



**CITY OF PATTERSON
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

CITY OF PATTERSON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1- 2
Management's Discussion and Analysis	3 - 15
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24 - 25
Statement of Net Position - Fiduciary Funds	26
Notes to Basic Financial Statements	27 - 60
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund	62
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget To Actual - Landscape Maintenance District	63
Schedule of Funding Progress - CalPERS	64
Schedule of Funding Progress - Other Postemployment Benefits (OPEB)	65
Supplemental Information	
Combining Balance Sheets - Non Major Funds	66 - 72
Combining Schedules of Revenues, Expenses and Changes in Fund Balances - Non-Major Funds	73 - 79
Combining Schedule of Net Position - Agency Funds	80



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

Management's Responsibility for the Financial Statements

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

Opinion

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, 2014, and the respective changes in financial position and 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 18 to the financial statements in the year ended June 30, 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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, budgetary comparison information, and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 April 9, 2015, 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 City of Patterson's internal control over financial reporting and compliance.



Sacramento, California
April 9, 2015

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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, 2014. 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, 2014 include the following:

Government-wide:

- The City's total net position was \$104,828,744 as of June 30, 2014. Of this total, \$59,745,761 was governmental net position and \$45,082,983 was business-type net position.
- Government-wide revenues include program revenues of \$6,546,710 and general revenues and transfers of \$9,907,225, for a total of \$16,453,935.
- Government-wide expenses were \$19,688,745.
- Business-type program revenues, general revenues, and transfers were \$8,859,136 while business-type expenses and transfers were \$9,313,404.

Fund Level:

- Governmental fund balances decreased \$2,546,587 in fiscal year 2014.
- Governmental fund revenues increased \$1,613,572 in fiscal year 2014.
- Governmental fund expenditures increased \$2,527,123 in fiscal year 2014.

General Fund:

- General Fund revenues of \$9,010,596 were \$898,299 higher than the prior year.
- General Fund expenditures of \$13,440,406 represented an increase of \$1,271,875 over the prior year.
- General Fund balance of \$6,217,537 as of June 30, 2014, decreased by \$1,142,584 from 2013 fiscal year's fund balance of \$7,360,121.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into three parts:

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

Government-wide Financial Statements

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

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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 in addition to the General Fund: the Landscape Maintenance District fund and the WWTP Construction fund.

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

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

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

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

Comparisons of budget and actual financial information are presented only for the General Fund and any major special revenue funds starting on page 62, as required by GASB No. 34.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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. 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, 2014

	Governmental Activities 2014	Governmental Activities 2013
<u>ASSETS</u>		
Cash and investments	\$ 15,975,575	\$ 18,671,130
Other assets	5,078,415	4,739,656
Capital assets, net	49,776,154	48,708,096
TOTAL ASSETS	70,830,144	72,118,882
<u>LIABILITIES</u>		
Long-term liabilities	7,956,711	6,784,931
Other liabilities	3,106,232	2,365,180
TOTAL LIABILITIES	11,062,943	9,150,111
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources	21,440	21,440
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	47,460,440	46,822,970
Restricted	4,866,877	4,983,481
Unrestricted	7,418,444	11,140,880
TOTAL NET POSITION	\$ 59,745,761	\$ 62,947,331

The City's governmental net position amounted to \$59,745,761 as of June 30, 2014, a decrease of \$3,201,570 over 2013. 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, 2014 comprised the following:

Cash and investments totaled \$15,975,575. 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 \$1,676,601 of current receivables and loans receivable of \$3,401,814 that are due over longer periods of time as explained in Note 4.

Capital assets of \$49,776,154 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 \$2,728,881.

Compensated absences payable to employees were \$377,351, as explained in Note 10 to the financial statements.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

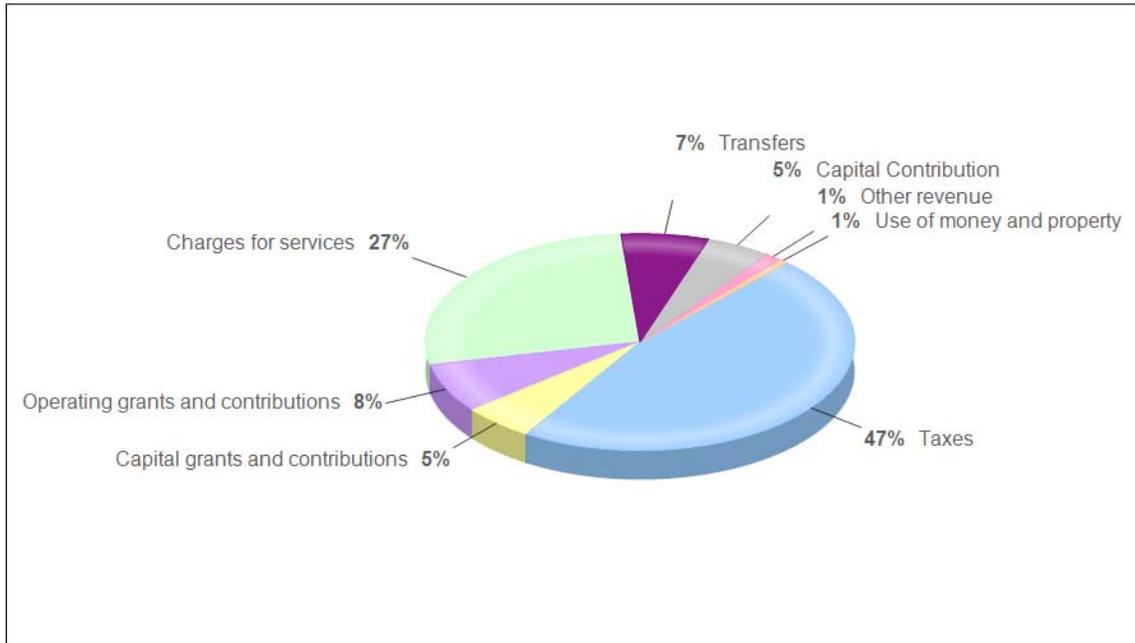
Long-term liabilities of \$7,956,711 consisted of \$4,952,017 related to the City's other postemployment benefits, \$936,000 in a settlement liability, and \$2,068,694 of other long-term liabilities.

Net investment in capital assets of \$47,460,440, 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 \$7,418,444 as of June 30, 2014.

Governmental Activities
Sources of Revenues

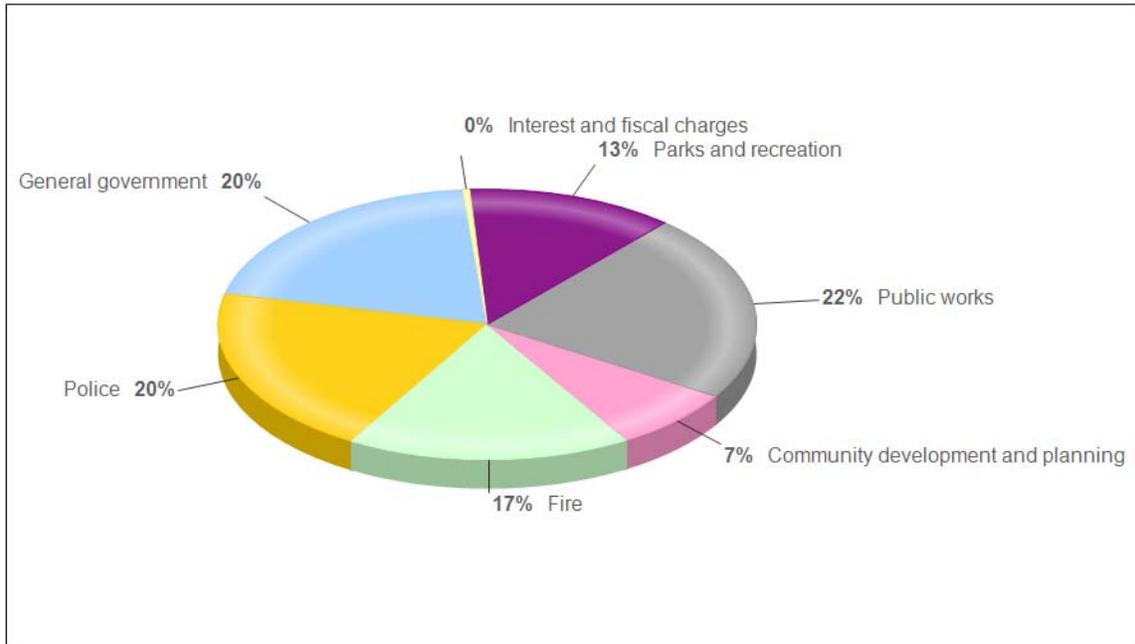


As the Governmental Activities Sources of Revenue chart above shows, \$7,695,092, or 47% of the City's fiscal year 2014 governmental activities revenue came from taxes, while \$4,448,700, or 27% came from charges for services, \$861,536 or 5%, came from capital grants and contributions, \$1,236,474 or 5% 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, 2014

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 \$3,945,285, or 20%, of total governmental expenses, community development and planning was \$1,460,591, or 7%, police was \$3,987,323, or 20%, fire was \$3,339,030, or 17%, public works was \$4,412,453, or 22%, parks and recreation was \$2,463,941, or 13%, 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, 2014

Table 2
CHANGE IN GOVERNMENTAL NET POSITION

	Governmental Activities 2014	Governmental Activities 2013
<u>EXPENSES</u>		
General government	\$ 3,945,285	\$ 2,807,815
Police	3,987,323	3,821,033
Fire	3,339,030	2,809,442
Community development and planning	1,460,591	1,136,097
Public works	4,412,453	3,835,002
Parks and recreation	2,463,941	2,223,206
Interest and fiscal charges	<u>80,122</u>	<u>60,882</u>
TOTAL EXPENSES	<u>19,688,745</u>	<u>16,693,477</u>
<u>REVENUES</u>		
Program revenues		
Charges for services	4,448,700	4,793,011
Operating grants and contributions	1,236,474	1,173,683
Capital grants and contributions	<u>861,536</u>	<u>2,061,872</u>
Total program revenues	<u>6,546,710</u>	<u>8,028,566</u>
General revenues		
Taxes	7,695,092	6,458,745
Use of money and property	117,176	205,181
Capital Contribution	809,908	-
Other	<u>1,285,049</u>	<u>2,560,353</u>
Total general revenues	<u>9,907,225</u>	<u>9,224,279</u>
TOTAL REVENUES	<u>16,453,935</u>	<u>17,252,845</u>
Extraordinary item - Settlement Liability (Note 9)	-	(1,300,000)
CHANGES IN NET POSITION	<u>\$ (3,234,810)</u>	<u>\$ (740,632)</u>

As Table 2 above shows, \$6,546,710 or 40%, of the City's fiscal year 2014 governmental revenue, came from program revenues and \$9,907,225, or 60%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$4,448,700, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,236,474 of operating grants and contributions, which included housing and police grants; and capital grants and contributions of \$861,536, that consisted mainly of a capital contribution related to Roger's Road and Sperry Median Projects from the West Patterson Financing Authority to the City and also consisted of a capital contribution of the Chevron Lighting and Solar Project from the Patterson Public Financing Authority to the City.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

The increase in expenditures of approximately 18% is primarily due to an increase in public safety costs, including both Police and Fire, a significant increase in legal services for litigation costs and an increase in general administrative costs for fiscal services, increased personnel costs and an increase in OPEB. The overall increase in revenues is partly due to a capital contribution related to Roger's Road, Sperry Median and Chevron Lighting and Solar Projects.

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 the fact that there were less capital contributions to the City in the current year as there were in the prior year. 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 increased legal services for litigation costs and an increase in general administrative costs for fiscal services, increase personnel costs, an increase in cost related to increased commercial development, and an increase in OPEB.

Table 3
GOVERNMENTAL ACTIVITIES

	Net (Expense) Revenues from Services 2014	Net (Expense) Revenues from Services 2013
General government	\$ (3,607,157)	\$ (2,506,568)
Police	(3,620,469)	(3,415,086)
Fire	(2,618,396)	(2,014,939)
Community development and planning	(671,447)	(360,529)
Public works	(1,708,512)	319,275
Parks and recreation	(835,932)	(626,182)
Interest and fiscal charges	<u>(80,122)</u>	<u>(60,882)</u>
Total	<u>\$ (13,142,035)</u>	<u>\$ (8,664,911)</u>

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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, 2014

	<u>Business-type 2014</u>	<u>Business-type 2013</u>
<u>ASSETS</u>		
Cash and investments	\$ 11,556,953	\$ 9,562,632
Other assets	1,119,928	1,753,396
Capital assets, net	<u>52,121,138</u>	<u>50,635,105</u>
TOTAL ASSETS	<u>64,798,019</u>	<u>61,951,133</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred charges, net of amortization	119,504	-
<u>LIABILITIES</u>		
Long-term liabilities	18,575,559	14,935,734
Other liabilities	<u>1,258,981</u>	<u>1,033,071</u>
TOTAL LIABILITIES	<u>19,834,540</u>	<u>15,968,805</u>
<u>NET POSITION</u>		
Invested in capital, net of related debt	34,941,039	36,814,164
Restricted	5,437,345	5,772,477
Unrestricted	<u>4,704,599</u>	<u>3,395,687</u>
TOTAL NET POSITION	<u>\$ 45,082,983</u>	<u>\$ 45,982,328</u>

The net position of business-type activities decreased by \$899,345 in fiscal year 2014. The increase of cash and investments of \$1,994,321 is due to an increase in charges for services based on updated fee schedules. The increase in long-term liabilities of \$3,639,825 was primarily due to the Banc of America and California Energy Commission loans for the Chevron Lighting and Solar Projects. The increase in other liabilities of \$225,910 was primarily due to the increase in accounts payable and accrued interest at year end. Capital assets increased by 3% primarily due to the completion of the Chevron Projects.

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	<u>2014</u>	<u>2013</u>
Water	\$ 186,501	\$ (1,014,773)
Sewer	(833,491)	(441,451)
Garbage	<u>192,722</u>	<u>(218,654)</u>
Total	<u>\$ (454,268)</u>	<u>\$ (1,674,878)</u>

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues increased \$898,299 this fiscal year due to a significant increase in sales tax and program and general capital contributions from West Patterson Financing Authority and Patterson Public Authority. Tax revenues increased \$1,054,942 due to a significant increase in sales tax revenue.

General Fund expenditures were \$13,440,406 an increase of \$1,271,875 from the prior year. Expenditures increased due to the increased public safety cost, increased litigation cost, the Sperry Median and Chevron Projects, and increased personnel and OPEB costs.

As of June 30, 2014, the General Fund's fund balance totaled \$6,217,537. The unassigned portion of the fund balances represents available liquid resources.

Landscape Maintenance District

This fund accounts for assessments and costs related to the maintenance of parks and streetscapes. The fund's fiscal year end fund balance was \$1,092,103.

WWTP Construction Fund

This fund accounts for the capital expenditures on the WWTP construction project funded by developer fees. The fund's fiscal year end fund balance was \$224,725. The project is complete.

Proprietary Funds

Water Fund

Operating revenues increased by \$117,442 in fiscal year 2014 and operating expenses increased by \$149,485 resulting in operating income of \$1,111,848. Revenue increase is due to increase in water rates. Increase in water expenses results from increased personnel costs, professional services, and operating costs.

The fund's net position decreased by \$186,501 primarily related to no capital contributions, to a new total of \$20,955,295. Of this amount, \$12,694,102 was invested in capital assets, net of related debt, \$689,022 was restricted for debt services, and \$4,531,848 was restricted for capital projects..

Sewer Fund

Operating revenues increased \$271,155 to \$3,275,496. Operating expenses increased by \$453,744. The fund's net position decreased by \$833,491 in fiscal year 2014. 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, 2014, the fund's net position was \$23,745,551, of which \$22,211,364 was invested in capital assets, net of related debt, \$216,475 was restricted, and \$1,317,712 was unrestricted.

Garbage Fund

Operating revenues increased by \$201,689 to \$2,475,705. Operating expenses decreased by \$31,868. The change in net position of the Garbage Fund resulted in an increase of \$192,722 in fiscal year 2014. Revenue increase is due to increase in garbage rates. Decrease in garbage expenses results from a decrease in controlled costs of contract services

As of June 30, 2014, the fund's net position was \$382,137, of which \$35,573 was invested in capital assets, net of related debt and \$346,564 was unrestricted.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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 2014, 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 2014, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 and 7 below:

Table 6
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS AT JUNE 30,

	2014	2013
Governmental Activities		
Capital assets not being depreciated		
Land	\$ 2,768,831	\$ 4,506,783
Construction in progress	2,335,108	2,941,658
Total capital assets not being depreciated	5,103,939	7,448,441
Capital assets being depreciated		
Buildings	23,972,873	23,972,873
Improvements	11,626,370	10,745,643
Streets and roads	18,483,700	14,498,315
Equipment	5,034,480	4,641,831
Total capital assets not being depreciated	59,117,423	53,858,662
Less: accumulated depreciation		
Buildings	(3,104,382)	(2,504,305)
Improvements	(4,207,818)	(3,674,177)
Streets and roads	(3,273,852)	(2,830,701)
Equipment	(3,859,156)	(3,589,823)
Total accumulated depreciation	(14,445,208)	(12,599,006)
Governmental activities capital assets, net	\$ 49,776,154	\$ 48,708,097

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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

	2014	2013
Business-type Activities		
Capital assets not being depreciated		
Land	\$ 5,745,597	\$ 5,745,597
Construction in progress	<u>1,442,707</u>	<u>1,799,013</u>
Total capital assets not being depreciated	<u>7,188,304</u>	<u>7,544,610</u>
Capital assets being depreciated		
Infrastructure	58,627,102	54,734,467
Equipment	<u>4,044,681</u>	<u>3,869,391</u>
Total capital assets being depreciated	<u>62,671,783</u>	<u>58,603,858</u>
Less: accumulated depreciation		
Infrastructure	(16,262,454)	(14,317,976)
Equipment	<u>(1,476,495)</u>	<u>(1,195,388)</u>
Total accumulated depreciation	<u>(17,738,949)</u>	<u>(15,513,364)</u>
Business-type activities capital assets, net	<u>\$ 52,121,138</u>	<u>\$ 50,635,104</u>

Governmental capital assets increased 2%. Business-type capital assets increased 4% . Both are due to current year capital contributions from West Patterson Financing Authority and Patterson Public Financing Authority. Details on capital assets, current year additions and construction in progress can be found in Note 5.

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.

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

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>2014</u>	<u>2013</u>
Governmental activities		
Compensated absences	\$ 377,351	\$ 338,951
State water resources loan	1,591,183	1,794,453
Banc of america loan	700,643	-
Capital leases	<u>23,888</u>	<u>90,673</u>
Total governmental activities	<u>\$ 2,693,065</u>	<u>\$ 2,224,077</u>
Business-type activities		
Water		
Compensated absences	\$ 70,372	\$ 70,125
2011 water revenue bond	9,225,000	9,430,000
Capital leases	<u>11,699</u>	<u>23,144</u>
Total for water fund	<u>9,307,071</u>	<u>9,523,269</u>
Sewer		
Compensated absences	44,801	41,741
Economic bank loan	400,000	500,000
State revolving fund loan	734,173	770,807
1979 sewer bonds	75,000	85,000
2009 sewer bonds	2,905,000	2,965,000
Banc of america loan	929,302	-
CEC loan	2,876,172	-
Capital leases	<u>23,753</u>	<u>46,990</u>
Total for sewer fund	<u>7,988,201</u>	<u>4,409,538</u>
Garbage		
Compensated absences	<u>8,708</u>	<u>11,340</u>
Total for garbage fund	<u>8,708</u>	<u>11,340</u>
Total business-type activities	<u>\$ 17,303,980</u>	<u>\$ 13,944,147</u>

CITY OF PATTERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR END JUNE 30, 2014

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

Patterson's economy continues to grow after a lengthy recession. Housing prices have increased and stabilized after the recession. New single family residential construction continues to grow. During fiscal year 2014 Amazon.com built a one million square foot state of the art fulfillment center in the Westridge Business Park. Amazon.com fulfillment center created hundreds of new jobs. Also announced in 2014 was the development of a one and half million square foot facility for Restoration Hardware our largest distribution center. Restoration Hardware will create hundreds of additional jobs in the coming year.

Overall, the City appears to be in a favorable position to continue attracting jobs and retail establishments. Sales tax revenues have trended higher over the past years. New retail establishments such as the Walmart Supercenter, a Panda Express takeout restaurant, a Gamestop store, an O'Reilly Auto Parts store and other various retailers have added to the City's sales tax base.

Patterson has established itself as a prime location for the distribution and logistics industry, with several major national and international corporations operating distribution facilities in the Keystone Business Park. The announcement from Amazon solidified this growing reputation. These facilities are bringing good paying jobs to the community and should result in other types of economic development in the future. At least five new or expanded medical offices and clinics have come to Patterson over the last year as well, further establishing the City as the retail, commercial and service hub of Western Stanislaus County and northwest Merced County

There have been delinquent property tax payments. However, regular tax collections will not be affected, since the City has agreed to participate in the Teeter Plan. The County forwards the proceeds of property taxes based on what is billed, not on what is collected. (55% is remitted in January, 40% in May, and 5% in June).

NEXT YEAR'S BUDGET

The following factors were taken into consideration during the preparation of the City's budget for the fiscal year 2014-2015.

The memorandum of understanding (MOU) with the largest bargaining unit of City employees, AFSCME Local 10, had a termination date of June 30, 2014. Meetings were held throughout the fall of 2014 and winter 2015 to negotiate and reach agreement on a new MOU. Negotiations are currently still in progress. The previous agreement restored the normal performance evaluation merit step process and provided an across the board increase of 4% in April of 2014 by reaching the City's sales tax revenues specified target in Calendar Year 2013. In December of 2012 the City reached agreement with its second bargaining unit, the Patterson Firefighters' Association, on a new three year MOU that will extend through December 31, 2015. It included an across the board increase of 4% in April of 2014 and 3% in April 2015 by reaching the City's sales tax revenues specified target in Calendar Year 2013 and 2014 respectively. Also included was a 2% wage increase effective April 2015 based on a decrease in Insurance Services Office (ISO) public protection classification program (PPC) rating, which improved the cities rating from a class 4 to a class 2 in August 2014.

An aging infrastructure for the City's sewer and water system is being addressed. A long range capital improvement plan has been adopted that will put funding and facility improvements in place. The City has now completed a Proposition 218 compliant rate increase procedure that will provide moderate water and sewer rate increases over time that will fund necessary maintenance and upgrades to these critical systems.

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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 3)	\$ 15,975,575	\$ 6,119,608	\$ 22,095,183
Receivables:			
Accounts	1,586,451	1,118,400	2,704,851
Interest	90,150	1,528	91,678
Notes and loans (Note 4)	3,401,814	-	3,401,814
Restricted cash and investments (Note 3)	-	5,437,345	5,437,345
Capital assets (Note 5):			
Capital assets, net of accumulated depreciation	<u>49,776,154</u>	<u>52,121,138</u>	<u>101,897,292</u>
Total Assets	<u>70,830,144</u>	<u>64,798,019</u>	<u>135,628,163</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred charges, net of amortization	-	119,504	119,504
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,679,704	297,725	1,977,429
Deposits	352,178	129,278	481,456
Accrued interest	85,979	63,065	149,044
Accrued compensated absences (Note 10):			
Due within one year	377,351	123,881	501,232
Long-term liabilities (Note 10):			
Due within one year	247,020	645,032	892,052
Due in more than one year	2,068,694	16,535,067	18,603,761
Settlement Liability (Note 9)			
Due within one year	364,000	-	364,000
Due in more than one year	936,000	-	936,000
Other postemployment benefits (Note 16)			
Due in more than one year	<u>4,952,017</u>	<u>2,040,492</u>	<u>6,992,509</u>
Total Liabilities	<u>11,062,943</u>	<u>19,834,540</u>	<u>30,897,483</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflow of resources (Note 8)	21,440	-	21,440
<u>NET POSITION</u>			
Net investment in capital assets	47,460,440	34,941,039	82,401,479
Restricted for:			
Capital projects	224,725	4,531,848	4,756,573
Debt service	81,663	905,497	987,160
Grants, taxes, and fees	<u>4,560,489</u>	<u>-</u>	<u>4,560,489</u>
Total restricted net position	<u>4,866,877</u>	<u>5,437,345</u>	<u>92,705,701</u>
Unrestricted net position	<u>7,418,444</u>	<u>4,704,599</u>	<u>12,123,043</u>
Total Net Position	<u>\$ 59,745,761</u>	<u>\$ 45,082,983</u>	<u>\$ 104,828,744</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 3,945,285	\$ 38,738	\$ 299,390	\$ -	\$ (3,607,157)	\$ -	\$ (3,607,157)
Police	3,987,323	217,030	149,824	-	(3,620,469)	-	(3,620,469)
Fire	3,339,030	376,520	344,114	-	(2,618,396)	-	(2,618,396)
Community development and planning	1,460,591	385,554	403,590	-	(671,447)	-	(671,447)
Public works	4,412,453	1,802,849	39,556	861,536	(1,708,512)	-	(1,708,512)
Parks and recreation	2,463,941	1,628,009	-	-	(835,932)	-	(835,932)
Interest and fiscal charges	80,122	-	-	-	(80,122)	-	(80,122)
Total Governmental Activities	<u>19,688,745</u>	<u>4,448,700</u>	<u>1,236,474</u>	<u>861,536</u>	<u>(13,142,035)</u>	<u>-</u>	<u>(13,142,035)</u>
Business-type activities:							
Water	3,474,567	4,156,756	-	-	-	682,189	682,189
Sewer	3,867,142	3,275,496	-	-	-	(591,646)	(591,646)
Garbage	1,971,695	2,475,705	-	-	-	504,010	504,010
Total Business-type Activities	<u>9,313,404</u>	<u>9,907,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,553</u>	<u>594,553</u>
Total Primary Government	<u>\$ 29,002,149</u>	<u>\$ 14,356,657</u>	<u>\$ 1,236,474</u>	<u>\$ 861,536</u>	<u>\$ (13,142,035)</u>	<u>\$ 594,553</u>	<u>\$ (12,547,482)</u>
General Revenues:							
Taxes:							
Property tax					\$ 2,068,125	\$ -	\$ 2,068,125
Sales tax					3,394,908	-	3,394,908
Franchise tax					174,558	-	174,558
Motor vehicle in lieu					1,288,025	-	1,288,025
Other taxes					769,476	-	769,476
Use of money and property					117,176	34,679	151,855
Capital contribution					809,908	-	809,908
Other revenue					201,549	-	201,549
Transfers (Note 6)					1,083,500	(1,083,500)	-
Total General Revenues and Transfers					<u>9,907,225</u>	<u>(1,048,821)</u>	<u>8,858,404</u>
Change in Net Position					(3,234,810)	(454,268)	(3,689,078)
Net Position - July 1, 2013					<u>62,947,331</u>	<u>45,982,328</u>	<u>108,929,659</u>
Prior period restatement (Note 18)					<u>33,240</u>	<u>(445,077)</u>	<u>(411,837)</u>
Net Position - July 1, 2013, restated					<u>62,980,571</u>	<u>45,537,251</u>	<u>108,517,822</u>
Net Position - June 30, 2014					<u>\$ 59,745,761</u>	<u>\$ 45,082,983</u>	<u>\$ 104,828,744</u>

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

**CITY OF PATTERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Landscape Maintenance District</u>	<u>WWTP Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and investments	\$ 6,430,938	\$ 1,168,591	\$ 4,436	\$ 8,371,610	\$ 15,975,575
Receivables:					
Accounts	749,837	13,623	-	822,991	1,586,451
Interest	1,506	379	1	2,285	4,171
Notes and loans	16,632	-	1,591,183	1,793,999	3,401,814
Due from other funds (Note 6)	<u>748,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>748,891</u>
Total Assets	<u>\$ 7,947,804</u>	<u>\$ 1,182,593</u>	<u>\$ 1,595,620</u>	<u>\$ 10,990,885</u>	<u>\$ 21,716,902</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,403,825	\$ 90,490	\$ -	\$ 185,389	\$ 1,679,704
Due to other funds (Note 6)	-	-	-	748,891	748,891
Deposits	<u>305,002</u>	<u>-</u>	<u>-</u>	<u>47,176</u>	<u>352,178</u>
Total Liabilities	<u>1,708,827</u>	<u>90,490</u>	<u>-</u>	<u>981,456</u>	<u>2,780,773</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow of resources	\$ 21,440	\$ -	\$ 1,370,895	\$ 1,393,240	\$ 2,785,575
FUND BALANCES:					
Nonspendable	850	-	-	-	850
Restricted	81,663	1,092,103	224,725	2,935,022	4,333,513
Committed	3,605,039	-	-	5,833,844	9,438,883
Assigned	2,246,696	-	-	-	2,246,696
Unassigned	<u>283,289</u>	<u>-</u>	<u>-</u>	<u>(152,677)</u>	<u>130,612</u>
Total Fund Balances	<u>6,217,537</u>	<u>1,092,103</u>	<u>224,725</u>	<u>8,616,189</u>	<u>16,150,554</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 7,947,804</u>	<u>\$ 1,182,593</u>	<u>\$ 1,595,620</u>	<u>\$ 10,990,885</u>	<u>\$ 21,716,902</u>

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, 2014

Total fund balances of governmental funds	\$ 16,150,554
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 \$14,445,208.	49,776,154
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.	2,764,135
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Long-term liabilities	(2,315,714)
Settlement Liability	(1,300,000)
Compensated absences	(377,351)
Net OPEB obligation	(4,952,017)
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	(85,979)
Accrued interest receivable	<u>85,979</u>
Net position of governmental activities	<u>\$ 59,745,761</u>

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, 2014

	<u>General Fund</u>	<u>Landscape Maintenance District</u>	<u>WWTP Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
Taxes:					
Property	\$ 2,068,125	\$ -	\$ -	\$ -	\$ 2,068,125
Sales	3,394,908	-	-	-	3,394,908
Franchise	174,558	-	-	-	174,558
Motor vehicle in lieu	1,288,025	-	-	-	1,288,025
Other	105,470	-	-	664,006	769,476
License, permits, and fees	416,695	-	-	140,509	557,204
Charges for current services	283,177	1,647,726	-	1,749,575	3,680,478
Intergovernmental	863,085	-	-	1,274,925	2,138,010
Fines, forfeitures and penalties	211,018	-	-	-	211,018
Investment earnings	32,511	2,914	50,258	31,493	117,176
Miscellaneous revenues	<u>173,024</u>	<u>-</u>	<u>214,813</u>	<u>28,525</u>	<u>416,362</u>
Total Revenues	<u>9,010,596</u>	<u>1,650,640</u>	<u>265,071</u>	<u>3,889,033</u>	<u>14,815,340</u>
<u>EXPENDITURES</u>					
General government	2,528,946	-	-	73,705	2,602,651
Police	3,916,598	-	-	-	3,916,598
Fire	1,542,594	-	-	1,279,848	2,822,442
Community development and planning	1,233,953	-	-	20,441	1,254,394
Public works	1,092,852	1,414,456	-	606,963	3,114,271
Parks and recreation	1,741,109	-	-	-	1,741,109
Capital outlay	1,288,957	-	-	2,055,471	3,344,428
Debt service:					
Principal	66,785	16,778	203,270	-	286,833
Interest and fiscal charges	<u>28,612</u>	<u>1,265</u>	<u>50,245</u>	<u>-</u>	<u>80,122</u>
Total Expenditures	<u>13,440,406</u>	<u>1,432,499</u>	<u>253,515</u>	<u>4,036,428</u>	<u>19,162,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,429,810)</u>	<u>218,141</u>	<u>11,556</u>	<u>(147,395)</u>	<u>(4,347,508)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from debt issuance	717,421	-	-	-	717,421
Transfers in	2,569,805	-	-	725,765	3,295,570
Transfers out	<u>-</u>	<u>(313,406)</u>	<u>-</u>	<u>(1,898,664)</u>	<u>(2,212,070)</u>
Total Other Financing Sources (Uses)	<u>3,287,226</u>	<u>(313,406)</u>	<u>-</u>	<u>(1,172,899)</u>	<u>1,800,921</u>
Net Change in Fund Balances	<u>(1,142,584)</u>	<u>(95,265)</u>	<u>11,556</u>	<u>(1,320,294)</u>	<u>(2,546,587)</u>
Fund Balances - July 1, 2013	<u>7,360,121</u>	<u>1,187,368</u>	<u>213,169</u>	<u>9,936,483</u>	<u>18,697,141</u>
Fund Balances - June 30, 2014	<u>\$ 6,217,537</u>	<u>\$ 1,092,103</u>	<u>\$ 224,725</u>	<u>\$ 8,616,189</u>	<u>\$ 16,150,554</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, 2014

Net change in fund balance - total governmental funds	\$ (2,546,587)
<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	2,104,352
Depreciation expense	(1,846,203)
<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>	
	809,908
<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	220,048
Capital lease obligation principal payments	66,785
<p>Governmental funds treat the issuance of new long-term debt as revenue, whereas the issuance of the principal of long-term debt is treated as an increase of the related liability in the government-wide financial statements.</p>	
	(717,421)
<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>	
	(164,812)
<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>	
	(40,000)
<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	(38,400)
Other post employment benefits	<u>(1,082,480)</u>
Change in net position of governmental activities	\$ <u><u>(3,234,810)</u></u>

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

CITY OF PATTERSON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 3,768,429	\$ 1,945,262	\$ 405,917	\$ 6,119,608
Accounts receivable	478,385	374,046	265,969	1,118,400
Interest receivable	<u>992</u>	<u>450</u>	<u>86</u>	<u>1,528</u>
Total Current Assets	<u>4,247,806</u>	<u>2,319,758</u>	<u>671,972</u>	<u>7,239,536</u>
Restricted cash and investments	5,220,870	216,475	-	5,437,345
Capital assets				
Land	2,877,956	2,867,641	-	5,745,597
Construction in progress	404,838	1,037,866	-	1,442,704
Infrastructure	22,987,693	35,639,411	-	58,627,104
Machinery and equipment	883,091	3,032,992	128,598	4,044,681
Less: accumulated depreciation	<u>(5,222,777)</u>	<u>(12,423,146)</u>	<u>(93,025)</u>	<u>(17,738,948)</u>
Total Capital Assets	<u>21,930,801</u>	<u>30,154,764</u>	<u>35,573</u>	<u>52,121,138</u>
Total Assets	<u>31,399,477</u>	<u>32,690,997</u>	<u>707,545</u>	<u>64,798,019</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred charges, net of amortization	78,866	40,638	-	119,504
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	97,211	54,287	146,227	297,725
Deposits payable	129,278	-	-	129,278
Accrued interest	35,720	27,345	-	63,065
Compensated absences, current portion	70,372	44,801	8,708	123,881
Long-term liabilities, current portion	<u>216,699</u>	<u>428,333</u>	<u>-</u>	<u>645,032</u>
Total Current Liabilities	<u>549,280</u>	<u>554,766</u>	<u>154,935</u>	<u>1,258,981</u>
Long-term Liabilities				
Net OPEB obligation	953,768	916,251	170,473	2,040,492
Long-term liabilities, net of current	<u>9,020,000</u>	<u>7,515,067</u>	<u>-</u>	<u>16,535,067</u>
Total Long-term Liabilities	<u>9,973,768</u>	<u>8,431,318</u>	<u>170,473</u>	<u>18,575,559</u>
Total Liabilities	<u>10,523,048</u>	<u>8,986,084</u>	<u>325,408</u>	<u>19,834,540</u>
<u>NET POSITION</u>				
Net investment in capital assets	12,694,102	22,211,364	35,573	34,941,039
Restricted for debt service	689,022	216,475	-	905,497
Restricted for capital projects	4,531,848	-	-	4,531,848
Unrestricted	<u>3,040,323</u>	<u>1,317,712</u>	<u>346,564</u>	<u>4,704,599</u>
Total Net Position	<u>\$ 20,955,295</u>	<u>\$ 23,745,551</u>	<u>\$ 382,137</u>	<u>\$ 45,082,983</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 4,156,756	\$ 3,245,478	\$ 2,475,705	\$ 9,877,939
Other	<u>-</u>	<u>30,018</u>	<u>-</u>	<u>30,018</u>
Total Operating Revenues	<u>4,156,756</u>	<u>3,275,496</u>	<u>2,475,705</u>	<u>9,907,957</u>
<u>OPERATING EXPENSES</u>				
Salaries and benefits	1,482,580	1,499,655	245,672	3,227,907
Contractual and professional services	129,796	240,901	1,594,166	1,964,863
Supplies and operating costs	654,589	466,114	129,899	1,250,602
Depreciation	<u>777,943</u>	<u>1,445,684</u>	<u>1,958</u>	<u>2,225,585</u>
Total Operating Expenses	<u>3,044,908</u>	<u>3,652,354</u>	<u>1,971,695</u>	<u>8,668,957</u>
Operating Income (Loss)	<u>1,111,848</u>	<u>(376,858)</u>	<u>504,010</u>	<u>1,239,000</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	11,665	22,025	989	34,679
Interest expense	<u>(429,659)</u>	<u>(214,788)</u>	<u>-</u>	<u>(644,447)</u>
Total Non-Operating Revenues (Expenses)	<u>(417,994)</u>	<u>(192,763)</u>	<u>989</u>	<u>(609,768)</u>
Income (Loss) Before Transfers and Contributions	<u>693,854</u>	<u>(569,621)</u>	<u>504,999</u>	<u>629,232</u>
<u>TRANSFERS AND CAPITAL CONTRIBUTIONS</u>				
Transfers in	-	167,637	13,334	180,971
Transfers out	<u>(507,353)</u>	<u>(431,507)</u>	<u>(325,611)</u>	<u>(1,264,471)</u>
Total Transfers and Capital Contributions	<u>(507,353)</u>	<u>(263,870)</u>	<u>(312,277)</u>	<u>(1,083,500)</u>
Change in Net Position	<u>186,501</u>	<u>(833,491)</u>	<u>192,722</u>	<u>(454,268)</u>
Net Position - July 1, 2013	<u>21,078,910</u>	<u>24,714,003</u>	<u>189,415</u>	<u>45,982,328</u>
Prior Period Adjustment (Note 18)	(310,116)	(134,961)	-	(445,077)
Net Position Restated- July 1, 2013	20,768,794	24,579,042	189,415	45,537,251
Net Position - June 30, 2014	<u>\$ 20,955,295</u>	<u>\$ 23,745,551</u>	<u>\$ 382,137</u>	<u>\$ 45,082,983</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash received from customers	\$ 4,242,669	\$ 3,233,279	\$ 2,471,104	\$ 9,947,052
Cash paid to suppliers	(773,013)	(654,829)	(1,728,786)	(3,156,628)
Cash paid to employees	<u>(1,256,903)</u>	<u>(1,276,829)</u>	<u>(214,041)</u>	<u>(2,747,773)</u>
Net Cash Provided by Operating Activities	<u>2,212,753</u>	<u>1,301,621</u>	<u>528,277</u>	<u>4,042,651</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers in	-	167,637	13,334	180,971
Transfers out	<u>(507,353)</u>	<u>(431,507)</u>	<u>(325,611)</u>	<u>(1,264,471)</u>
Net Cash Used for Noncapital Financing Activities	<u>(507,353)</u>	<u>(263,870)</u>	<u>(312,277)</u>	<u>(1,083,500)</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>				
Principal payments on capital debt	(205,000)	(228,872)	-	(433,872)
Interest paid on capital debt	(429,659)	(214,788)	-	(644,447)
Debt proceeds	-	3,827,712	-	3,827,712
Principal payments on capital lease	(11,445)	(23,237)	-	(34,682)
Acquisition and construction of capital assets	<u>(2,604)</u>	<u>(3,496,509)</u>	<u>(26,690)</u>	<u>(3,525,803)</u>
Net Cash Used for Capital Financing Activities	<u>(648,708)</u>	<u>(135,694)</u>	<u>(26,690)</u>	<u>(811,092)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Capital contribution	(188,419)	-	-	(188,419)
Interest	<u>11,649</u>	<u>22,076</u>	<u>956</u>	<u>34,681</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(176,770)</u>	<u>22,076</u>	<u>956</u>	<u>(153,738)</u>
Net Increase in Cash and Cash Equivalents	<u>879,922</u>	<u>924,133</u>	<u>190,266</u>	<u>1,994,321</u>
Cash and Cash Equivalents - July 1, 2013	<u>8,109,377</u>	<u>1,237,604</u>	<u>215,651</u>	<u>9,562,632</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 8,989,299</u>	<u>\$ 2,161,737</u>	<u>\$ 405,917</u>	<u>\$ 11,556,953</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments	\$ 3,768,429	\$ 1,945,262	\$ 405,917	\$ 6,119,608
Restricted cash and investments	<u>5,220,870</u>	<u>216,475</u>	<u>-</u>	<u>5,437,345</u>
Total cash and investments	<u>\$ 8,989,299</u>	<u>\$ 2,161,737</u>	<u>\$ 405,917</u>	<u>\$ 11,556,953</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, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED BY OPERATING</u>				
<u>ACTIVITIES:</u>				
Operating Income (Loss)	\$ 1,111,848	\$ (376,858)	\$ 504,010	\$ 1,239,000
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	777,943	1,445,684	1,958	2,225,585
Amortization expense	2,976	1,625	-	4,601
Change in assets and liabilities:				
Decrease in accounts receivable	81,084	(12,199)	(4,601)	64,284
Increase (decrease) in accounts payable	8,396	20,543	(4,721)	24,218
Increase in customer deposits	4,829	-	-	4,829
Increase (decrease) in compensated absences	247	3,060	(2,632)	675
Increase in net OPEB obligation	<u>225,430</u>	<u>219,766</u>	<u>34,263</u>	<u>479,459</u>
Net Cash Provided by Operating Activities	<u>\$ 2,212,753</u>	<u>\$ 1,301,621</u>	<u>\$ 528,277</u>	<u>\$ 4,042,651</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, 2014

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and investments (Note 3)	\$ 6,213,650
Restricted cash and investments (Note 3)	6,537,885
Accounts receivable	169,258
Other assets	<u>1,526</u>
Total Assets	<u>12,922,319</u>
<u>LIABILITIES</u>	
Accounts payable	236
Due to bondholders	<u>12,922,083</u>
Total Liabilities	<u>12,922,319</u>
<u>NET POSITION</u>	
Held in trust for private purpose	<u>\$ -</u>

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

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 also participates in the following organizations that do not meet 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.

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, 2014

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, liabilities, 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, liabilities, 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.

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.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Landscape Maintenance District - This fund is used to account for assessment fees related to the Landscape Maintenance District.

WWTP Construction Fund - This fund accounts for the construction of a wastewater treatment plant, funded by developer fees.

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014. 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, 2014

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, 2014

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, 2013, the City implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Government Accounting Standards Board Statement No. 67

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

P. Future Government Accounting Standards Board Statements

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. 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. 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, 2015.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. 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, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. 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, 2015.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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
General Fund	\$ 1,672,998
WWTP Construction	\$ 253,515
Beautification Committee	\$ 121
HUD Fed Grant	\$ 284,671
CFD 2013-1	\$ 610
TDA	\$ 3,980
Public Safety CFD	\$ 53,300
Public Safety Impact Fee	\$ 14,194
Sewer	\$ 594,070

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: BUDGET (continued)

C. Fund Deficits

The following funds had deficit fund balances at June 30, 2014:

<u>Fund</u>	<u>Deficit</u>
Public Safety	\$ 41,976
Federal CDBG Grant 2003	\$ 19,823
State Project Fund	\$ 86,370
Senior Center	\$ 398
Heartland Ranch Infrastructure	\$ 3,500
CFD 2013-1	\$ 610

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, 2014 were classified in the accompanying financial statements as follows:

	<u>Cash and investments</u>	<u>Restricted cash and investments</u>	<u>Total</u>
Governmental activities	\$ 15,975,575	\$ -	\$ 15,975,575
Business-type activities	<u>6,119,608</u>	<u>5,437,345</u>	<u>11,556,953</u>
Total government-wide cash and investments	<u>22,095,183</u>	<u>5,437,345</u>	<u>27,532,528</u>
Fiduciary activities	<u>6,213,650</u>	<u>6,537,885</u>	<u>12,751,535</u>
Total cash and investments	<u>\$ 28,308,833</u>	<u>\$ 11,975,230</u>	<u>\$ 40,284,063</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, 2014 and consisted of the following:

Cash on hand	\$ 1,200
Deposits with financial institutions	<u>11,423,970</u>
Total cash	<u>11,425,170</u>
Money market mutual funds	12,248,554
Central San Joaquin Valley Risk Management Authority (CSJVRMA)	3,510,645
Local Area Investment Fund (LAIF)	<u>13,099,694</u>
Total investments	<u>28,858,893</u>
Total cash and investments	<u>\$ 40,284,063</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
LAIF	\$ 13,099,694	\$ -	\$ 13,099,694
CSJVRMA	3,510,645	-	3,510,645
Money market funds	273,324	-	273,324
Held by bond trustee:			
Money market funds	<u>11,975,230</u>	<u>-</u>	<u>11,975,230</u>
	<u>\$ 28,858,893</u>	<u>\$ -</u>	<u>\$ 28,858,893</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, 2014.

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	\$ 13,099,694	N/A			Not rated
CSJVRMA	3,510,645	N/A			Not rated
Money market funds	273,324	N/A			Not rated
Held by bond trustee:					
Money market funds	<u>11,975,230</u>	N/A	AAAm	Aaa	
	<u>\$ 28,858,893</u>				

Concentration of Credit Risk

The City complies with the limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The City held no investments in any one 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, 2014.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3: CASH AND INVESTMENTS (continued)

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, 2014, the carrying amount of the City's deposits was \$11,423,970 and bank balances were \$11,699,670 of which \$250,000 was insured 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 during the fiscal year 2015. These notes receivable comprised the following at June 30, 2014:

State Water Loan Letter of Credit	\$ 1,591,183
Housing Authority of the County of Stanislaus	290,000
Greater Valley Housing Development Corporation	900,000
Housing Rehabilitation and Affordable Housing	<u>620,631</u>
Total loans and notes receivable	<u>\$ 3,401,814</u>

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 balance remaining on the note receivable was \$1,591,183 at June 30, 2014. \$1,370,895 of this loan has been offset by deferred revenue in the fund financial statements.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4: ACCOUNTS AND NOTES RECEIVABLE (continued)

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, 2014 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, 2014 was \$620,631.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: CAPITAL ASSETS

Capital asset activity for the Governmental funds for the fiscal year ended June 30, 2014 was as follows:

Governmental Activities	July 1, 2013	Additions	Dispositions	Transfers (Reclassification)	June 30, 2014
Capital assets not being depreciated					
Land	\$ 4,506,783	\$ -	\$ -	\$ (1,737,952)	\$ 2,768,831
Construction in progress	<u>2,941,658</u>	<u>1,519,645</u>	<u>-</u>	<u>(2,126,195)</u>	<u>2,335,108</u>
Total capital assets not being depreciated	<u>7,448,441</u>	<u>1,519,645</u>	<u>-</u>	<u>(3,864,147)</u>	<u>5,103,939</u>
Capital assets being depreciated					
Buildings	23,972,873	-	-	-	23,972,873
Improvements	10,745,643	880,727	-	-	11,626,370
Streets and roads	14,498,315	121,238	-	3,864,147	18,483,700
Equipment	<u>4,641,830</u>	<u>392,650</u>	<u>-</u>	<u>-</u>	<u>5,034,480</u>
Total capital assets being depreciated	<u>53,858,661</u>	<u>1,394,615</u>	<u>-</u>	<u>3,864,147</u>	<u>59,117,423</u>
Less: accumulated depreciation					
Buildings	(2,504,305)	(600,077)	-	-	(3,104,382)
Improvements	(3,674,177)	(533,641)	-	-	(4,207,818)
Streets and roads	(2,830,701)	(443,151)	-	-	(3,273,852)
Equipment	<u>(3,589,822)</u>	<u>(269,334)</u>	<u>-</u>	<u>-</u>	<u>(3,859,156)</u>
Total accumulated depreciation	<u>(12,599,005)</u>	<u>(1,846,203)</u>	<u>-</u>	<u>-</u>	<u>(14,445,208)</u>
Governmental activities capital assets, net	<u>\$ 48,708,097</u>	<u>\$ 1,068,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,776,154</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: CAPITAL ASSETS (continued)

Capital asset activity for the Business-type activities for the fiscal year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 5,745,597	\$ -	\$ -	\$ -	\$ 5,745,597
Construction in progress	<u>1,799,016</u>	<u>3,471,403</u>	<u>-</u>	<u>(3,827,712)</u>	<u>1,442,707</u>
Total capital assets not being depreciated	<u>7,544,613</u>	<u>3,471,403</u>	<u>-</u>	<u>(3,827,712)</u>	<u>7,188,304</u>
Capital assets being depreciated					
Infrastructure	54,734,465	64,925	-	3,827,712	58,627,102
Equipment	<u>3,869,391</u>	<u>175,290</u>	<u>-</u>	<u>-</u>	<u>4,044,681</u>
Total capital assets being depreciated	<u>58,603,856</u>	<u>240,215</u>	<u>-</u>	<u>3,827,712</u>	<u>62,671,783</u>
Less: accumulated depreciation					
Infrastructure	(14,317,976)	(1,944,478)	-	-	(16,262,454)
Equipment	<u>(1,195,388)</u>	<u>(281,107)</u>	<u>-</u>	<u>-</u>	<u>(1,476,495)</u>
Total accumulated depreciation	<u>(15,513,364)</u>	<u>(2,225,585)</u>	<u>-</u>	<u>-</u>	<u>(17,738,949)</u>
Business-type activities capital assets, net	<u>\$ 50,635,105</u>	<u>\$ 1,486,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,121,138</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 were as follows:

Governmental Activities

General government	\$ 46,340
Fire	51,324
Public works	1,102,367
Parks and recreation	<u>646,172</u>
Total Governmental Activities	<u>\$ 1,846,203</u>

Business-type Activities

Water	\$ 777,943
Sewer	1,445,684
Garbage	<u>1,958</u>
Total Business-type Activities	<u>\$ 2,225,585</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of June 30, 2014 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	HUD Federal Fund	Overdrawn Cash	\$ 136,487
General Fund	CFD 2013-1	Overdrawn Cash	95
General Fund	Senior Center	Overdrawn Cash	398
General Fund	Street Project Funding	Overdrawn Cash	542,055
General Fund	Public Safety CFD	Overdrawn Cash	<u>69,856</u>
Total Interfund Receivables/Payables			\$ <u>748,891</u>

Transfer between funds during the fiscal year ended June 30, 2014 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>Major Governmental Funds</u>			
Landscape Maintenance District	General Fund	Administrative costs	\$ <u>313,406</u>
Total Major Governmental Funds Transfers			<u>313,406</u>
<u>Non-Major Governmental Funds</u>			
Benefit Assessment Districts	General Fund	Administrative costs	131,601
Benefit Assessment Districts	Sewer	Administrative costs	110,970
Patterson Gardens Fire Assessment	Public Safety	Administrative costs	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	Administrative costs	501,811
Gas Tax	Street Project Fund	Capital projects	92,189
Gas Tax	Garbage	Capital projects	13,334
Local Transportation Fund	Street Project Fund	Capital projects	233,576
Storm Drain Impact Fee	Sewer	Capital projects	36,667
Sewer Impact Fee	Sewer	Capital projects	<u>20,000</u>
Total Non-Major Governmental Funds Transfers			<u>1,898,664</u>
Total Governmental Interfund Transfers			\$ <u>2,212,070</u>
<u>Proprietary Funds</u>			
Garbage	General Fund	Administrative costs	\$ 325,611
Sewer	General Fund	Administrative costs	431,507
Water	General Fund	Administrative costs	<u>507,353</u>
Total Proprietary Interfund Transfers			\$ <u>1,264,471</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 was \$154,170. Minimum future lease payments under non-cancelable operating leases as of June 30, 2014 are as follows:

<u>Fiscal year ended June 30,</u>	
2015	\$ 80,070
2016	78,608
2017	<u>50,001</u>
Total	<u>\$ 208,679</u>

NOTE 8: DEFERRED INFLOWS OF RESOURCES

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, 2014, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

State Water Loan Letter of Credit	\$ 1,370,895
Housing Authority of the County of Stanislaus	290,000
Greater Valley Housing Development Corporation	900,000
County of Stanislaus Baldwin Road Reimbursement	21,440
First Time Homebuyer	<u>203,240</u>
Total Deferred Inflow of Resources	<u>\$ 2,785,575</u>

Of the amount of deferred inflow of resources in the governmental funds, \$2,764,135 was recognized as revenue in the Statement of Activities, leaving a balance of \$21,440 in the government-wide Statement of Net Position.

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. This amount is recorded as a long term liability in the statement of net position. 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.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES

The following is a summary of debt transactions of the City for the year ended June 30, 2014:

	<u>Original Issue Amount</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Governmental activities						
Compensated absences	\$ -	\$ 338,951	\$ 282,324	\$ (243,924)	\$ 377,351	\$ 377,351
Banc of america	717,421	-	717,421	(16,778)	700,643	14,170
State water resource loan	3,783,532	1,794,453	-	(203,270)	1,591,183	208,962
Capital leases	<u>792,492</u>	<u>90,673</u>	<u>-</u>	<u>(66,785)</u>	<u>23,888</u>	<u>23,888</u>
Total Governmental Activities	<u>\$ 5,269,557</u>	<u>\$ 2,224,077</u>	<u>\$ 975,857</u>	<u>\$ (530,757)</u>	<u>\$ 2,693,065</u>	<u>\$ 624,371</u>
Business-type activities						
Water						
Compensated absences	\$ -	\$ 70,125	\$ 52,328	\$ (52,081)	\$ 70,372	\$ 70,372
2011 Water revenue bonds	10,200,000	9,430,000	-	(205,000)	9,225,000	205,000
Capital leases	<u>144,521</u>	<u>23,144</u>	<u>-</u>	<u>(11,445)</u>	<u>11,699</u>	<u>11,699</u>
Total Water fund	<u>10,344,521</u>	<u>9,523,269</u>	<u>52,328</u>	<u>(268,526)</u>	<u>9,307,071</u>	<u>287,071</u>
Sewer						
Compensated absences	-	41,741	35,316	(32,256)	44,801	44,801
Economic Bank loan	652,144	500,000	-	(100,000)	400,000	100,000
State Revolving Fund loan	774,790	770,807	-	(36,634)	734,173	37,587
Banc of america loan	951,540	-	951,540	(22,238)	929,302	18,783
CEC loan	2,876,172	-	2,876,172	-	2,876,172	172,210
1979 Sewer revenue bonds	250,000	85,000	-	(10,000)	75,000	11,000
2009 Sewer revenue bonds	3,195,000	2,965,000	-	(60,000)	2,905,000	65,000
Capital leases	<u>80,289</u>	<u>46,990</u>	<u>-</u>	<u>(23,237)</u>	<u>23,753</u>	<u>23,753</u>
Total Sewer fund	<u>8,779,935</u>	<u>4,409,538</u>	<u>3,863,028</u>	<u>(284,365)</u>	<u>7,988,201</u>	<u>473,134</u>
Garbage						
Compensated absences	<u>-</u>	<u>11,340</u>	<u>7,847</u>	<u>(10,479)</u>	<u>8,708</u>	<u>8,708</u>
Total Business-type Activities	<u>\$ 19,434,909</u>	<u>\$ 13,944,147</u>	<u>\$ 3,923,203</u>	<u>\$ (563,370)</u>	<u>\$ 17,303,980</u>	<u>\$ 768,913</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

Governmental activities future debt obligations at June 30, 2014 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 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.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 14,170	\$ 24,129	\$ 38,299
2016	19,337	23,883	43,220
2017	24,927	23,594	48,521
2018	30,967	23,259	54,226
2019	4,056	22,877	26,933
2020 - 2024	122,264	98,145	220,409
2025 - 2029	<u>484,922</u>	<u>56,063</u>	<u>540,985</u>
Total	\$ <u>700,643</u>	\$ <u>271,950</u>	\$ <u>972,593</u>

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.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 208,962	\$ 44,553	\$ 253,515
2016	214,813	38,702	253,515
2017	220,828	32,687	253,515
2018	227,011	26,504	253,515
2019	233,376	20,139	253,515
2020 - 2021	<u>486,193</u>	<u>20,519</u>	<u>506,712</u>
Total	\$ <u>1,591,183</u>	\$ <u>183,104</u>	\$ <u>1,774,287</u>

Capital Leases

The City has entered into various capital lease agreements for a phone system, fire truck and other vehicles and equipment. Lease terms vary with each agreement. Interest rates range from 3.95% - 5.25%. Leased equipment under capital assets at June 30, 2014 consisted of equipment with a cost of \$567,944 and related accumulated depreciation of \$520,130.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ <u>23,888</u>	\$ <u>1,101</u>	\$ <u>24,989</u>
Total	\$ <u>23,888</u>	\$ <u>1,101</u>	\$ <u>24,989</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

Total Governmental Activities:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 247,020	\$ 69,783	\$ 316,803
2016	234,150	62,585	296,735
2017	245,755	56,281	302,036
2018	257,978	49,763	307,741
2019	237,432	43,016	280,448
2019 - 2024	608,457	118,664	727,121
2015 - 2029	<u>484,922</u>	<u>56,063</u>	<u>540,985</u>
Total	\$ <u>2,315,714</u>	\$ <u>456,155</u>	\$ <u>2,230,884</u>

Business type activities future debt obligations at June 30, 2014 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% - 3.05%. 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>
2015	\$ 205,000	\$ 425,258	\$ 630,258
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 - 2024	1,275,000	1,889,500	3,164,500
2025 - 2029	1,605,000	1,566,250	3,171,250
2030 - 2034	2,050,000	1,122,500	3,172,500
2035 - 2039	2,615,000	556,250	3,171,250
2040	<u>605,000</u>	<u>30,250</u>	<u>635,250</u>
Totals	\$ <u>9,225,000</u>	\$ <u>7,242,383</u>	\$ <u>16,467,383</u>

Economic Bank Loan:

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

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 100,000	\$ -	\$ 100,000
2016	100,000	-	100,000
2017	100,000	-	100,000
2018	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Totals	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>400,000</u>

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 2026.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 37,587	\$ 19,088	\$ 56,675
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 - 2024	225,074	58,303	283,377
2025 - 2029	255,894	27,481	283,375
2030 - 2033	<u>55,240</u>	<u>1,436</u>	<u>56,676</u>
Totals	\$ <u>734,173</u>	\$ <u>172,632</u>	\$ <u>906,805</u>

Banc of America Loan

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

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 18,783	\$ 31,984	\$ 50,767
2016	25,633	31,659	57,292
2017	33,043	31,276	64,319
2018	41,050	30,832	71,882
2019	5,377	30,325	35,702
2020 - 2024	162,071	130,099	292,170
2025 - 2029	<u>643,345</u>	<u>74,317</u>	<u>717,662</u>
Total	\$ <u>929,302</u>	\$ <u>360,492</u>	\$ <u>1,289,794</u>

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

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

solar panels, streetlights, and energy efficient fixtures.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 172,210	\$ 42,420	\$ 214,630
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 - 2024	998,301	74,851	1,073,152
2025 - 2029	<u>942,114</u>	<u>23,723</u>	<u>965,837</u>
Total	<u>\$ 2,876,172</u>	<u>\$ 235,969</u>	<u>\$ 3,112,141</u>

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 mature on January 1 of each year through 2020.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,000	\$ 1,875	\$ 12,875
2016	11,000	1,600	12,600
2017	12,000	1,325	13,325
2018	12,000	1,025	13,025
2019	14,000	725	14,725
2020 - 2022	<u>15,000</u>	<u>375</u>	<u>15,375</u>
Totals	<u>\$ 75,000</u>	<u>\$ 6,925</u>	<u>\$ 81,925</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

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>
2015	\$ 65,000	\$ 150,838	\$ 215,838
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 - 2024	415,000	650,675	1,065,675
2025 - 2029	535,000	534,600	1,069,600
2030 - 2034	695,000	370,425	1,065,425
2035 - 2039	<u>915,000</u>	<u>156,200</u>	<u>1,071,200</u>
Totals	\$ <u>2,905,000</u>	\$ <u>2,441,762</u>	\$ <u>5,346,762</u>

Capital Leases

The City has entered into various capital lease agreements for a phone system, fire truck and other vehicles and equipment. Lease terms vary with each agreement. Interest rates range from 3.95% - 5.25%. Leased equipment under capital assets at June 30, 2014 consisted of equipment with a cost of \$360,038 and related accumulated depreciation of \$260,396.

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ <u>35,452</u>	\$ <u>1,616</u>	\$ <u>37,068</u>
Totals	\$ <u>35,452</u>	\$ <u>1,616</u>	\$ <u>37,068</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10: LONG TERM LIABILITIES (continued)

Total Business-type Activities:

Years Ended June 30,	Principal	Interest	Total
2015	\$ 645,032	\$ 673,079	\$ 1,318,111
2016	638,184	647,733	1,285,917
2017	659,553	636,908	1,296,461
2018	675,493	624,840	1,300,333
2019	554,798	611,984	1,166,782
2020 - 2024	3,090,446	2,803,803	5,894,249
2025 - 2029	3,981,353	2,226,371	6,207,724
2030 - 2034	2,800,240	1,494,361	4,294,601
2035 - 2039	3,530,000	712,450	4,242,450
2040 - 2044	<u>605,000</u>	<u>30,250</u>	<u>635,250</u>
Totals	\$ <u>17,180,099</u>	\$ <u>10,461,779</u>	\$ <u>27,641,878</u>

Compensated Absences

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

	Total Current Portion	Total Compensated Absences
<u>Government Wide</u>		
General government	\$ 58,243	\$ 58,243
Fire	134,468	134,468
Public works	69,651	69,651
Community development and planning	30,571	30,571
Parks and recreation	<u>84,418</u>	<u>84,418</u>
Total Government Wide	\$ <u>377,351</u>	\$ <u>377,351</u>
<u>Business-type Activities</u>		
Water	\$ 70,372	\$ 70,372
Sewer	44,801	44,801
Garbage	<u>8,708</u>	<u>8,708</u>
Total Business-type Activities	\$ <u>123,881</u>	\$ <u>123,881</u>

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

CITY OF PATTERSON
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

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, 2014 was as follows:

Heartland Ranch Reassessment District	\$ 4,347,791
Heartland Ranch Revenue Bonds	4,963,568
2013 PPFA Series A	67,055,000
2013 PPFA Series B	6,455,000
Community Facilities District No. 2013-A1 Special Tax Bonds	35,642,163
Community Facilities District No. 2013-A2 Special Tax Bonds	29,427,318
Community Facilities District No. 2013-B Special Tax Bonds	<u>4,345,040</u>
Total Debt without City Commitment	\$ <u>152,235,880</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, fund balances consisted of the following:

	<u>General Fund</u>	<u>LMD Fund</u>	<u>WWTP Construction</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Restricted:					
Grants	\$ -	\$ -	\$ -	\$ 663,763	\$ 663,763
Debt service	81,663	-	-	-	81,663
Capital projects	-	-	224,725	-	224,725
Taxes, fees, and assessments	-	1,092,103	-	2,271,259	3,363,362
Total Restricted	<u>81,663</u>	<u>1,092,103</u>	<u>224,725</u>	<u>2,935,022</u>	<u>4,333,513</u>
Committed:					
Contingencies	3,605,039	-	-	-	3,605,039
Capital projects	-	-	-	5,833,844	5,833,844
Total Committed	<u>3,605,039</u>	<u>-</u>	<u>-</u>	<u>5,833,844</u>	<u>9,438,883</u>
Assigned:					
Capital projects	2,246,696	-	-	-	2,246,696
Total Assigned	<u>2,246,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,246,696</u>
Unassigned	<u>283,289</u>	<u>-</u>	<u>-</u>	<u>(152,677)</u>	<u>130,612</u>
Nonspendable	<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850</u>
Total Fund Balance	<u>\$ 6,217,537</u>	<u>\$ 1,092,103</u>	<u>\$ 224,725</u>	<u>\$ 8,616,189</u>	<u>\$ 16,150,554</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN

Plan Description:

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

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	8.984%	7.946%
Required employer contribution rates	28.763%	18.973%
Actuarially required contributions	\$248,971	\$643,744

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the total related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefits. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities.

The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gain and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

Audited financial statements and trend information are available from CalPERS at P.O. Box 942709, Sacramento, California 94229.

The Plan's actuarial value (which differs from market value) and funding progress over the past three year, as reported by PERS in their most recent actuarial valuation are set forth below at their most recent actuarial valuation date of June 30, 2012.

Three-Year Trend Information for CalPERS:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 908,622	100 %	-
June 30, 2013	\$ 928,451	100 %	-
June 30, 2014	\$ 892,715	100 %	-

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN (continued)

The schedule of funding progress, which is presented as required supplementary information immediately following the notes to the financial statements, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 15: DEFERRED COMPENSATION PLAN

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

NOTE 16: POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

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, 2014, the City reported 89 active and 15 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, 2 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, 2014, the City had not established a formal funding policy or trust to maintain future required contributions. The City is currently funding the benefits on a pay-as-you-go basis.

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2014, the City's annual cost for the healthcare plan was \$1,155,570. The net OPEB obligation for governmental activities was \$4,952,017 as of June 30, 2014, and the net OPEB obligation for business-type activities was \$2,040,492 as of June 30, 2014. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2014 were as follows:

Annual required contribution		
Service cost at year-end	\$	844,000
30-year amortization of unfunded liability		307,000
Interest		235,324
Amortization of net OPEB obligation		<u>(230,754)</u>
 Total annual required contribution		 <u>1,155,570</u>
 Employer contributions		 (46,154)
 Net OPEB obligation at July 1, 2013		 <u>5,883,093</u>
 Net OPEB obligation at June 30, 2014	\$	 <u>6,992,509</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, 2012	\$ 1,318,980	\$ 40,545	3.1 %	\$ 4,480,706
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

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, 2014, was as follows:

Actuarial accrued liability (AAL)		
Active employees	\$	6,240,000
Retired employees		<u>1,587,000</u>
		<u>7,827,000</u>
 Actuarial value of plan assets		 <u>-</u>
 Unfunded actuarial accrued liability (UAAL)	\$	 <u>7,827,000</u>
 Funded Ratio (actuarial value of plan assets / AAL)		 0 %
 Covered payroll (active plan members)	\$	4,821,000
 UAAL as a percentage of covered payroll		 162 %

CITY OF PATTERSON
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

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

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

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

Actuarial Methods and Assumptions

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

In the June 30, 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.

NOTE 18 : PRIOR PERIOD ADJUSTMENTS

Management determined that the following adjustments were recorded in the incorrect period:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Government-Wide	To properly remove expenditures recognized in the prior year in relation to an unrecorded note receivable.	\$ 32,440
Sewer	To properly remove prepaid bond issuance costs pursuant to GASB 65	(134,961)
Water	To properly remove prepaid bond issuance costs pursuant to GASB 65	<u>(310,116)</u>
	Total prior period adjustment	<u>\$ (445,077)</u>

CITY OF PATTERSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 19: SUBSEQUENT EVENT

State Water Resource Control Board Loan

During the 2014/15 fiscal year, the City of Patterson repaid the balance of the State Water Resource Control Board loan. The remaining principal as of June 30, 2014 was \$1,591,183. Final payment on the loan was made on July 15, 2014.

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 time of the trial, this amount was estimated to be \$237,148 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%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PATTERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Taxes				
Property	\$ 2,713,700	\$ 2,713,700	\$ 2,068,125	\$ (645,575)
Sales	3,250,000	3,250,000	3,394,908	144,908
Franchise	162,000	162,000	174,558	12,558
Motor vehicle in lieu	1,250,000	1,250,000	1,288,025	38,025
Other	105,950	105,950	105,470	(480)
License, permits, and fees	437,794	437,794	416,695	(21,099)
Charges for current services	280,744	280,744	283,177	2,433
Intergovernmental	661,808	661,808	863,085	201,277
Fines, forfeitures and penalties	165,500	165,500	211,018	45,518
Investment earnings	53,839	53,839	32,511	(21,328)
Miscellaneous revenues	<u>136,147</u>	<u>136,147</u>	<u>173,024</u>	<u>36,877</u>
Total Revenues	<u>9,217,482</u>	<u>9,217,482</u>	<u>9,010,596</u>	<u>(206,886)</u>
<u>EXPENDITURES</u>				
General government	1,974,192	1,974,192	2,528,946	(554,754)
Police	4,210,452	4,210,452	3,916,598	293,854
Fire	1,576,142	1,576,142	1,542,594	33,548
Community development and planning	1,192,539	1,192,539	1,233,953	(41,414)
Public works	1,076,824	1,076,824	1,092,852	(16,028)
Parks and recreation	1,642,517	1,642,517	1,741,109	(98,592)
Capital outlay	60,180	60,180	1,288,957	(1,228,777)
Debt service:				
Principal	50,424	50,424	66,785	(16,361)
Interest and fiscal charges	<u>1,890</u>	<u>1,890</u>	<u>28,612</u>	<u>(26,722)</u>
Total Expenditures	<u>11,785,160</u>	<u>11,785,160</u>	<u>13,440,406</u>	<u>(1,655,246)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,567,678)</u>	<u>(2,567,678)</u>	<u>(4,429,810)</u>	<u>(1,862,132)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from debt issuance	-	-	717,421	717,421
Transfers in	2,693,346	2,693,346	2,569,805	(123,541)
Transfers out	<u>(105,196)</u>	<u>(105,196)</u>	<u>-</u>	<u>105,196</u>
Total Other Financing Sources (Uses)	<u>2,588,150</u>	<u>2,588,150</u>	<u>3,287,226</u>	<u>699,076</u>
Net Change in Fund Balance	<u>\$ 20,472</u>	<u>\$ 20,472</u>	<u>(1,142,584)</u>	<u>\$ (1,163,056)</u>
Fund Balance - July 1, 2013			7,360,121	
Fund Balance - June 30, 2014			<u>\$ 6,217,537</u>	

CITY OF PATTERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
LANDSCAPE MAINTENANCE DISTRICT
JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Charges for current services	\$ 1,651,789	\$ 1,651,789	\$ 1,647,726	\$ (4,063)
Investment earnings	<u>2,200</u>	<u>2,200</u>	<u>2,914</u>	<u>714</u>
Total Revenues	<u>1,653,989</u>	<u>1,653,989</u>	<u>1,650,640</u>	<u>(3,349)</u>
<u>EXPENDITURES</u>				
Public works	1,836,083	1,836,083	1,414,456	421,627
Debt service:				
Principal	-	-	16,778	(16,778)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>1,265</u>	<u>(1,265)</u>
Total Expenditures	<u>1,836,083</u>	<u>1,836,083</u>	<u>1,432,499</u>	<u>403,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(182,094)</u>	<u>(182,094)</u>	<u>218,141</u>	<u>400,235</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(313,406)</u>	<u>(313,406)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(313,406)</u>	<u>(313,406)</u>
Net Change in Fund Balance	<u>\$ (182,094)</u>	<u>\$ (182,094)</u>	<u>(95,265)</u>	<u>\$ 86,829</u>
Fund Balance - July 1, 2013			<u>1,187,368</u>	
Fund Balance - June 30, 2014			<u>\$ 1,092,103</u>	

CITY OF PATTERSON
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR CalPERS PENSIONS PLANS

Required Supplementary Information - Safety Plan**

<u>Valuation Date</u>	<u>(1) Entry Age Actuarial Accrued Liability</u>	<u>(2) Actuarial Value of Assets</u>	<u>(3) Unfunded Liability (Excess Assets) (1) - (2)</u>	<u>(4) Funded Status (2) / (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Unfunded Actuarial Liability as a percentage of Covered Payroll ((1) - (2)) / (5)</u>
June 30, 2010	\$ 10,165,475,166	\$ 8,470,235,152	\$ 1,695,240,014	83.3 %	\$ 955,980,815	177.3 %
June 30, 2011	\$ 10,951,745,049	\$ 9,135,654,246	\$ 1,816,090,803	83.4 %	\$ 949,833,090	191.2 %
June 30, 2012	\$ 11,724,021,480	\$ 9,854,787,710	\$ 1,869,233,770	84.1 %	\$ 947,734,809	197.2 %

Required Supplementary Information - Miscellaneous Plan**

<u>Valuation Date</u>	<u>(1) Entry Age Actuarial Accrued Liability</u>	<u>(2) Actuarial Value of Assets</u>	<u>(3) Unfunded Liability (Excess Assets) (1) - (2)</u>	<u>(4) Funded Status (2) / (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Unfunded Actuarial Liability as a percentage of Covered Payroll ((1) - (2)) / (5)</u>
June 30, 2010	\$ 2,297,871,345	\$ 1,815,671,616	\$ 482,199,729	79.0 %	\$ 434,023,381	111.1 %
June 30, 2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7 %	\$ 427,300,410	118.3 %
June 30, 2012	\$ 2,680,181,441	\$ 2,178,799,790	\$ 501,381,651	81.3 %	\$ 417,600,034	120.1 %

**A new State law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the City is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

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, 2014

	<u>Benefit Assessment Districts</u>	<u>CSA #15 Assessment District</u>	<u>Patterson Gardens Fire Suppression Assessment</u>	<u>Public Safety</u>	<u>Beautification Committee</u>
<u>ASSETS</u>					
Cash and investments	\$ 1,344,925	\$ 6,380	\$ 24,329	\$ -	\$ 39,039
Receivables:					
Accounts	4,607	239	4,808	39,184	-
Interest	401	2	6	-	10
Notes and loans	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,349,933</u>	<u>\$ 6,621</u>	<u>\$ 29,143</u>	<u>\$ 39,184</u>	<u>\$ 39,049</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>(DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 3,070	\$ 67	\$ -	\$ 11,304	\$ 291
Due to other funds	-	-	-	69,856	-
Deposits	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,070</u>	<u>67</u>	<u>-</u>	<u>81,160</u>	<u>291</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	1,346,863	6,554	29,143	-	38,758
Committed	-	-	-	-	-
Unassigned	-	-	-	(41,976)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>1,346,863</u>	<u>6,554</u>	<u>29,143</u>	<u>(41,976)</u>	<u>38,758</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,349,933</u>	<u>\$ 6,621</u>	<u>\$ 29,143</u>	<u>\$ 39,184</u>	<u>\$ 39,049</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>CDBG HA Loan Fund</u>	<u>State HCD Rehab Program</u>	<u>Federal CDBG Grant 2003</u>	<u>First Time Home Buyers</u>	<u>Federal HOME Funds</u>
<u>ASSETS</u>					
Cash and investments	\$ -	\$ 141,623	\$ -	\$ 12,205	\$ 43,725
Receivables:					
Accounts	-	-	121,326	-	-
Interest	-	36	-	3	11
Notes and loans	<u>293,489</u>	<u>59,976</u>	<u>-</u>	<u>187,792</u>	<u>113,937</u>
Total Assets	<u>\$ 293,489</u>	<u>\$ 201,635</u>	<u>\$ 121,326</u>	<u>\$ 200,000</u>	<u>\$ 157,673</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,662	\$ -	\$ -
Due to other funds	-	-	136,487	-	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>141,149</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	290,000	50,000	-	-	153,240
FUND BALANCES (DEFICITS):					
Restricted	3,489	151,635	-	200,000	4,433
Committed	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(19,823)</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>3,489</u>	<u>151,635</u>	<u>(19,823)</u>	<u>200,000</u>	<u>4,433</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 293,489</u>	<u>\$ 201,635</u>	<u>\$ 121,326</u>	<u>\$ 200,000</u>	<u>\$ 157,673</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Local Law Enforcement Block Grant</u>	<u>Gas Tax</u>	<u>Local Transportation Fund</u>	<u>Street Project Fund</u>	<u>Developer Housing In-Lieu Fee</u>
<u>ASSETS</u>					
Cash and investments	\$ 623	\$ 226,494	\$ 267,959	\$ -	\$ 357,278
Receivables:					
Accounts	-	65,405	-	587,422	-
Interest	-	57	68	-	90
Notes and loans	<u>(570)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,375</u>
Total Assets	<u>\$ 53</u>	<u>\$ 291,956</u>	<u>\$ 268,027</u>	<u>\$ 587,422</u>	<u>\$ 1,496,743</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 2,632	\$ 131,737	\$ -
Due to other funds	-	-	-	542,055	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,632</u>	<u>673,792</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	900,000
FUND BALANCES (DEFICITS):					
Restricted	53	291,956	265,395	-	596,743
Committed	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,370)</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>53</u>	<u>291,956</u>	<u>265,395</u>	<u>(86,370)</u>	<u>596,743</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 53</u>	<u>\$ 291,956</u>	<u>\$ 268,027</u>	<u>\$ 587,422</u>	<u>\$ 1,496,743</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>	<u>General Government Impact Fee</u>
<u>ASSETS</u>					
Cash and investments	\$ 62,315	\$ -	\$ -	\$ 108,849	\$ 283,574
Receivables:					
Accounts	-	-	-	-	-
Interest	16	-	-	27	72
Notes and loans	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 62,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,876</u>	<u>\$ 283,646</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 515	\$ -	\$ 10,037
Due to other funds	-	398	95	-	-
Deposits	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>398</u>	<u>610</u>	<u>-</u>	<u>10,037</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	-	-
Committed	62,331	-	-	108,876	273,609
Unassigned	-	(398)	(610)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>62,331</u>	<u>(398)</u>	<u>(610)</u>	<u>108,876</u>	<u>273,609</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 62,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,876</u>	<u>\$ 283,646</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Safety Impact Fee</u>	<u>Parkland In-Lieu Fee</u>	<u>Street Improvement Impact Fee</u>	<u>Water Impact Fee</u>	<u>Storm Drain Impact Fee</u>
<u>ASSETS</u>					
Cash and investments	\$ 667,076	\$ 15,254	\$ 3,105,519	\$ 157,615	\$ 1,071,860
Receivables:					
Accounts	-	-	-	-	-
Interest	168	4	784	40	381
Notes and loans	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 667,244</u>	<u>\$ 15,258</u>	<u>\$ 3,106,303</u>	<u>\$ 157,655</u>	<u>\$ 1,072,241</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 21,074	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>21,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	-	-
Committed	646,170	15,258	3,106,303	157,655	1,072,241
Unassigned	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>646,170</u>	<u>15,258</u>	<u>3,106,303</u>	<u>157,655</u>	<u>1,072,241</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 667,244</u>	<u>\$ 15,258</u>	<u>\$ 3,106,303</u>	<u>\$ 157,655</u>	<u>\$ 1,072,241</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Sewer Impact Fee</u>	<u>Delta Mendota Storm Gate</u>	<u>Aquatic Center Construction</u>	<u>Future Water Acquisition</u>	<u>Heartland Ranch Infrastructure</u>
<u>ASSETS</u>					
Cash and investments	\$ 164,171	\$ 165,317	\$ 36,471	\$ 25,344	\$ 43,665
Receivables:					
Accounts	-	-	-	-	-
Interest	41	42	9	6	11
Notes and loans	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 164,212</u>	<u>\$ 165,359</u>	<u>\$ 36,480</u>	<u>\$ 25,350</u>	<u>\$ 43,676</u>
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	47,176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,176</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Restricted	-	-	-	-	-
Committed	164,212	165,359	36,480	25,350	-
Unassigned	-	-	-	-	(3,500)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>164,212</u>	<u>165,359</u>	<u>36,480</u>	<u>25,350</u>	<u>(3,500)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 164,212</u>	<u>\$ 165,359</u>	<u>\$ 36,480</u>	<u>\$ 25,350</u>	<u>\$ 43,676</u>

CITY OF PATTERSON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2014

	Total Non-major Governmental Funds
<u>ASSETS</u>	
Cash and investments	\$ 8,371,610
Receivables:	
Accounts	822,991
Interest	2,285
Notes and loans	1,793,999
Total Assets	\$ 10,990,885
<u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>	
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 185,389
Due to other funds	748,891
Deposits	47,176
Total Liabilities	981,456
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources	1,393,240
FUND BALANCES (DEFICITS):	
Restricted	2,935,022
Committed	5,833,844
Unassigned	(152,677)
Total Fund Balances (Deficits)	8,616,189
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 10,990,885

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

	Benefit Assessment Districts	CSA #15 Assessment District	Patterson Gardens Fire Suppression Assessment	Public Safety	Beautification Committee
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits, and fees	-	-	-	-	-
Charges for current services	534,894	8,506	360,143	842,220	-
Intergovernmental	-	-	-	-	-
Investment earnings	3,984	11	20	882	115
Miscellaneous revenues	-	-	-	-	1,475
Total Revenues	<u>538,878</u>	<u>8,517</u>	<u>360,163</u>	<u>843,102</u>	<u>1,590</u>
EXPENDITURES					
General government	-	-	-	-	-
Fire	-	-	4,861	1,274,987	-
Public works	138,834	-	-	-	621
Community development and planning	-	5,312	-	-	-
Capital outlay	-	-	-	1,652	-
Total Expenditures	<u>138,834</u>	<u>5,312</u>	<u>4,861</u>	<u>1,276,639</u>	<u>621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>400,044</u>	<u>3,205</u>	<u>355,302</u>	<u>(433,537)</u>	<u>969</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	400,000	-
Transfers out	<u>(242,571)</u>	<u>-</u>	<u>(400,000)</u>	<u>(339,240)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(242,571)</u>	<u>-</u>	<u>(400,000)</u>	<u>60,760</u>	<u>-</u>
Net Change in Fund Balances	<u>157,473</u>	<u>3,205</u>	<u>(44,698)</u>	<u>(372,777)</u>	<u>969</u>
Fund Balances (Deficits) - July 1, 2013	<u>1,189,390</u>	<u>3,349</u>	<u>73,841</u>	<u>330,801</u>	<u>37,789</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 1,346,863</u>	<u>\$ 6,554</u>	<u>\$ 29,143</u>	<u>\$ (41,976)</u>	<u>\$ 38,758</u>

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

	<u>CDBG HA Loan</u>	<u>State HCD Rehab Program</u>	<u>Federal CDBG Grant 2003</u>	<u>First Time Home Buyers</u>	<u>Federal HOME Funds</u>
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	384,636	-	18,954
Investment earnings	-	497	-	3,357	136
Miscellaneous revenues	-	-	-	-	27,050
Total Revenues	<u>-</u>	<u>497</u>	<u>384,636</u>	<u>3,357</u>	<u>46,140</u>
<u>EXPENDITURES</u>					
General government	-	50,156	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	239	-	14,890
Capital outlay	-	-	390,031	-	-
Total Expenditures	<u>-</u>	<u>50,156</u>	<u>390,270</u>	<u>-</u>	<u>14,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(49,659)</u>	<u>(5,634)</u>	<u>3,357</u>	<u>31,250</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(11,276)	-	(8,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(11,276)</u>	<u>-</u>	<u>(8,000)</u>
Net Change in Fund Balances	<u>-</u>	<u>(49,659)</u>	<u>(16,910)</u>	<u>3,357</u>	<u>23,250</u>
Fund Balances (Deficits) - July 1, 2013	<u>3,489</u>	<u>201,294</u>	<u>(2,913)</u>	<u>196,643</u>	<u>(18,817)</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 3,489</u>	<u>\$ 151,635</u>	<u>\$ (19,823)</u>	<u>\$ 200,000</u>	<u>\$ 4,433</u>

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

	<u>Local Law Enforcement Block Grant</u>	<u>Gas Tax</u>	<u>Local Transportation Fund</u>	<u>Street Project Fund</u>	<u>Developer Housing In-Lieu Fee</u>
<u>REVENUES</u>					
Taxes	\$ -	\$ 664,006	\$ -	\$ -	\$ -
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	40,381	596,690	-
Investment earnings	2	549	1,077	71	1,069
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>2</u>	<u>664,555</u>	<u>41,458</u>	<u>596,761</u>	<u>1,069</u>
<u>EXPENDITURES</u>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	29,772	-	-
Community development and planning	-	-	-	-	-
Capital outlay	-	-	22,981	1,077,290	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>52,753</u>	<u>1,077,290</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2</u>	<u>664,555</u>	<u>(11,295)</u>	<u>(480,529)</u>	<u>1,069</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	325,765	-
Transfers out	-	(607,334)	(233,576)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(607,334)</u>	<u>(233,576)</u>	<u>325,765</u>	<u>-</u>
Net Change in Fund Balances	<u>2</u>	<u>57,221</u>	<u>(244,871)</u>	<u>(154,764)</u>	<u>1,069</u>
Fund Balances (Deficits) - July 1, 2013	<u>51</u>	<u>234,735</u>	<u>510,266</u>	<u>68,394</u>	<u>595,674</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 53</u>	<u>\$ 291,956</u>	<u>\$ 265,395</u>	<u>\$ (86,370)</u>	<u>\$ 596,743</u>

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

	<u>Westside Drainage Study</u>	<u>Senior Center</u>	<u>CFD 2013-1</u>	<u>Community Facility Impact Fee</u>	<u>General Government Impact Fee</u>
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits, and fees	-	-	-	-	1,442
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	188	-	-	380	1,219
Miscellaneous revenues	-	-	-	-	-
	<u>188</u>	<u>-</u>	<u>-</u>	<u>380</u>	<u>2,661</u>
Total Revenues					
<u>EXPENDITURES</u>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	610	-	-
Community development and planning	-	-	-	-	-
Capital outlay	-	-	-	51,812	232,898
	<u>-</u>	<u>-</u>	<u>610</u>	<u>51,812</u>	<u>232,898</u>
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>188</u>	<u>-</u>	<u>(610)</u>	<u>(51,432)</u>	<u>(230,237)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
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>188</u>	<u>-</u>	<u>(610)</u>	<u>(51,432)</u>	<u>(230,237)</u>
Fund Balances (Deficits) - July 1, 2013	<u>62,143</u>	<u>(398)</u>	<u>-</u>	<u>160,308</u>	<u>503,846</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 62,331</u>	<u>\$ (398)</u>	<u>\$ (610)</u>	<u>\$ 108,876</u>	<u>\$ 273,609</u>

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

	<u>Public Safety Impact Fee</u>	<u>Parkland In-Lieu Fee</u>	<u>Street Improvement Impact Fee</u>	<u>Water Impact Fee</u>	<u>Storm Drain Impact Fee</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits, and fees	1,751	-	106,450	-	30,866
Charges for current services	-	-	-	-	-
Intergovernmental	-	-	-	141,184	-
Investment earnings	2,191	47	9,232	406	4,723
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>3,942</u>	<u>47</u>	<u>115,682</u>	<u>141,590</u>	<u>35,589</u>
EXPENDITURES					
General government	23,549	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	437,126
Community development and planning	-	-	-	-	-
Capital outlay	<u>152,115</u>	<u>-</u>	<u>13,529</u>	<u>-</u>	<u>74,059</u>
Total Expenditures	<u>175,664</u>	<u>-</u>	<u>13,529</u>	<u>-</u>	<u>511,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,722)</u>	<u>47</u>	<u>102,153</u>	<u>141,590</u>	<u>(475,596)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,667)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,667)</u>
Net Change in Fund Balances	<u>(171,722)</u>	<u>47</u>	<u>102,153</u>	<u>141,590</u>	<u>(512,263)</u>
Fund Balances (Deficits) - July 1, 2013	<u>817,892</u>	<u>15,211</u>	<u>3,004,150</u>	<u>16,065</u>	<u>1,584,504</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 646,170</u>	<u>\$ 15,258</u>	<u>\$ 3,106,303</u>	<u>\$ 157,655</u>	<u>\$ 1,072,241</u>

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

	<u>Sewer Impact Fee</u>	<u>Delta Mendota Storm Gate</u>	<u>Aquatic Center Construction</u>	<u>Future Water Acquisition</u>	<u>Heartland Ranch Infrastructure</u>
<u>REVENUES</u>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits, and fees	-	-	-	-	-
Charges for current services	-	-	-	3,812	-
Intergovernmental	93,080	-	-	-	-
Investment earnings	524	498	110	74	131
Miscellaneous revenues	-	-	-	-	-
	<u>93,604</u>	<u>498</u>	<u>110</u>	<u>3,886</u>	<u>131</u>
Total Revenues					
<u>EXPENDITURES</u>					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Public works	-	-	-	-	-
Community development and planning	-	-	-	-	-
Capital outlay	39,104	-	-	-	-
	<u>39,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>54,500</u>	<u>498</u>	<u>110</u>	<u>3,886</u>	<u>131</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	(20,000)	-	-	-	-
	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	<u>34,500</u>	<u>498</u>	<u>110</u>	<u>3,886</u>	<u>131</u>
Fund Balances (Deficits) - July 1, 2013	<u>129,712</u>	<u>164,861</u>	<u>36,370</u>	<u>21,464</u>	<u>(3,631)</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 164,212</u>	<u>\$ 165,359</u>	<u>\$ 36,480</u>	<u>\$ 25,350</u>	<u>\$ (3,500)</u>

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

	Total Non-major Governmental Funds
<u>REVENUES</u>	
Taxes	\$ 664,006
License, permits, and fees	140,509
Charges for current services	1,749,575
Intergovernmental	1,274,925
Investment earnings	31,493
Miscellaneous revenues	<u>28,525</u>
Total Revenues	<u>3,889,033</u>
<u>EXPENDITURES</u>	
General government	73,705
Fire	1,279,848
Public works	606,963
Community development and planning	20,441
Capital outlay	<u>2,055,471</u>
Total Expenditures	<u>4,036,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,395)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	725,765
Transfers out	<u>(1,898,664)</u>
Total Other Financing Sources (Uses)	<u>(1,172,899)</u>
Net Change in Fund Balances	<u>(1,320,294)</u>
Fund Balances (Deficits) - July 1, 2013	<u>9,936,483</u>
Fund Balances (Deficits) - June 30, 2014	<u>\$ 8,616,189</u>

CITY OF PATTERSON
COMBINING SCHEDULE OF NET POSITION
AGENCY FUNDS
JUNE 30, 2014

	<u>West Patterson Financing Authority</u>	<u>West Patterson Business Park</u>	<u>Heartland Ranch 2002</u>	<u>PPFA 2013 Heartland Ranch Revenue Bonds</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and investments	\$ 2,810,979	\$ 2,901,225	\$ 501,446	\$ -	\$ 6,213,650
Restr. cash and investments	4,524,008	-	-	2,013,877	6,537,885
Accounts receivable	62,349	100,914	5,995	-	169,258
Other assets	<u>710</u>	<u>689</u>	<u>127</u>	<u>-</u>	<u>1,526</u>
Total Assets	<u>\$ 7,398,046</u>	<u>\$ 3,002,828</u>	<u>\$ 507,568</u>	<u>\$ 2,013,877</u>	<u>\$ 12,922,319</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 236	\$ -	\$ -	\$ 236
Due to bondholders	<u>7,398,046</u>	<u>3,002,592</u>	<u>507,568</u>	<u>2,013,877</u>	<u>12,922,083</u>
Total Liabilities	<u>\$ 7,398,046</u>	<u>\$ 3,002,828</u>	<u>\$ 507,568</u>	<u>\$ 2,013,877</u>	<u>\$ 12,922,319</u>