ranch Infrastructure</b>	<b>WWTP Construction</b>	<b>Total Non-major Governmental Funds</b>
<b>REVENUES</b>			
Taxes			
Property	\$ -	\$ -	\$ 140,176
Taxes	-	-	594,233
License, permits, and fees	-	-	1,228,953
Charges for current services	-	-	3,546,386
Intergovernmental	-	-	1,228,872
Investment earnings	118	20,432	55,019
Miscellaneous revenues	-	1,370,895	1,420,348
	<u>118</u>	<u>1,391,327</u>	<u>8,213,987</u>
Total Revenues			
	<u>118</u>	<u>1,391,327</u>	<u>8,213,987</u>
<b>EXPENDITURES</b>			
General government	-	-	11,604
Fire	-	-	1,252,377
Public works	-	-	1,631,501
Community development and planning	-	-	145,567
Capital outlay	-	-	1,674,121
Debt service:			
Principal	-	1,591,183	1,603,127
Interest and fiscal charges	-	20,420	21,044
	<u>-</u>	<u>1,611,603</u>	<u>6,339,341</u>
Total Expenditures			
	<u>-</u>	<u>1,611,603</u>	<u>6,339,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118</u>	<u>(220,276)</u>	<u>1,874,646</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from loan repayments	-	-	760
Transfers in	-	-	2,075,051
Transfers out	-	-	(2,958,580)
	<u>-</u>	<u>-</u>	<u>(882,769)</u>
Total Other Financing Sources (Uses)			
	<u>-</u>	<u>-</u>	<u>(882,769)</u>
Net Change in Fund Balances	<u>118</u>	<u>(220,276)</u>	<u>991,877</u>
Fund Balances (Deficits) - July 1, 2014	<u>(3,500)</u>	<u>224,725</u>	<u>9,933,017</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(416,818)</u>
<b>FUND BALANCE - RESTATED - JULY 1, 2014</b>	<u>(3,500)</u>	<u>224,725</u>	<u>9,516,199</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ (3,382)</u>	<u>\$ 4,449</u>	<u>\$ 10,508,076</u>

**CITY OF PATTERSON**  
**COMBINING SCHEDULE OF NET POSITION**  
**AGENCY FUNDS**  
**JUNE 30, 2015**

	<u>West Patterson Financing Authority</u>	<u>West Patterson Business Park</u>	<u>Heartland Ranch 2002</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 3,439,369	\$ 2,862,336	\$ 576,096	\$ 6,877,801
Restr. cash and investments	3,891,805	-	-	3,891,805
Accounts receivable	72,335	2,790	9,746	84,871
Other assets	<u>-</u>	<u>797</u>	<u>171</u>	<u>968</u>
Total Assets	<u>\$ 7,403,509</u>	<u>\$ 2,865,923</u>	<u>\$ 586,013</u>	<u>\$ 10,855,445</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ 5,043	\$ 1,275	\$ 6,318
Due to bondholders	<u>7,403,509</u>	<u>2,860,880</u>	<u>584,738</u>	<u>10,849,127</u>
Total Liabilities	<u>\$ 7,403,509</u>	<u>\$ 2,865,923</u>	<u>\$ 586,013</u>	<u>\$ 10,855,445</u>

## **OTHER REPORTS**



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP  
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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

To the City Council  
City of Patterson  
Patterson, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Patterson, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Patterson's basic financial statements, and have issued our report thereon dated October 27, 2016.

**Internal Control Over Financial Reporting**

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2015-01, 2015-02, and 2015-03.

**City of Patterson's Response to Findings**

City of Patterson's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Patterson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs".

Sacramento, California  
October 27, 2016

**CITY OF PATTERSON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Criteria**

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

**Condition**

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

**Cause**

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

**Recommendation**

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

**Management Response**

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

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



**CITY OF PATTERSON  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

**Finding 2015-02 Grant Reporting (Significant Deficiency)**

**Criteria**

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

**Condition**

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

**Cause**

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

**Recommendation**

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

**Management's Response**

The City is in agreement with this finding and recommendation. Management has reviewed grant reporting process and established the following in fiscal year 2016:

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

**CITY OF PATTERSON  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**Criteria**

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

**Condition**

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

**Cause**

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

**Recommendation**

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

**Management's Response**

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

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

**CITY OF PATTERSON  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2015**

There are no findings reported for the year ended June 30, 2014.