

# City of Petaluma California



**Comprehensive Annual Financial Report  
For The Year Ended June 30, 2010**

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# City of Petaluma

Petaluma, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2010*



**City of Petaluma**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2010**

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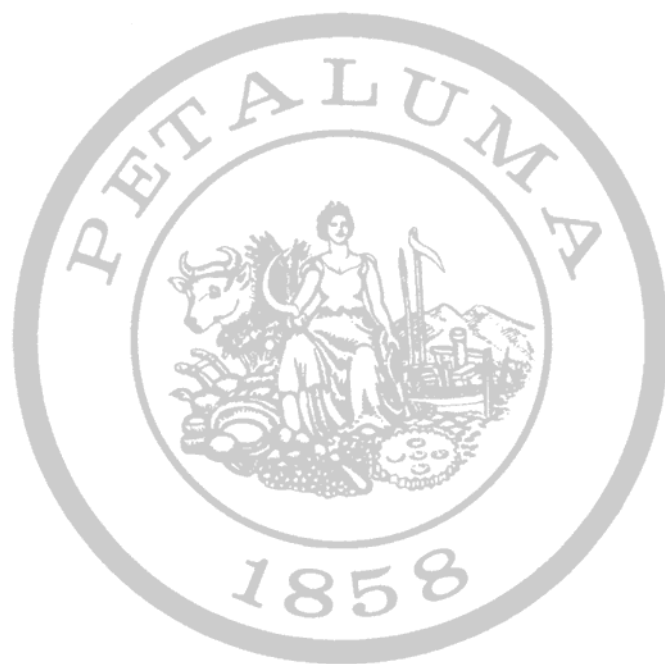
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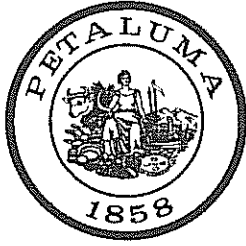
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# *City of Petaluma*

11 English Street • Petaluma, CA 94952

February 24, 2011

To the Honorable Mayor, Members of the City Council and Citizens of the City of Petaluma:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Petaluma. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the CAFR of the City of Petaluma, California for the fiscal year ended June 30, 2010.

For the fiscal year ended June 30, 2010, the City of Petaluma continues to comply with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34. This is the eighth fiscal year the new reporting model has been presented, which provides financial report users a narrative introduction, overview, and analysis, in the form of Management's Discussion and Analysis (MD&A), which accompanies the Basic Financial Statements. This letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City of Petaluma's MD&A can be found in the financial section, immediately following the reports of the independent auditors.

This MD&A consists of management's representations concerning the finances of the City of Petaluma. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Petaluma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Petaluma's financial statements.

The City of Petaluma's financial statements have been audited by Caporicci & Larsen, Certified Public Accountants, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Petaluma, for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Petaluma's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

## **CITY OF PETALUMA PROFILE**

The City of Petaluma became a chartered city in 1858, and is located in southern Sonoma County, California, approximately 40 miles north of San Francisco. Petaluma consists of 13.8 square miles and includes residential communities, commercial retail areas and several industrial/office complexes. It is also home to 44 parks, 3 community centers, and 2 outdoor pools.

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

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

## **LONG-TERM FINANCIAL PLANNING**

The City Council has adopted three goals related to long term financial planning. The first goal was to prepare a long term fiscal sustainability plan for the City. This plan was completed in December 2010. The City continues to work on the second goal which is to restore the 15% General Fund reserve. The third goal is to create an Economic Development Strategy that provides a system to keep current retailers and encourages new retail development. This project is currently underway.

## **ECONOMY**

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

Sonoma County's economy has continued to decline in the past year, like the State and the Nation. The unemployment rate in Sonoma County has risen to an all-time high, but is still below the State's rate.

The County's tourism related industries have faced challenges during the recent economic turmoil. Data from 2010 suggests that hotel occupancy rates are down, and tax revenues generated by the lodging industry have also fallen. Trends across California mirror the challenges faced in Sonoma County, where tourism is down statewide. Transient Occupancy Tax received by the city in fiscal year 2010 was \$1.17 million, a 10% decline from the prior year.

Housing prices in Petaluma are continuing to decline and it is not known when they will bottom out. Current housing prices are at about 33% of their peak median price of \$609,700 in 2006. Foreclosures are expected to continue due to job loss and tightened mortgage credit. The dramatic decline in property values has a positive side in that it has created housing affordability at the highest levels in over two decades, making Sonoma County an attractive option for many first-time homebuyers. The decline in home values impacts property tax revenues, one of the largest revenue sources to the City and Redevelopment Agency (RDA). Total general fund property tax revenue in fiscal year 2010 was \$6.9 million, a 4% or \$0.3 decline from prior years. On the other hand, RDA property tax increment revenue in fiscal year 2010 was \$17,224,163, a \$16,863 decrease over the prior year.

Retail sales in Petaluma continued to decline in fiscal year 2010 due to the recession. Despite the overall decline, the city did see some improvement in the fourth quarter of the fiscal year. The city expects retail sales to remain flat in 2011. Total general fund sales tax received in fiscal year 2010 was \$8.6 million, a significant decline of 8.5% or \$800,000 compared to the prior year.

To address the decline in revenues, the City offered the PERS early retirement incentive to all eligible employees. Recently, the City completed negotiations with all of the bargaining units and was successful in negotiating furlough time to reduce compensation.

In summary, Sonoma County's short-term outlook is poor, but consistent with what is happening throughout the state and nation. Recent economic indicators show that the recovery should begin in late 2011 and the City is laying the groundwork to be in position to take early advantage of all opportunities once the economy begins to rebound.

## **FINANCIAL INFORMATION**

Annual Budget. The City of Petaluma operates on a fiscal year basis, beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and final adoption in June, prior to the beginning of the fiscal year.

In accordance with the City's Charter, the budget is required to be submitted to the City Council by the first Monday in May. Budget hearings are held in May and June. The budget is approved by resolution, and the appropriations are set by ordinance. Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the Notes to the Basic Financial Statements, which are located in the financial section of this report.

The City ended the year with cash and investments of \$101.0 million, of which \$82.7 million is directly managed by the City Treasurer. Fiscal agents, at the direction of the City Treasurer, managed bond related funds of \$18.3 million. Total annual accrued investment earnings were \$ 1.3 million.

Debt Administration. As of June 30, 2010, the City of Petaluma and its component units have a number of debt issues outstanding. The City's General Fund has no outstanding long-term debt. The last Tax Allocation Bond (TAB) was issued by the Redevelopment Agency during fiscal year 2007.

Risk Management. The City uses a combination of insured and partially self-insured programs to finance its property and casualty risk. The City is self-insured with a \$750,000 Self Insured Retention (SIR) for workers' compensation insurance and has a \$500,000 SIR for liability coverage up to \$40,000,000. First party insurances and other insurances are obtained through a risk purchasing pool (CJPRMA) as well as in the private insurance market.

Other. Additional information concerning the finances of the City is contained in the Notes to the Basic Financial Statements. The City has refrained from duplicating information contained in the MD&A or in the notes in this transmittal letter.

## **AWARDS AND ACKNOWLEDGEMENTS**

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Petaluma for its comprehensive annual financial report for the fiscal year ended June 30, 2009.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. This report could not have been prepared without the effort of staff who spent untold hours preparing the financial statements, notes, statistical information and other details to comply with all the necessary requirements and pronouncements. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report, particularly the team of Sue Simmons, Cindy Juandy, Chris Jones, and Corey Garberolio. I would also like to thank the Mayor and City Council for their confidence and support for maintaining the highest standards of professionalism in the management of the City of Petaluma's finances.

Respectfully submitted,



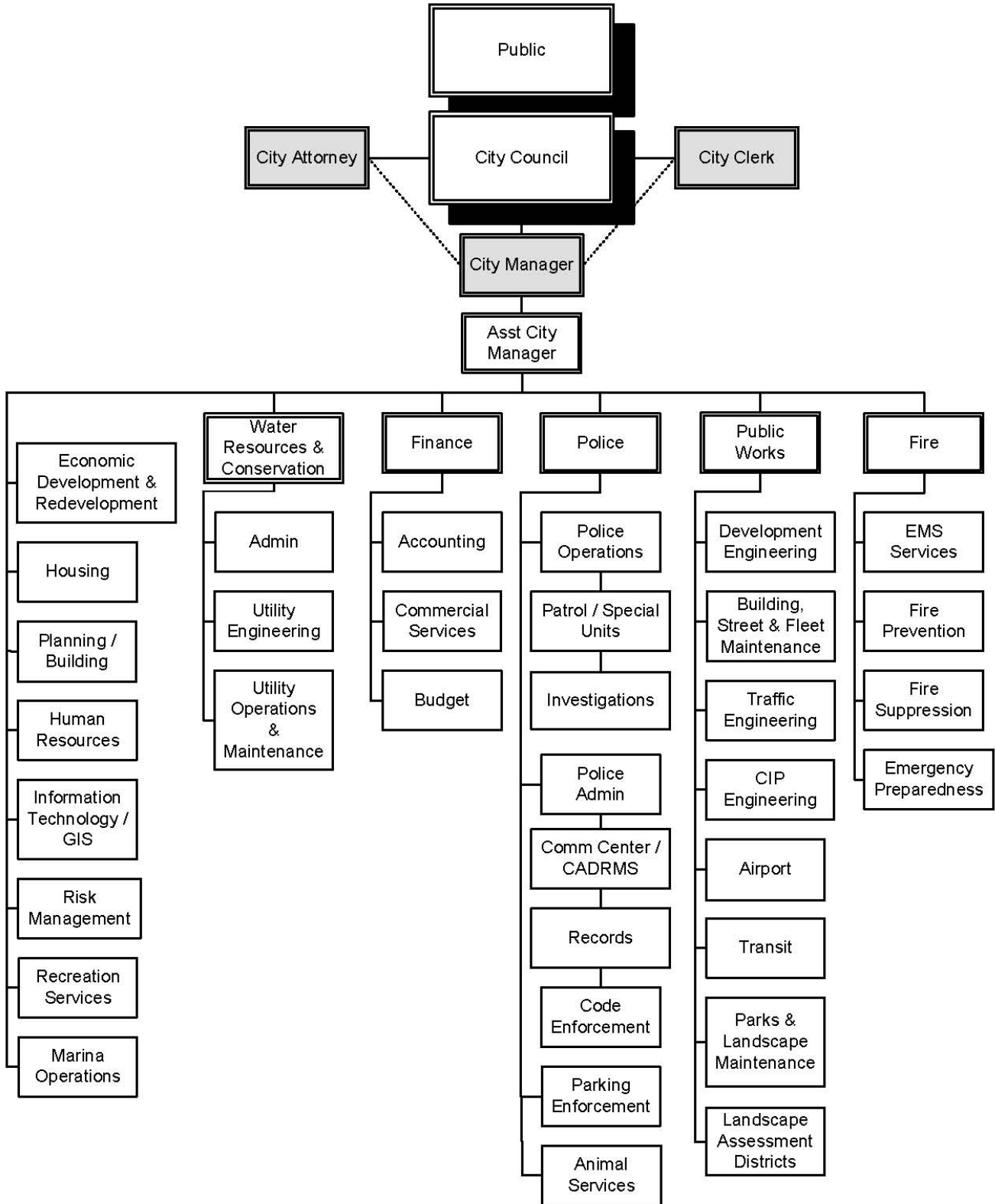
Susan Mahoney  
Interim Finance Director

# Organizational Chart

## Offices, Departments, & Divisions

### City of Petaluma, California

Fiscal Year 09/10



CITY OF PETALUMA PRINCIPAL OFFICIALS  
Elected Officials



PAMELA TORLIATT  
Mayor



TERESA BARRETT  
Councilmember



DAVID GLASS  
Councilmember



MICHAEL HARRIS  
Councilmember



MICHAEL HEALY  
Councilmember



TIFFANY RENEE  
Councilmember



DAVID RABBITT  
Councilmember

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Petaluma  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director





Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petaluma, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express our opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of the City Council  
of the City of Petaluma  
Petaluma, California  
Page 2

The accompanying Management's Discussion and Analysis, budgetary information, budgetary comparison schedules and Schedule of Funding Progress of Defined Benefit Pension Plans as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Diego, California  
February 24, 2011

# CITY OF PETALUMA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Petaluma, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i-iv of this report.

## Financial Highlights

### Government Wide Financial Statements

- The assets of the City of Petaluma exceeded its liabilities at the close of the fiscal year by \$334.2 million (Net Assets). Of this amount, \$202.5 million was invested in capital assets, net of related debt. The balance was restricted for capital projects, \$29.4 million, debt service, non-expendable trusts and special projects, \$46.5 million, and unrestricted, \$55.9 million. This included all City funds and Redevelopment Agency funds.
- The City's total net assets increased by \$2.2 million, comprised of a \$6.0 million decrease in governmental net assets and \$8.2 million increase in business-type activities net assets over prior year amounts.

### Fund Financial Statements

- At the close of the fiscal year, the City's governmental funds, including the General Fund, special revenue funds, debt service funds, capital projects funds, and redevelopment agency funds, reported combined ending fund balances of \$76.6 million, a decrease of \$6.4 million from the prior year. The 2010 fund balance was comprised of \$57.0 million reserved balances, and \$0.02 million unreserved, designated balances, producing an unreserved, undesignated fund balance of \$19.5 million.
- At the end of the fiscal year, the total fund balance for General Fund was \$1.8 million, approximately \$0.2 million less than the prior year. Of this amount, \$0.9 million is unreserved, undesignated, reported in the General Fund and approximately 2.8% of annual expenditures. The remaining amount of \$0.9 million is reserved for inter-fund advances, inventories, notes receivable and deposit items at year end.

## Overview of the Financial Statements

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

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

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

## Overview of the Financial Statements, continued

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

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

The Government-Wide Financial Statements include not only the City itself but also the Redevelopment Agency component unit. Financial information for this component unit is blended with the financial statements of the City, the primary government. The Redevelopment Agency, although legally separate, functions, for all practical purposes, as a department of the City, and therefore, has been included as an integral part of the primary government.

The Government-Wide Financial Statements can be found on pages 25-31 of this report.

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

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

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds in the Governmental Fund Financial Statements with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Governmental funds information is presented in the Governmental Fund Financial Statements for the City's major funds:

- General Fund,
- HOME/Begin Special Revenue Fund,
- Redevelopment Agency Special Revenue Fund,
- Impact Fee Special Revenue Fund,
- City Capital Project Fund,
- Redevelopment Agency Capital Project Fund

## Overview of the Financial Statements, continued

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

The basic Governmental Fund Financial Statements are on pages 36-42 of this report.

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

Internal service funds, the second type of proprietary fund, are used to account for the accumulation of resources, and the allocation of costs, which are required to provide internal services to various City departments and functions. Employee benefits, general services, information technology, risk management, vehicle/equipment replacement and worker's compensation comprise the City's internal service funds. Because these services predominantly benefit governmental, rather than business-type functions, all but the business activity portion of the vehicle/equipment replacement fund has been included within the governmental activities in the Government-Wide Financial Statements. The business activity portion of the vehicle/equipment replacement fund has been combined with the business type activities in the Government-Wide Financial Statements.

The Proprietary Fund Financial Statements provide fund information for each enterprise fund separately. The Internal Service funds are combined into a single, aggregated presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The Proprietary Fund Financial Statements are on pages 44-49 of this report.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements begin on page 55 through page 102 of this report.

Other Information – In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information. The first type of information presented is the budgetary information. The budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with the legal provisions of the 2010 appropriation ordinance. The second type of information included relates to the City's progress in funding its obligation to provide pension benefits to its employees. The Required Supplementary Information begins on page 103 of this report.

## Government-Wide Financial Statement Analysis

Statement of Net Assets – As noted earlier, net assets are an indicator of a government’s financial position. In the case of the City, net assets (the amount by which total assets exceeded total liabilities) equaled \$334.2 million at the close of the fiscal year.

The largest portion of the City’s net assets (61%) reflect its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources i.e. future revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets (22%) represents resources that are subject to external restrictions. The remaining balance (17%), the unrestricted net assets, may be used to meet the government’s ongoing obligations to citizens and creditors, subject to restrictions of various funding sources, as applicable.

As stated earlier, net assets increased by \$2.2 million during the fiscal year. The general government capital assets decreased \$0.2 million, and the business activity capital assets increased \$1.2 million (see disclosures for details). Net assets invested in capital assets, net of related debt increased by \$5.7 million; restricted net assets decreased by \$6.3 million and unrestricted net assets increased by \$2.8 million.

<b>Summary Statement of Net Assets</b>			
<b>Total Primary Government</b>			
<b>As of June 30, 2010 and 2009</b>			
<b>(in thousands)</b>			
	<b>Total Activities 2010</b>	<b>Total Activities 2009</b>	<b>Total Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 150,652	\$ 153,946	\$ (3,294)
Capital Assets, net of depreciation	<u>437,764</u>	<u>436,795</u>	<u>969</u>
<b>Total assets</b>	<u>588,416</u>	<u>590,741</u>	<u>(2,325)</u>
<b>Liabilities:</b>			
Current Liabilities	41,178	18,049	23,129
Non-Current Liabilities	<u>213,020</u>	<u>240,690</u>	<u>(27,670)</u>
<b>Total liabilities</b>	<u>254,198</u>	<u>258,739</u>	<u>(4,541)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	202,470	196,783	5,687
Restricted	75,875	82,176	(6,301)
Unrestricted	<u>55,873</u>	<u>53,043</u>	<u>2,830</u>
<b>Total net assets</b>	<u>\$ 334,218</u>	<u>\$ 332,002</u>	<u>\$ 2,216</u>

Government-Wide Financial Statement Analysis, continued

Governmental Activities – Governmental activities contributed \$211.3 million to the City’s net assets, a decrease of \$6.0 million over the prior year.

<b>Summary of Net Assets</b>			
<b>Governmental Activities</b>			
<b>As of June 30, 2010 and 2009</b>			
<b>(in thousands)</b>			
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>	<b>Governmental Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 111,228	\$ 116,557	\$ (5,329)
Capital Assets, net of depreciation	<u>186,017</u>	<u>186,231</u>	<u>(214)</u>
Total assets	<u>297,245</u>	<u>302,788</u>	<u>(5,543)</u>
<b>Liabilities:</b>			
Current Liabilities	6,339	6,580	(241)
Non-Current Liabilities	<u>79,561</u>	<u>78,841</u>	<u>720</u>
Total liabilities	<u>85,900</u>	<u>85,421</u>	<u>479</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	114,705	113,575	1,130
Restricted	74,753	81,041	(6,288)
Unrestricted	<u>21,887</u>	<u>22,752</u>	<u>(865)</u>
Total net assets	<u>\$ 211,345</u>	<u>\$ 217,368</u>	<u>\$ (6,023)</u>

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

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

## Government-Wide Financial Statement Analysis, continued

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

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

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

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

### Governmental Activities Changes:

- Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. Program revenues reduce the net cost of the function to be financed from the government's general revenues. As reflected in the chart below, governmental program revenues came from charges for services (which includes license and permits, plan checking fees, developer fees and several other revenues), operating grants and contributions category (including restricted revenues such as Federal/State and HOME grants) and from Capital grants and contributions (including developer contributions and donations). Total program revenues from Governmental Activities were \$13.4 million in fiscal year 2010, a increase of \$1.4 million compared to prior year. The primary reason for this increase is due to the reclassification of ambulance fees from an enterprise fund to the General Fund.
- General property taxes decreased due to the decline in market values on properties within the community.
- Redevelopment Agency tax increment remained essentially the same as the prior fiscal year, reflecting only a 0.2% decrease.
- Sales tax revenues continue to reflect historical lows due to the recession decreasing 8.6%.
- Property transfer tax and motor vehicle in-lieu tax are reported as Intergovernmental, unrestricted taxes in 2010.

Government-Wide Financial Statement Analysis, continued

The charts that follow show the program revenues, general revenues, and expenses by function for all Governmental activities, including the Redevelopment Agency.

<b>Summary of Statement of Activities and Changes in Net Assets</b>			
<b>Governmental Activities</b>			
<b>For the Years Ended June 30, 2010 and 2009</b>			
<b>(In thousands)</b>			
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program Revenues			
Charges for service	\$ 8,115	\$ 6,945	-12.7%
Operating grants and contributions	1,675	1,649	-84.7%
Capital grants and contributions	<u>3,601</u>	<u>3,401</u>	-88.6%
Total program revenue	<u>13,391</u>	<u>11,995</u>	-66.2%
General Revenues:			
Taxes:			
Property Tax	6,924	7,173	-3.0%
Redevelopment Tax Increment	17,224	17,241	17.3%
Sales Tax	8,631	9,445	-18.9%
Franchise Tax	3,133	3,090	21.2%
Intergovernmental/Unrestricted	6,160	8,061	-35.3%
Other Taxes	<u>2,794</u>	<u>2,792</u>	19.6%
Total Taxes	44,866	47,802	-5.4%
Unrestricted Investment Earnings	797	2,186	-41.6%
Miscellaneous Revenue	<u>2,040</u>	<u>681</u>	-43.7%
Total Revenue	61,094	62,664	-27.5%
<b>Expenses:</b>			
General government	5,108	4,555	9.7%
Community development	19,832	16,380	-9.8%
Police	15,727	15,789	-4.5%
Fire	10,172	8,174	-0.2%
Parks and recreation	2,969	5,337	-13.3%
Public works	10,178	6,698	-27.7%
Interest on long-term debt	<u>3,350</u>	<u>3,523</u>	0.7%
Total Expenses	<u>67,336</u>	<u>60,456</u>	-8.5%
<b>Revenues Over (Under) Expenses</b>	(6,242)	2,208	-90.8%
Internal Capital Contributions	-	-	
Transfers	<u>220</u>	<u>(1,043)</u>	-720.8%
<b>Change in Net Assets</b>	(6,022)	1,165	-96.1%
Net assets-beginning of year as restated	<u>217,368</u>	<u>216,203</u>	10.6%
Net assets-end of year	<u>\$ 211,346</u>	<u>\$ 217,368</u>	0.6%

Government-Wide Financial Statement Analysis, continued

Business-Type Activities – Business-type activities net assets contributed \$122.9 million to the City’s net assets, an increase of \$8.2 million over the prior year. All business-type activities are intended to be fully supported by the fees they charge (including subsidies received for operations, as is the case with the Transit operation). Their expenses include indirect costs and in-lieu fees of \$1.4 million charged by the General Fund and the internal service funds for support and general City services.

<b>Summary of Statement of Net Assets Business-type Activities As of June 30, 2010 and 2009 (in thousands)</b>			
	<b>Business-type Activities 2010</b>	<b>Business-type Activities 2009</b>	<b>Business-type Activities Change</b>
<b>Assets:</b>			
Current and other assets	\$ 39,424	\$ 37,389	\$ 2,035
Capital Assets, net of depreciation	<u>251,747</u>	<u>250,564</u>	<u>1,183</u>
Total assets	<u>291,171</u>	<u>287,953</u>	<u>3,218</u>
<b>Liabilities:</b>			
Current Liabilities	34,840	11,469	23,371
Non-Current Liabilities	<u>133,459</u>	<u>161,849</u>	<u>(28,390)</u>
Total liabilities	<u>168,299</u>	<u>173,318</u>	<u>(5,019)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	87,765	83,208	4,557
Restricted	1,121	1,136	(15)
Unrestricted	<u>33,987</u>	<u>30,290</u>	<u>3,697</u>
Total net assets	<u>\$ 122,873</u>	<u>\$ 114,634</u>	<u>\$ 8,239</u>

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

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

**Business-type Activities Changes:**

- Development Services includes all cost recovery services for which fees charged are required to cover the cost of providing the building, and development services.
- The Marina expense decrease reflects a reduction in cost of services.
- The waste water expense increase is attributable to additional electricity and operating supply costs at the new Ellis Creek Plant.
- Transfers Out includes the reclassification of ambulance expenses. Ambulance activities are now included as part of the General Fund.

Government-Wide Financial Statement Analysis, continued

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

<b>Summary of Statement and Changes in Net Assets</b>			
<b>Business-type Activities</b>			
<b>As of June 30, 2010 and 2009</b>			
<b>(in thousands)</b>			
	<b>Business-type Activities 2010</b>	<b>Business-type Activities 2009</b>	<b>Business-type Activities Change</b>
<b>Revenues:</b>			
Program Revenues			
Charges for Service	\$ 34,116	\$ 35,472	-3.8%
Capital Grants and Contributions	<u>2,681</u>	<u>4,056</u>	-33.9%
Total Program Revenue	<u>36,797</u>	<u>39,528</u>	-6.9%
General Revenues			
Unrestricted Investment Earnings	\$ 521	\$ 773	-32.6%
Miscellaneous Revenue	<u>(8)</u>	<u>-</u>	0.0%
Total Revenue	<u>37,310</u>	<u>40,301</u>	-7.4%
<b>Expenses:</b>			
Business Type Activities			
Airport	1,612	1,342	20.1%
Ambulance	-	2,308	-100.0%
Development Services	1,084	1,524	-28.9%
Marina	646	678	-4.7%
Transit	2,302	2,281	0.9%
Wastewater	12,137	10,722	13.2%
Water Utility	<u>11,070</u>	<u>10,529</u>	5.1%
Total Expenses	28,851	29,384	-1.8%
<b>Revenues Over (Under) Expenses</b>	8,459	10,917	-22.5%
Transfers	<u>(221)</u>	<u>1,043</u>	-121.2%
<b>Changes in Net Assets</b>	<u>8,238</u>	<u>11,960</u>	-31.1%
Net Assets - Beginning of year as restated	<u>114,635</u>	<u>102,675</u>	11.6%
Net Assets - End of Year	<u>\$ 122,873</u>	<u>\$ 114,635</u>	7.2%

## Fund Financial Statements Analysis

### **Governmental Major Funds**

#### General Fund

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

#### HOME/Begin Special Revenue Fund

The federal HOME program was created in 1990 and has provided over \$10.1 million to the City of Petaluma to fund affordable housing on a project-specific basis. The HOME program is administered through the California State Department of Housing and Community Development.

#### Impact Fee Special Revenue Funds

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

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

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

#### City Capital Project Funds

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

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

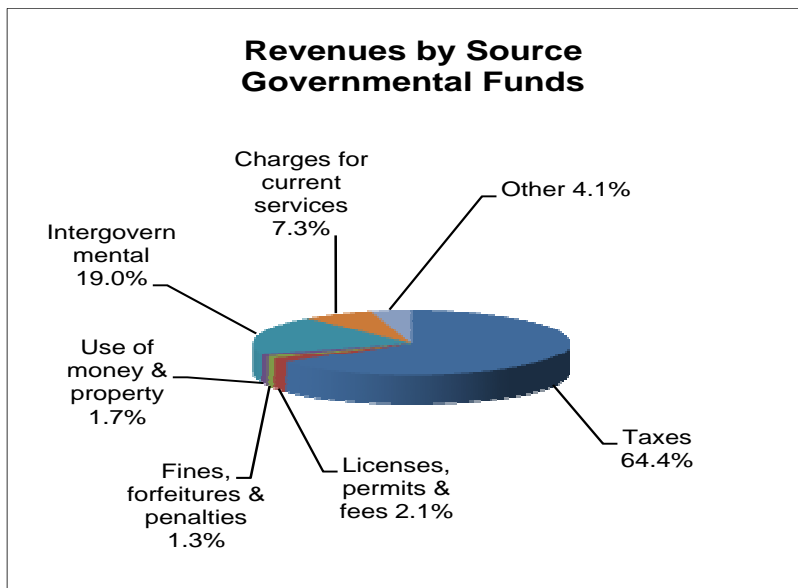
## Fund Financial Statements Analysis, continued

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

The City's Redevelopment Agency (RDA), Petaluma Community Development Commission (PCDC), was activated on December 1, 1975 and adopted the Redevelopment Plan for the Central Business District Project Area (CBD) on September 27, 1976. In 1988, the PCDC adopted the Petaluma Community Development Project Area (PCD). In adopting the redevelopment project areas, the PCDC exercises all redevelopment powers authorized under the constitution and the Health & Safety Code of the State of California. In October, 2007 the CBD and PCD project areas were fiscally merged. This enables the Agency to pool tax increment revenue and establishes a unified bonded indebtedness limit for the two project areas, while retaining the separate identity of each project area for other purposes. The seven members of the PCDC Board of Directors are the members of the Petaluma City Council. The City Manager acts as the Commission's Executive Director. This Redevelopment Agency includes three major funds:

- Redevelopment Special Revenue (Grants, Donations, Low and Moderate Income Housing),
- Redevelopment Capital Projects
- Redevelopment Debt Service

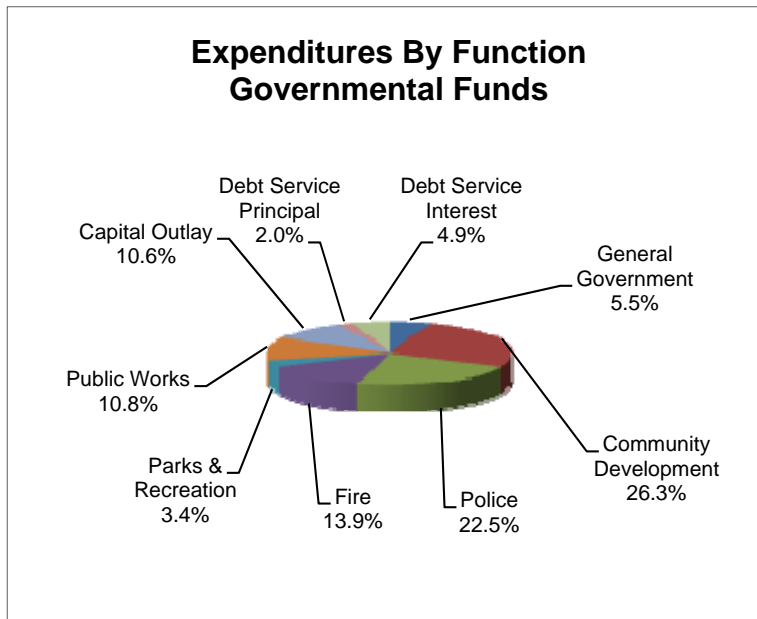
<b>Revenues Classified by Source</b>						
<b>Governmental Funds</b>						
<b>For the Years ending June 30, 2010 and 2009</b>						
<b>(in millions of dollars)</b>						
Revenue by Source	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Taxes	\$ 38.71	64.4%	\$ 39.74	63.3%	\$ (1.03)	-2.6%
Licenses, permits & fees	1.27	2.1%	1.91	3.0%	(0.64)	-33.5%
Fines, forfeitures & penalties	0.79	1.3%	0.80	1.3%	(0.01)	-1.3%
Use of money & property	1.02	1.7%	2.22	3.5%	(1.20)	-54.1%
Intergovernmental	11.44	19.0%	12.45	19.8%	(1.01)	-8.1%
Charges for current services	4.37	7.3%	4.78	7.6%	(0.41)	-8.6%
Other	<u>2.47</u>	<u>4.1%</u>	<u>0.87</u>	<u>1.4%</u>	<u>1.60</u>	<u>183.9%</u>
<b>Totals</b>	<b><u>\$ 60.07</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 62.77</u></b>	<b><u>100.0%</u></b>	<b><u>\$ (2.70)</u></b>	<b><u>-4.3%</u></b>



## Fund Financial Statements Analysis, continued

### Expenditures Classified by Function Governmental Funds For the Years ending June 30, 2010 and 2009 (in millions of dollars)

Expenditures by Function	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
<b>Current:</b>						
General Government	\$ 3.67	5.5%	\$ 3.88	6.4%	\$ (0.21)	-5.4%
Community Development	17.54	26.3%	14.88	24.5%	2.66	17.9%
Police	14.97	22.5%	15.10	24.8%	(0.13)	-0.9%
Fire	9.29	13.9%	7.80	12.8%	1.49	19.1%
Parks & Recreation	2.28	3.4%	4.57	7.5%	(2.29)	-50.1%
Public Works	7.19	10.8%	5.52	9.1%	1.67	30.3%
Capital Outlay	7.07	10.6%	4.38	7.2%	2.69	61.4%
<b>Debt Service:</b>						
Principal	1.36	2.0%	1.31	2.2%	0.05	3.8%
Interest	3.29	4.9%	3.36	5.5%	(0.07)	-2.1%
<b>Totals</b>	<b>\$ 66.66</b>	<b>100.0%</b>	<b>\$ 60.80</b>	<b>100.0%</b>	<b>\$ 5.86</b>	<b>8.8%</b>



## Fund Financial Statements Analysis, continued

### **Proprietary Major Funds**

#### Airport Fund

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

#### Ambulance Fund

This fund is used to account for the activities related to providing ambulance services to the citizens of the community.

#### Development Services Fund

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

#### Marina Fund

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

#### Transit Fund

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

#### Waste Water Utility Fund

This fund is part of the Department of Water Resources and Conservation, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of waste water. Capital projects are included in this fund.

#### Water Utility Fund

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

The decrease in enterprise revenues over the prior year is mainly due to the reclassification of ambulance activity to the General Fund offset by increased wastewater rates. Connection fee revenue decreased from prior year due to a continued slowdown in development and construction activity. The Intergovernmental revenue decrease is due to a one-time payment received from the County of Sonoma County Water Program in 2009. Investment earnings have decreased due to lower interest rates.

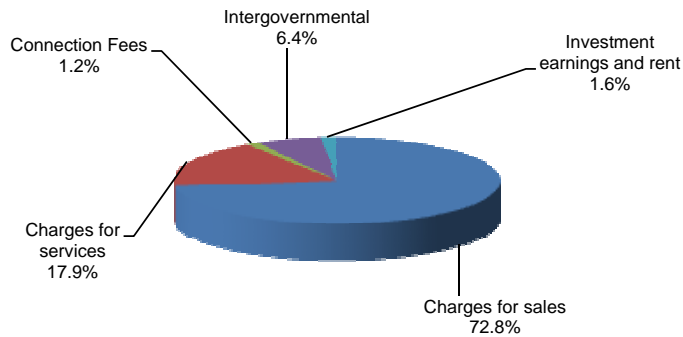
Changes in expenditures include a decrease in the cost of services and the reclassification of ambulance activity offset by an increase in depreciation and amortization primarily due to the new Ellis Creek wastewater facility, an increase in debt service interest expense, and an increase in workers compensation costs.

## Fund Financial Statements Analysis, continued

**Revenues Classified by Source  
Proprietary Funds  
For the Years ending June 30, 2010 and 2009  
(in millions of dollars)**

Revenue by Source	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Charges for sales	\$ 30.50	72.8%	\$ 29.81	68.3%	\$ 0.69	2.3%
Charges for services	7.49	17.9%	7.93	18.2%	(0.44)	-5.5%
Connection Fees	0.52	1.2%	0.80	1.8%	(0.28)	-35.0%
Intergovern. operating/non-operating	2.68	6.4%	4.06	9.3%	(1.38)	-34.0%
Investment earnings and rent	0.69	1.6%	1.10	2.5%	(0.41)	-37.3%
Other revenue	-	0.0%	(0.04)	-0.1%	0.04	0.0%
<b>Totals</b>	<b><u>\$ 41.88</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 43.66</u></b>	<b><u>100.0%</u></b>	<b><u>\$ (1.78)</u></b>	<b><u>-4.1%</u></b>

### Revenue By Source - Proprietary Funds

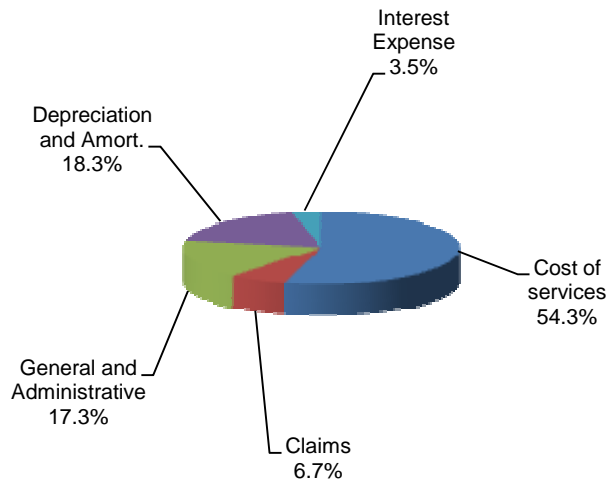


## Fund Financial Statements Analysis, continued

### Expenditures Classified by Function Proprietary Funds For the Years ending June 30, 2010 and 2009 (in millions of dollars)

	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	Percentage
Cost of services	\$ 18.84	54.3%	\$ 22.74	67.1%	\$ (3.90)	-17.2%
Claims	2.32	6.7%	0.67	2.0%	1.65	246.3%
General and administrative	5.99	17.3%	5.76	17.0%	0.23	4.0%
Depreciation and amortization	6.37	18.3%	4.45	13.1%	1.92	43.1%
Interest expense	<u>1.20</u>	<u>3.5%</u>	<u>0.28</u>	<u>0.8%</u>	<u>0.92</u>	<u>328.6%</u>
<b>Totals</b>	<b><u>\$ 34.72</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 33.90</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 0.82</u></b>	<b><u>2.4%</u></b>

### Expenditures Classified by Function - Proprietary Funds



## Financial Analysis of the Governmental Funds

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

Governmental Funds – The focus of the City of Petaluma’s Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Petaluma Governmental Funds reported combined ending fund balances of \$76.6 million, a decrease of \$6.4 million from the prior year. Total reserves equal \$57.0 million. Encumbrances are \$6.2 million, capital projects are \$25.5 million, notes receivable \$23.9 million, long term advances and due from other funds \$1.0 million, and miscellaneous is \$0.4 million. This leaves an unreserved fund balance of \$19.5 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$0.9 million while total fund balance was \$1.8 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents a positive 2.8% of total General Fund expenditures, while total fund balance represents 5.4% of that same amount.

The General Fund’s fund balance decreased by \$0.2 million during the current fiscal year. This decrease is due to the current recession and its impact on tax and intergovernmental revenues.

The Redevelopment Agency had a total fund balance of \$52.3 million:

- Special Revenue Funds                      \$24.56 million
- Capital Project Fund                         \$27.40 million
- Debt Service Fund                            \$ 0.32 million

Redevelopment reserves for notes receivables equal \$22.7 million. An additional \$25.5 million is reserved for capital projects, and \$1.9 million is reserved for miscellaneous items, including encumbrances, debt service and inter-fund advances. The unreserved amount of \$2.1 million is undesignated and reported in special revenue. Overall, total RDA fund balance increased \$1.9 million. The increase in special revenue funds totals \$1.7 million, where tax increment revenue exceeded program expenses by that amount. The fund balance of the capital projects fund decreased by \$0.2 million.

The HOME/Begin Special Revenue Fund net change in fund balance was a positive \$65,452 resulting in an ending fund balance of \$666,505. The unreserved, undesignated fund balance reported in special revenue funds is \$666,505.

The net change in fund balance for the Impact Fee Special Revenue Fund was \$0.6 million due to transfers back to original fund for canceled projects. The ending fund balance totaled \$13.7 million. The unreserved, undesignated fund balances reported in special revenue funds are \$0.7 million.

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

The net change in fund balance for the City Capital Project Fund was a negative \$8.0 million due to expenditures for capital outlay. The ending fund balance was \$2.0 million. The unreserved, undesignated fund balance reported in capital projects is a negative \$2.8 million. There is \$4.8 reserved for inter-fund advances.

<b>Summary of Statement of Net Assets</b>			
<b>Governmental Funds</b>			
<b>As of June 30, 2010 and 2009</b>			
<b>(in thousands)</b>			
	<b>Governmental Funds 2010</b>	<b>Governmental Funds 2009</b>	<b>Governmental Funds Change</b>
<b>Assets:</b>			
Total assets	<u>99,682</u>	<u>106,831</u>	<u>(7,149)</u>
<b>Liabilities:</b>			
Total liabilities	23,120	23,810	(690)
<b>Net Assets:</b>			
Reserved	57,023	57,350	(327)
Unreserved, designated	22	220	(198)
Unreserved, undesignated	<u>19,517</u>	<u>25,450</u>	<u>(5,933)</u>
Total fund balance	<u>76,562</u>	<u>83,020</u>	<u>(6,458)</u>
Total liabilities and fund balances	<u>\$ 99,682</u>	<u>\$ 106,830</u>	<u>\$ (7,148)</u>

## Financial Analysis of the Proprietary Funds

**Proprietary Funds** – Enterprise Funds activity showed an increase in net assets for the Airport Fund of \$318,130, a decrease of approximately \$216,913 from the prior year. Ambulance Fund activity is now shown as part of the General Fund. Development Services had a positive change to net assets of \$129,360, an improvement of \$416,435 over the prior year. The Marina Fund had a negative change in net assets of \$44,006. The Transit Fund received less TDA operating and capital this year, compared to prior year resulting in a negative change to net assets of \$243,248. The Waste Water Fund’s revenue exceeded prior year by \$1.6 million due to increased rates offset by a decrease of approximately \$0.1 million in connection fees, and expenses increased \$1.2 million, resulting in a total of \$4.2 million added to net assets, compared to \$8.1 from the prior year. \$3.5 million was transferred from the Wastewater Utility Fund to the Wastewater Rate Stabilization fund to provide future rate stability. Water Fund revenue activity resulted in an overall positive impact on net assets of \$0.9 million compared to \$3.5 million from the prior year.

Internal Service Funds activity included increased revenues and expenses than in the prior year. The negative impact on net assets was \$1.7 million. The greatest change is attributable to \$1.6 million increase in workers compensation costs.

<b>Summary of Statement of Net Assets</b>			
<b>Proprietary Funds</b>			
<b>As of June 30, 2010 and 2009</b>			
<b>(in thousands)</b>			
	<b>Proprietary Funds 2010</b>	<b>Proprietary Funds 2009</b>	<b>Proprietary Funds Change</b>
<b>Assets:</b>			
Current assets	\$ 51,913	\$ 48,709	\$ 3,204
Non-current assets	<u>255,345</u>	<u>255,716</u>	<u>(371)</u>
Total assets	<u><u>307,258</u></u>	<u><u>304,425</u></u>	<u><u>2,833</u></u>
<b>Liabilities:</b>			
Current liabilities	35,424	7,649	27,775
Non-current liabilities	<u>138,667</u>	<u>170,655</u>	<u>(31,988)</u>
Total liabilities	<u>174,091</u>	<u>178,304</u>	<u>(4,213)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	90,876	86,919	3,957
Restricted for debt service	1,121	1,136	(15)
Unrestricted	<u>41,169</u>	<u>38,066</u>	<u>3,103</u>
Total net assets	<u><u>\$ 133,166</u></u>	<u><u>\$ 126,121</u></u>	<u><u>\$ 7,045</u></u>

## General Fund Budgetary Highlights

The General Fund revenues originally adopted were adjusted at mid-year to reflect anticipated increases in fees, intergovernmental and current services. Expenses originally adopted were adjusted at mid-year to reflect anticipated decreases in Animal Services, Police, Fire, Public Works and Administrative Services, offset by increases in Capital Outlay and Community Development.

The General Fund total revenues were below the adopted budget estimates by \$1.4 million or 3.9%, due to continued declines in sales tax revenue, property tax revenue, and charges for services due to the recession.

The General Fund overall expenditures were under budget by \$0.7 million or 2.0% due to implementation of cost saving measures to reduce staffing and service levels throughout the year to combat declining revenues. The Fire expenditure budget was exceeded by \$0.3 million caused by increased overtime costs.

Note 11 contains detailed information on the amounts and the explanations for all governmental departments and funds which exceeded appropriations at the end of 2010.

## Capital Asset and Debt Administration

Capital Assets – The City of Petaluma’s investment in capital assets for its Governmental and Business-Type Activities as of June 30, 2010, equals \$437.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment, and infrastructure. Detailed information about the City’s capital assets is contained in Note 6.

The total increase in the City’s investment in capital assets, net of depreciation, for the current fiscal year was \$1.0 million or a .002% increase (this represents a decrease of \$214,046 in Governmental Activities and an increase of \$1,183,162 for Business-type Activities).

Capital asset balances as of June 30, 2010 and 2009 were:

<b>Capital Assets</b>						
<b>(net of depreciation, in millions)</b>						
<b>as of June 30, 2010 and 2009</b>						
	Governmental		Increase	Business-type		Increase
	Activities		(Decrease)	Activities		(Decrease)
	2010	2009	% Change	2010	2009	% Change
Land	\$ 36.3	\$ 36.0	1%	\$ 10.7	\$ 10.7	0%
Const in Proc	24.6	21.6	14%	14.3	172.2	-92%
Bldg and Improv	10.0	10.4	-4%	13.7	14.2	-4%
Vehicle and Equip	5.2	5.4	-4%	2.7	3.5	-23%
Infrastructure	<u>109.9</u>	<u>112.8</u>	-3%	<u>210.3</u>	<u>50.0</u>	321%
<b>Totals</b>	<b><u>\$ 186.0</u></b>	<b><u>\$ 186.2</u></b>	<b>0%</b>	<b><u>\$ 251.7</u></b>	<b><u>\$ 250.6</u></b>	<b>0%</b>

## Capital Asset and Debt Administration, continued

Long Term Debt – At the end of the current fiscal year, the City had total long term debt of \$239.6 million, of which \$70.9 was bonded debt of the Redevelopment Agency (secured by future tax increment revenue), \$19.0 million bonded debt of the enterprise funds (\$5.5 million in certificates of participation and \$13.5 million in revenue bonds secured by the water and waste water revenues). Additionally the Waste Water Fund had \$24.7 million in revolving lines of credit and \$113.4 million in a State Water Resource Control Board loan for the Ellis Creek Recycling Plant. Finally the Airport Fund and the Marina Fund also had State loans outstanding in the amounts of \$1.3 million and \$5.5 million, respectively.

- The Waste Water Fund's revolving lines of credit with BNP Paribas and Zion 1<sup>st</sup> National Bank, increased by \$2.1 million this year.
- In 2005, the Waste Water Fund secured a State Water Resource Control Board loan in the amount of \$126 million, \$50 million of which was received during 2007, \$50 million received during 2008, \$18 million received during 2009 and \$0.1 million received during current year.
- The Public Works department had a capital lease for street paving equipment in the total amount of \$166,592 payable from the Street Maintenance Fund.
- In 2006, the Information Services Fund entered into a 5 year lease with Government Capital Corporation for ACCELA software. The balance at June 30, 2010 is \$140,959.

The Moody's rating for the Redevelopment Agency is Aaa (A3 underlying). The Standard & Poor's rating is AAA (A- underlying).

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$1.0 billion. At June 30, 2010, the City had no general obligation debt outstanding. Additional information on the City of Petaluma's long term debt can be found in Note 7 of this report.

**Capital Asset and Debt Administration, continued**

<b>Governmental Activities Long-Term Debt</b>			
As of June 30, 2010 and 2009			
(in millions)			
	Balance June 30, 2010	Balance June 30, 2009	Increase (Decrease)
2001A Tax Allocation Bonds	1,460	1,790	(330)
2003A Tax Allocation Bonds	21,865	22,325	(460)
2003A TAB unamortized bond discount	(11)	(12)	1
2005A Tax Allocation Bonds	17,695	17,955	(260)
2005A TAB unamortized bond premium	131	138	(7)
2005A TAB deferred amt on refunding	(999)	(1,049)	50
2007 Tax Allocation Bonds	31,300	31,505	(205)
2005A TAB unamortized bond discount	(511)	(528)	17
Auto Plaza DDA-AD 19	214	314	(100)
Capital Leases	234	349	(115)
Compensated Absences	3,815	3,387	428
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 75,193</u>	<u>\$ 76,174</u>	<u>\$ (981)</u>

<b>Business-Type Activities Long-Term Debt</b>			
As of June 30, 2010 and 2009			
(in millions)			
	Balance June 30, 2010	Balance June 30, 2009	Increase (Decrease)
Airport loan-CA Dept Transportation	\$ 1,262	\$ 1,416	\$ (154)
Airport 2003 Certificates of Participation	5,435	5,615	(180)
2003 COP unamortized bond premium	61	64	(3)
2000 Wastewater Revenue Bonds	5,525	5,935	(410)
2000 WW unamortized bond discount	(44)	(48)	4
WW- BNP Paribas line of credit	15,300	13,150	2,150
WW-Zion 1st National Bank line of credit	9,376	9,376	-
WW-CA SWRCB loan	113,388	117,946	(4,558)
2001B Water Revenue Bonds	8,000	8,260	(260)
2001B Water unamortized bond discount	(11)	(12)	1
Marina loan-CA Dept of Boating & Waterways	5,551	5,449	102
Capital Leases	141	206	(65)
Compensated Absences	389	596	(207)
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 164,373</u>	<u>\$ 167,953</u>	<u>\$ (3,580)</u>

## Economic Factors and Next Year's Budget

The State of California's budget crisis, housing market crash and economic recession continue to impact the revenue streams to the City. We are also challenged by the rising retirement cost of the Public Employees Retirement System (PERS).

The City has a diverse economic base that includes residential, retail, and commercial assets. Revenues from these sectors from property and hotel taxes are anticipated to continue to decrease due to the recession. Revenues from sales tax are anticipated to increase slightly over the prior year.

The City Council held public meetings to adopt a balanced budget for FY 2010-11 and used General Fund reserves to weather the impacts from the recession, taking all the known factors into account.

## Requests for Information

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

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**City of Petaluma**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 45,720,815	\$ 33,553,535	\$ 79,274,350
Restricted cash and investments	17,131,971	1,121,485	18,253,456
Receivables:			
Accounts, net	1,022,790	2,939,188	3,961,978
Interest	155,225	-	155,225
Intergovernmental	4,083,675	535,413	4,619,088
Internal balances	367,725	(367,725)	-
Internal services balances	(783,984)	783,984	-
Inventories	31,268	358,020	389,288
Deposits and prepaid items	1,070,020	14,668	1,084,688
Total current assets	<u>68,799,505</u>	<u>38,938,568</u>	<u>107,738,073</u>
Noncurrent assets:			
Deposits receivable	270,640	-	270,640
Interest receivable	5,962,884	-	5,962,884
Notes receivable	34,875,834	-	34,875,834
Deferred charges	1,319,255	485,317	1,804,572
Capital assets:			
Non-depreciable	60,939,798	25,109,061	86,048,859
Depreciable, net	125,077,147	226,638,432	351,715,579
Total capital assets	<u>186,016,945</u>	<u>251,747,493</u>	<u>437,764,438</u>
Total noncurrent assets	<u>228,445,558</u>	<u>252,232,810</u>	<u>480,678,368</u>
<b>Total assets</b>	<u>297,245,063</u>	<u>291,171,378</u>	<u>588,416,441</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,375,251	1,905,407	4,280,658
Wages payable	1,024,398	78,356	1,102,754
Interest payable	553,514	1,054,148	1,607,662
Refundable deposits	444,377	888,344	1,332,721
Long-term debt - due within one year	1,941,280	30,913,332	32,854,612
Total current liabilities	<u>6,338,820</u>	<u>34,839,587</u>	<u>41,178,407</u>
Noncurrent liabilities:			
Claims payable	5,017,785	-	5,017,785
Net OPEB liability	1,290,266	-	1,290,266
Long-term debt - due in more than one year	73,252,697	133,459,222	206,711,919
Total noncurrent liabilities	<u>79,560,748</u>	<u>133,459,222</u>	<u>213,019,970</u>
<b>Total liabilities</b>	<u>85,899,568</u>	<u>168,298,809</u>	<u>254,198,377</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	<u>114,705,474</u>	<u>87,764,411</u>	<u>202,469,885</u>
Restricted for:			
Special projects:			
CDBG	96,313	-	96,313
HOME/Begin	666,505	-	666,505
Redevelopment low/moderate housing	24,563,889	-	24,563,889
Impact fee	13,698,906	-	13,698,906
Grants	881,512	-	881,512
Gas tax	535,952	-	535,952
Supplemental law enforcement	788,427	-	788,427
LAD	350,044	-	350,044
Street maintenance	2,392,771	-	2,392,771
TOT	18,350	-	18,350
Hazmat	1,029,682	-	1,029,682
Debt service	322,279	1,121,485	1,443,764
Capital projects	29,385,584	-	29,385,584
Permanent:			
Expendable	23,177	-	23,177
Total restricted	<u>74,753,391</u>	<u>1,121,485</u>	<u>75,874,876</u>
Unrestricted	<u>21,886,630</u>	<u>33,986,673</u>	<u>55,873,303</u>
<b>Total net assets</b>	<u>\$ 211,345,495</u>	<u>\$ 122,872,569</u>	<u>\$ 334,218,064</u>

See accompanying Notes to Basic Financial Statements.

**City of Petaluma**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2010**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 7,610,166	\$ (2,501,750)	\$ 3,067,208	\$ 608	\$ -
Community development	18,797,323	1,035,000	1,603,801	677,502	-
Police	15,727,066	-	285,067	909,814	416,819
Fire	10,172,173	-	1,980,928	19,760	177,872
Parks and recreation	2,956,236	13,000	920,627	65,786	-
Public works	10,145,360	33,000	257,400	1,628	3,006,876
Interest on long-term debt	3,349,762	-	-	-	-
<b>Total governmental activities</b>	<b>68,758,086</b>	<b>(1,420,750)</b>	<b>8,115,031</b>	<b>1,675,098</b>	<b>3,601,567</b>
Business-type activities:					
Airport	1,542,320	70,000	1,656,007	-	267,457
Ambulance	-	-	-	-	-
Development Services	1,050,823	33,050	1,212,558	-	-
Marina	600,797	45,000	268,650	-	333,141
Transit	2,037,363	265,050	191,704	-	1,867,172
Waste water utility	11,615,051	522,150	19,068,591	-	213,478
Wastewater rate stabilization	-	-	-	-	-
Water utility	10,584,053	485,500	11,718,421	-	-
<b>Total business-type activities</b>	<b>27,430,407</b>	<b>1,420,750</b>	<b>34,115,931</b>	<b>-</b>	<b>2,681,248</b>
<b>Total primary government</b>	<b>\$ 96,188,493</b>	<b>\$ -</b>	<b>\$ 42,230,962</b>	<b>\$ 1,675,098</b>	<b>\$ 6,282,815</b>

**General Revenues:**

Taxes:

- Property taxes
- Redevelopment tax increment
- Sales taxes
- Franchise tax
- Intergovernmental, unrestricted
- Other taxes

Total taxes

Unrestricted investment earnings

Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net assets - beginning of year**

**Net assets - end of year**

Net (Expense) Revenue  
and Changes in Net Assets

Total	Governmental Activities	Business-Type Activities	Total
\$ 3,067,816	\$ (2,040,600)	\$ -	\$ (2,040,600)
2,281,303	(17,551,020)	-	(17,551,020)
1,611,700	(14,115,366)	-	(14,115,366)
2,178,560	(7,993,613)	-	(7,993,613)
986,413	(1,982,823)	-	(1,982,823)
3,265,904	(6,912,456)	-	(6,912,456)
-	(3,349,762)	-	(3,349,762)
<u>13,391,696</u>	<u>(53,945,640)</u>	<u>-</u>	<u>(53,945,640)</u>
1,923,464	-	311,144	311,144
-	-	-	-
1,212,558	-	128,685	128,685
601,791	-	(44,006)	(44,006)
2,058,876	-	(243,537)	(243,537)
19,282,069	-	7,144,868	7,144,868
-	-	-	-
11,718,421	-	648,868	648,868
<u>36,797,179</u>	<u>-</u>	<u>7,946,022</u>	<u>7,946,022</u>
<u>\$ 50,188,875</u>	<u>(53,945,640)</u>	<u>7,946,022</u>	<u>(45,999,618)</u>
	6,923,955	-	6,923,955
	17,224,163	-	17,224,163
	8,631,248	-	8,631,248
	3,132,790	-	3,132,790
	6,159,837	-	6,159,837
	2,793,543	-	2,793,543
	44,865,536	-	44,865,536
	796,641	521,229	1,317,870
	2,039,729	(7,685)	2,032,044
	221,545	(221,545)	-
	<u>47,923,451</u>	<u>291,999</u>	<u>48,215,450</u>
	(6,022,189)	8,238,021	2,215,832
	217,367,684	114,634,548	332,002,232
	<u>\$ 211,345,495</u>	<u>\$ 122,872,569</u>	<u>\$ 334,218,064</u>



## **FUND FINANCIAL STATEMENTS**



## Governmental Fund Financial Statements

**General Fund** - The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

**HOME/Begin Special Revenue Fund** - The HOME/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

**Redevelopment Special Revenue Fund** - This fund accounts for the redevelopment agency's 20% set-aside, as required by law, of tax increment for Low and Moderate Income Housing. The activity of this funds consists of supporting development of affordable housing in the community. Also included in this fund are redevelopment agency donations and grant revenues.

**Impact Fees Special Revenue Fund** - This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provide assistance to low income people in the community, and for the acquisition, development, and enhancement of neighborhood and community parks.

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

**Redevelopment Capital Project Fund** - This fund accounts for the administration of programs and the capital projects undertaken in the Redevelopment Agency.

**City of Petaluma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	Major Funds			
	General	HOME/Begin Special Revenue	Redevelopment Special Revenue	Impact Fees Special Revenue
<b>ASSETS</b>				
Cash and investments	\$ 747,323	\$ 666,505	\$ 3,797,596	\$ 10,761,361
Restricted cash and investments	-	-	-	-
Receivables:				
Accounts, net	677,385	-	4,940	-
Interest	155,225	-	-	-
Intergovernmental	2,192,164	-	55,706	26
Due from other funds	787,527	-	-	1,444
Inventories	15,277	-	-	-
Deposits and prepaid items	27,678	-	548	-
Interests receivable related to notes receivable	13,940	2,566,683	3,031,208	252,520
Noncurrent deposits	-	-	-	270,640
Notes receivable	49,375	10,198,290	22,494,553	1,097,946
Advances to other funds	-	-	-	1,700,000
<b>Total assets</b>	<b>\$ 4,665,894</b>	<b>\$ 13,431,478</b>	<b>\$ 29,384,551</b>	<b>\$ 14,083,937</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,552,352	\$ -	\$ 26,023	\$ 132,511
Wages payable	977,335	-	3,431	-
Deferred revenue	73,402	12,764,973	3,031,208	252,520
Refundable deposits	254,627	-	60,000	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	1,700,000	-
<b>Total liabilities</b>	<b>2,857,716</b>	<b>12,764,973</b>	<b>4,820,662</b>	<b>385,031</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	1,601	-	-	-
Interfund receivable	787,527	-	-	1,444
Inventories	15,277	-	-	-
Notes receivable	49,375	-	22,494,553	1,097,946
Deposits and prepaid items	27,678	-	548	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total reserved	<b>881,458</b>	<b>-</b>	<b>22,495,101</b>	<b>1,099,390</b>
Unreserved, designated in:				
Special projects	-	-	13,596	-
Unreserved, undesignated reported in:				
General fund	926,720	-	-	-
Special revenue funds	-	666,505	2,055,192	12,599,516
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Total unreserved, undesignated	<b>926,720</b>	<b>666,505</b>	<b>2,055,192</b>	<b>12,599,516</b>
<b>Total fund balances</b>	<b>1,808,178</b>	<b>666,505</b>	<b>24,563,889</b>	<b>13,698,906</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,665,894</b>	<b>\$ 13,431,478</b>	<b>\$ 29,384,551</b>	<b>\$ 14,083,937</b>

See Accompanying Notes to Basic Financial Statements.

Major Funds		Non-Major	Total
City	Redevelopment	Governmental	Governmental
Capital Project	Capital Project	Funds	Funds
\$ 1,142,355	\$ 10,092,443	\$ 6,256,628	\$ 33,464,211
-	17,131,383	588	17,131,971
-	-	-	-
-	1,012	297,913	981,250
-	-	-	155,225
755,910	214,782	865,087	4,083,675
207,200	-	-	996,171
-	-	-	15,277
1,444	127	14,584	44,381
-	-	98,533	5,962,884
-	-	-	270,640
-	251,670	784,000	34,875,834
-	-	-	1,700,000
<u>\$ 2,106,909</u>	<u>\$ 27,691,417</u>	<u>\$ 8,317,333</u>	<u>\$ 99,681,519</u>
\$ 115,876	\$ 152,003	\$ 280,289	\$ 2,259,054
6,608	6,470	14,502	1,008,346
-	591	905,917	17,028,611
-	129,750	-	444,377
1,444	-	678,118	679,562
-	-	-	1,700,000
<u>123,928</u>	<u>288,814</u>	<u>1,878,826</u>	<u>23,119,950</u>
4,578,355	1,631,277	22,009	6,233,242
207,200	-	-	996,171
-	-	-	15,277
-	251,670	-	23,893,544
-	127	14,584	42,937
-	25,519,529	-	25,519,529
-	-	322,279	322,279
<u>4,785,555</u>	<u>27,402,603</u>	<u>358,872</u>	<u>57,022,979</u>
-	-	8,157	21,753
-	-	-	926,720
-	-	6,048,301	21,369,514
(2,802,574)	-	-	(2,802,574)
-	-	23,177	23,177
<u>(2,802,574)</u>	<u>-</u>	<u>6,071,478</u>	<u>19,516,837</u>
<u>1,982,981</u>	<u>27,402,603</u>	<u>6,438,507</u>	<u>76,561,569</u>
<u>\$ 2,106,909</u>	<u>\$ 27,691,417</u>	<u>\$ 8,317,333</u>	<u>\$ 99,681,519</u>



**City of Petaluma**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2010**

**Total Fund Balances - Total Governmental Funds** \$ 76,561,569

Amounts reported for Governmental Activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

Non-depreciable	60,939,798	
Depreciable, net (Less \$3,111,861 reported in the Internal Service Funds for governmental activities. \$3,111,861 is the difference between the total depreciable assets in the Internal Service Funds in the amount of \$3,572,946 and the depreciable assets in the Equipment Replacement (BA) Fund in the amount of \$461,085).	121,965,286	
<b>Total capital assets</b>		<b>182,905,084</b>

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements. 17,028,611

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds were included in governmental activities in the Government-Wide Statement of Net Assets. (Less \$782,791 reported in the Equipment Replacement Fund which is entirely allocated to the business-type activities and \$988,610 allocated to business-type activities from the remaining Internal Service Funds) 10,293,842

Deferred charges, such as bonds issuance costs from issuing debt, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets. 1,319,255

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability on the Governmental Funds Balance Sheet. (Less \$7,449 reported in the Internal Service Funds for governmental activities) (549,472)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Compensated absences - due in within one year (Less \$12,620 reported in the Internal Service Funds for governmental activities)	(399,624)	
Compensated absences - due in more than one year (Less \$190,737 reported in the Internal Service Funds for governmental activities)	(3,212,033)	
Long-term liabilities - due within one year (Less \$67,493 reported in the Internal Service Funds for governmental activities)	(1,461,544)	
Long-term liabilities - due in more than one year	(69,849,927)	
Net OPEB liability	(1,290,266)	
<b>Total long-term liabilities</b>		<b>(76,213,394)</b>

**Net Assets of Governmental Activities** \$ 211,345,495

**City of Petaluma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

	Major Funds			
		HOME/Begin	Redevelopment	Impact
	General	Special Revenue	Special Revenue	Fees Special Revenue
<b>REVENUES:</b>				
Taxes	\$ 19,767,516	\$ -	\$ 3,285,294	\$ -
Licenses, permits and fees	786,533	-	-	488,401
Fines, forfeitures and penalties	603,326	-	-	-
Use of money and property	411,693	65,452	48,389	183,665
Intergovernmental	4,664,168	-	160,332	-
Charges for current services	3,931,924	-	22,110	8,964
Other	1,878,298	-	158,007	-
<b>Total revenues</b>	<b>32,043,458</b>	<b>65,452</b>	<b>3,674,132</b>	<b>681,030</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,667,640	-	-	-
Community development	168,454	-	1,713,040	1,400,554
Police	14,638,288	-	-	260
Fire	9,222,578	-	-	312
Parks and recreation	1,461,317	-	-	107
Public works	4,279,656	-	-	4,380
Capital outlay	57,677	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>33,495,610</b>	<b>-</b>	<b>1,713,040</b>	<b>1,405,613</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,452,152)</b>	<b>65,452</b>	<b>1,961,092</b>	<b>(724,583)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,269,344	-	-	674,176
Transfers out	(48,279)	-	(223,007)	(518,457)
<b>Total other financing sources (uses)</b>	<b>1,221,065</b>	<b>-</b>	<b>(223,007)</b>	<b>155,719</b>
<b>Net change in fund balances</b>	<b>(231,087)</b>	<b>65,452</b>	<b>1,738,085</b>	<b>(568,864)</b>
<b>FUND BALANCES:</b>				
Beginning of year	2,039,265	601,053	22,825,804	14,267,770
End of year	<u>\$ 1,808,178</u>	<u>\$ 666,505</u>	<u>\$ 24,563,889</u>	<u>\$ 13,698,906</u>

See Accompanying Notes to the Basic Financial Statements.

Major Funds			
City Capital Project	Redevelopment Capital Project	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 13,938,869	\$ 1,714,021	\$ 38,705,700
-	-	-	1,274,934
-	-	186,569	789,895
-	245,204	65,283	1,019,686
27,154	4,583	6,579,656	11,435,893
-	-	410,634	4,373,632
-	-	429,917	2,466,222
27,154	14,188,656	9,386,080	60,065,962
-	-	-	3,667,640
-	13,466,053	794,609	17,542,710
-	-	326,763	14,965,311
-	-	65,418	9,288,308
-	-	818,813	2,280,237
77,322	-	2,837,210	7,198,568
5,459,578	772,336	782,154	7,071,745
-	-	1,355,000	1,355,000
-	-	3,289,018	3,289,018
5,536,900	14,238,389	10,268,985	66,658,537
(5,509,746)	(49,733)	(882,905)	(6,592,575)
2,999,147	4,866,232	6,137,794	15,946,693
(5,458,265)	(5,023,997)	(4,540,744)	(15,812,749)
(2,459,118)	(157,765)	1,597,050	133,944
(7,968,864)	(207,498)	714,145	(6,458,631)
9,951,845	27,610,101	5,724,362	83,020,200
\$ 1,982,981	\$ 27,402,603	\$ 6,438,507	\$ 76,561,569

# City of Petaluma

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2010

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Net Change in Fund Balances - Total Governmental Funds	\$ (6,458,631)
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Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental Funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.

Capital outlay	7,071,745
Public works	687,553

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds. (Less \$813,067 reported in the Internal Service Funds for governmental activities. \$813,067 is the difference between the total depreciation expense in the Internal Service Funds in the amount of \$989,603 and the depreciation expense in the Equipment Replacement (BA) Fund in the amount of \$176,536).

(7,063,173)

Loss on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, it was not reported as revenues in Governmental Funds.

(180,127)

Revenues, which were deferred on the Governmental Funds Balance Sheet because they were not currently available, were reported as revenue in the Statement of Activities and Changes in Net Assets and accordingly increase the net assets on the Statement of Net Assets

855,895

Internal service funds were used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of certain internal service funds was reported with governmental activities. (Less \$(206,273) reported in the Equipment Replacement Fund which was entirely allocated to the business-type activities and \$(453,048) allocated to business-type activities from the remaining Internal Service Funds)

(1,192,121)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The amount represents the change in accrued interest from prior year.

10,807

Bond issuance costs are expenditures in the Governmental Funds. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the bond issuance cost were capitalized and are being amortized over the life of the bonds.

(67,077)

Compensated absences were reported on the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the Governmental Funds.

(393,531)

Net OPEB liability was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, Net OPEB liability was not reported as expenditures in the governmental funds.

(648,529)

Repayment of bond principal was an expenditure in the Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

1,355,000

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**Change in Net Assets of Governmental Activities**

**\$ (6,022,189)**

See accompanying Notes to Basic Financial Statements.

## Proprietary Fund Financial Statements

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

***Ambulance Fund*** - This fund is used to account for the activities related to providing ambulance services to the citizens of the community.

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

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

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

***Waste Water Utility Fund*** - This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

***Wastewater Rate Stabilization*** - The rate stabilization fund is a mechanism allowed by the debt covenants to assist in meeting debt service coverage obligations associated with long-term debt. Any money used from the rate stabilization fund for debt service can be counted as revenue for the purpose of debt service calculations. Money from the rate stabilization fund will be used to help meet the debt service coverage requirement for the next three fiscal years.

***Water Utility Fund*** - This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

***Internal Service Funds*** - These funds are used to account for goods and services provided by the internal service departments to other City departments, on a cost reimbursement basis. See combining sections for further information.

**City of Petaluma**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Major Funds			
	Airport Fund	Ambulance Fund	Development Services Fund	Marina Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 47,028	\$ -	\$ 28,480	\$ -
Cash and investments with fiscal agents	460,227	-	-	-
Receivables:				
Accounts, net	128,739	-	-	17,255
Intergovernmental	16,550	-	-	-
Due from other funds	-	-	-	-
Inventories	44,015	-	-	2,810
Deposits and prepaid items	60	-	196	8,303
<b>Total current assets</b>	<b>696,619</b>	<b>-</b>	<b>28,676</b>	<b>28,368</b>
Non-current assets:				
Deferred charges, net	285,799	-	-	-
Capital assets:				
Nondepreciable	12,832,761	-	-	-
Depreciable	9,797,027	-	356,273	4,823,560
Less accumulated depreciation	(8,480,499)	-	(223,160)	(2,641,614)
<b>Total capital assets</b>	<b>14,149,289</b>	<b>-</b>	<b>133,113</b>	<b>2,181,946</b>
<b>Total non-current assets</b>	<b>14,435,088</b>	<b>-</b>	<b>133,113</b>	<b>2,181,946</b>
<b>Total assets</b>	<b>15,131,707</b>	<b>-</b>	<b>161,789</b>	<b>2,210,314</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	11,765	-	76,435	15,430
Wages payable	1,531	-	3,265	148
Interest payable	112,451	-	7,367	139,594
Due to other funds	-	-	51,116	207,200
Refundable deposits	139,936	-	592,351	22,007
Compensated absences, due within one year	2,729	-	1,765	-
Long-term debt, due within one year	348,409	-	68,610	275,874
<b>Total current liabilities</b>	<b>616,821</b>	<b>-</b>	<b>800,909</b>	<b>660,253</b>
Non-current liabilities:				
Claims payable	-	-	-	-
Compensated absences, due in more than one year	5,135	-	6,225	311
Long-term debt, due in more than one year	6,409,225	-	72,349	5,274,686
<b>Total non-current liabilities</b>	<b>6,414,360</b>	<b>-</b>	<b>78,574</b>	<b>5,274,997</b>
<b>Total liabilities</b>	<b>7,031,181</b>	<b>-</b>	<b>879,483</b>	<b>5,935,250</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,391,655	-	(7,846)	(3,368,614)
Restricted for debt service	460,227	-	-	-
Unrestricted	248,644	-	(709,848)	(356,322)
<b>Total net assets</b>	<b>\$ 8,100,526</b>	<b>\$ -</b>	<b>\$ (717,694)</b>	<b>\$ (3,724,936)</b>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities. Equipment replacement (BA) fund is completely allocated to the business-type activities.

Major Funds					Governmental
Transit	Waste Water	Wastewater	Water Utility	Total	Activities
Fund	Utility Fund	Rate Stabilization	Fund		Internal
					Service Funds
\$ -	\$ 21,578,519	\$ 3,500,000	\$ 8,350,003	\$ 33,504,030	\$ 12,306,109
-	3	-	661,255	1,121,485	-
16,617	1,884,081	-	892,496	2,939,188	41,540
305,385	213,478	-	-	535,413	-
-	-	-	-	-	51,116
37,809	-	-	273,386	358,020	15,991
495	1,771	-	3,843	14,668	1,025,639
360,306	23,677,852	3,500,000	10,180,983	38,472,804	13,440,395
-	73,076	-	126,442	485,317	-
695,769	9,612,445	-	1,968,086	25,109,061	-
3,040,622	224,440,105	-	59,133,707	301,591,294	7,862,874
(1,655,138)	(32,768,909)	-	(29,644,627)	(75,413,947)	(4,289,928)
2,081,253	201,283,641	-	31,457,166	251,286,408	3,572,946
2,081,253	201,356,717	-	31,583,608	251,771,725	3,572,946
2,441,559	225,034,569	3,500,000	41,764,591	290,244,529	17,013,341
147,075	721,789	-	932,913	1,905,407	116,197
4,997	37,829	-	30,586	78,356	16,052
-	730,799	-	63,937	1,054,148	4,042
109,409	-	-	-	367,725	-
-	-	-	134,050	888,344	-
-	28,009	-	22,027	54,530	12,620
-	29,890,909	-	275,000	30,858,802	67,492
261,481	31,409,335	-	1,458,513	35,207,312	216,403
-	-	-	-	-	5,017,785
1,776	125,451	-	196,044	334,942	190,737
-	113,654,388	-	7,713,632	133,124,280	-
1,776	113,779,839	-	7,909,676	133,459,222	5,208,522
263,257	145,189,174	-	9,368,189	168,666,534	5,424,925
2,081,253	57,738,344	-	23,468,534	87,303,326	3,572,946
-	3	-	661,255	1,121,485	-
97,049	22,107,048	3,500,000	8,266,613	33,153,184	8,015,470
\$ 2,178,302	\$ 79,845,395	\$ 3,500,000	\$ 32,396,402	\$ 121,577,995	\$ 11,588,416
				783,984	
				510,590	
				\$ 122,872,569	

**City of Petaluma**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

	Major Funds			
	Airport	Ambulance	Development	Marina
	Fund	Fund	Services Fund	Fund
<b>OPERATING REVENUES:</b>				
Charges for sales	\$ 706,429	\$ -	\$ 626	\$ 9,072
Charges for services	949,578	-	1,211,932	259,578
Connection fees	-	-	-	-
<b>Total operating revenues</b>	<b>1,656,007</b>	<b>-</b>	<b>1,212,558</b>	<b>268,650</b>
<b>OPERATING EXPENSES:</b>				
Cost of services	822,232	-	883,780	266,722
Claims	-	-	-	-
General and administrative	207,782	-	119,835	188,043
Depreciation	235,599	-	72,429	116,292
<b>Total operating expenses</b>	<b>1,265,613</b>	<b>-</b>	<b>1,076,044</b>	<b>571,057</b>
<b>Operating income (loss)</b>	<b>390,394</b>	<b>-</b>	<b>136,514</b>	<b>(302,407)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental non-operating	267,457	-	-	333,141
Investment earnings and rent	6,986	-	675	-
Interest expense	(346,707)	-	(7,829)	(74,740)
Gain or (loss) on disposal of assets	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(72,264)</b>	<b>-</b>	<b>(7,154)</b>	<b>258,401</b>
<b>Income (loss) before operating transfers</b>	<b>318,130</b>	<b>-</b>	<b>129,360</b>	<b>(44,006)</b>
<b>TRANSFERS:</b>				
Transfers in	-	-	-	-
Transfers out	-	(133,944)	-	-
<b>Total transfers</b>	<b>-</b>	<b>(133,944)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>318,130</b>	<b>(133,944)</b>	<b>129,360</b>	<b>(44,006)</b>
<b>NET ASSETS:</b>				
Beginning of year	7,782,396	133,944	(847,054)	(3,680,930)
End of year	\$ 8,100,526	\$ -	\$ (717,694)	\$ (3,724,936)

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities. Equipment replacement (BA) fund is completely allocated to the business-type activities.

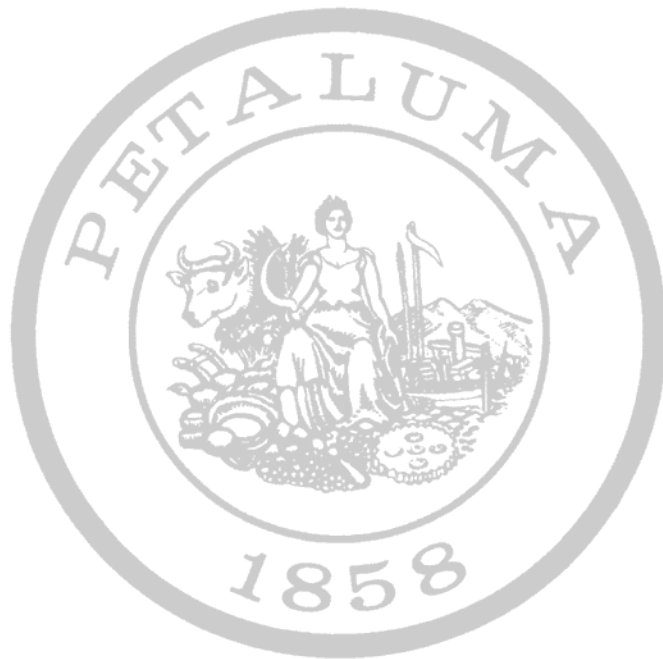
Major Funds					Governmental
Transit	Waste Water	Wastewater	Water Utility	Total	Activities
Fund	Utility Fund	Rate Stabilization	Fund		Internal
					Service Funds
\$ -	\$ 18,844,950	\$ -	\$ 10,934,174	\$ 30,495,251	\$ 6,238
191,704	84,200	-	400,745	3,097,737	4,394,146
-	139,441	-	383,502	522,943	-
191,704	19,068,591	-	11,718,421	34,115,931	4,400,384
1,581,916	5,476,565	-	7,572,109	16,603,324	2,233,014
-	-	-	-	-	2,319,763
434,450	2,975,690	-	1,367,082	5,292,882	697,033
286,047	3,159,304	-	1,512,475	5,382,146	987,528
2,302,413	11,611,559	-	10,451,666	27,278,352	6,237,338
(2,110,709)	7,457,032	-	1,266,755	6,837,579	(1,836,954)
1,867,172	213,478	-	-	2,681,248	-
289	396,581	-	115,963	520,494	172,480
-	(340,611)	-	(420,642)	(1,190,529)	(4,474)
-	-	-	-	-	-
1,867,461	269,448	-	(304,679)	2,011,213	168,006
(243,248)	7,726,480	-	962,076	8,848,792	(1,668,948)
-	-	3,500,000	-	3,500,000	87,601
-	(3,500,000)	-	-	(3,633,944)	(87,601)
-	(3,500,000)	3,500,000	-	(133,944)	-
(243,248)	4,226,480	3,500,000	962,076	8,714,848	(1,668,948)
2,421,550	75,618,915	-	31,434,326		13,257,364
\$ 2,178,302	\$ 79,845,395	\$ 3,500,000	\$ 32,396,402		\$ 11,588,416
				(204,626)	
				(272,201)	
				\$ 8,238,021	

**City of Petaluma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

	Major Funds			
	Airport Fund	Ambulance Fund	Development Services Fund	Marina Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,673,288	\$ -	\$ 1,212,558	\$ 270,994
Cash payments to suppliers for goods and services	(945,018)	-	(1,063,152)	(281,468)
Cash payments to employees for services	(207,381)	-	(129,949)	(188,466)
Claims paid	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>520,889</b>	<b>-</b>	<b>19,457</b>	<b>(198,940)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund receivable/payable	-	-	51,116	(247,117)
Transfers in	-	-	-	-
Transfers out	-	(133,944)	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>(133,944)</b>	<b>51,116</b>	<b>(247,117)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Intergovernmental cash receipts	273,922	-	-	446,055
Acquisition of capital assets	(221,574)	-	(1)	-
Proceeds from sale assets	-	-	-	-
Payments on long term debt	(305,633)	-	(65,064)	101,628
Proceeds from long term debt	-	-	-	-
Interest paid	(352,907)	-	(11,228)	(101,626)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(606,192)</b>	<b>-</b>	<b>(76,293)</b>	<b>446,057</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received from investments and rent	6,986	-	675	-
<b>Net cash provided (used) by investing activities</b>	<b>6,986</b>	<b>-</b>	<b>675</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(78,317)</b>	<b>(133,944)</b>	<b>(5,045)</b>	<b>-</b>
<b>CASH AND INVESTMENTS:</b>				
Beginning of year	585,572	133,944	33,525	-
End of year	\$ 507,255	\$ -	\$ 28,480	\$ -
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET ASSETS:</b>				
Cash and investments	\$ 47,028	\$ -	\$ 28,480	\$ -
Restricted cash and investment	460,227	-	-	-
<b>Total cash and investments</b>	<b>\$ 507,255</b>	<b>\$ -</b>	<b>\$ 28,480</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 390,394	\$ -	\$ 136,514	\$ (302,407)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	235,599	-	72,429	116,292
Changes in:				
Accounts receivable	17,281	-	-	2,344
Inventories	(17,212)	-	-	(109)
Deposits and prepaids	4,272	-	(196)	648
Accounts payable and accrued liabilities	(100,167)	-	10,730	(15,805)
Wage payable	(3,294)	-	(12,007)	(395)
Refundable deposits	(9,679)	-	(189,906)	520
Claims payable	-	-	-	-
Compensated absences	3,695	-	1,893	(28)
Total adjustments	130,495	-	(117,057)	103,467
<b>Net cash provided (used) by operating activities</b>	<b>\$ 520,889</b>	<b>\$ -</b>	<b>\$ 19,457</b>	<b>\$ (198,940)</b>

See accompanying Notes to Basic Financial Statements.

Major Funds					Governmental
Transit	Waste Water	Wastewater	Water Utility	Total	Activities
Fund	Utility Fund	Rate Stabilization	Fund		Internal
					Service Funds
\$ 180,088	\$ 19,147,537	\$ -	\$ 12,886,881	\$ 35,371,346	\$ 4,358,844
(1,572,235)	(6,961,930)	-	(7,292,748)	(18,116,551)	(2,612,449)
(437,348)	(2,978,765)	-	(1,442,983)	(5,384,892)	(688,232)
-	-	-	-	-	(1,221,208)
(1,829,495)	9,206,842	-	4,151,150	11,869,903	(163,045)
109,409	-	-	-	(86,592)	89,768
-	-	3,500,000	-	3,500,000	87,601
-	(3,500,000)	-	-	(3,633,944)	(87,601)
109,409	(3,500,000)	3,500,000	-	(220,536)	89,768
1,644,242	816,554	-	-	3,180,773	-
(29,014)	(6,414,974)	-	(237,919)	(6,903,482)	1
-	-	-	-	-	-
-	(5,046,684)	-	(233,066)	(5,548,819)	(63,651)
-	2,265,010	-	-	2,265,010	-
-	(113,195)	-	(422,288)	(1,001,244)	(7,881)
1,615,228	(8,493,289)	-	(893,273)	(8,007,762)	(71,531)
289	396,581	-	115,963	520,494	172,480
289	396,581	-	115,963	520,494	172,480
(104,569)	(2,389,866)	3,500,000	3,373,840	4,162,099	27,672
104,569	23,968,388	-	5,637,418	30,463,416	12,278,437
\$ -	\$ 21,578,522	\$ 3,500,000	\$ 9,011,258	\$ 34,625,515	\$ 12,306,109
\$ -	\$ 21,578,519	\$ 3,500,000	\$ 8,350,003	\$ 33,504,030	\$ 12,306,109
-	3	-	661,255	1,121,485	-
\$ -	\$ 21,578,522	\$ 3,500,000	\$ 9,011,258	\$ 34,625,515	\$ 12,306,109
\$ (2,110,709)	\$ 7,457,032	\$ -	\$ 1,266,755	\$ 6,837,579	\$ (1,836,954)
286,047	3,159,304	-	1,512,475	5,382,146	987,528
(11,616)	78,946	-	1,168,460	1,255,415	(41,540)
(2,024)	-	-	(17,481)	(36,826)	(6,913)
8,920	(525)	-	(235)	12,884	(281,334)
24,358	(1,484,840)	-	290,828	(1,274,896)	(91,188)
(2,522)	(31,038)	-	(41,705)	(90,961)	(24,915)
(21,573)	-	-	6,249	(214,389)	-
-	-	-	-	-	1,098,555
(376)	27,963	-	(34,196)	(1,049)	33,716
281,214	1,749,810	-	2,884,395	5,032,324	1,673,909
\$ (1,829,495)	\$ 9,206,842	\$ -	\$ 4,151,150	\$ 11,869,903	\$ (163,045)



## Fiduciary Fund Financial Statements

### **Private Purpose Trust Funds:**

These funds account for assets legally held in trust for specific purpose.

### **Agency Funds:**

These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

**City of Petaluma**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Private Purpose Trusts Funds	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 182,687	\$ 3,298,861
Accounts receivable	-	221
Intergovernmental receivable	-	125,057
<b>Total assets</b>	<b>182,687</b>	<b>\$ 3,424,139</b>
<b>LIABILITIES</b>		
Accrued liabilities	-	\$ 3,424,139
<b>Total liabilities</b>	<b>-</b>	<b>\$ 3,424,139</b>
<b>NET ASSETS</b>		
Held in trust	<b>\$ 182,687</b>	

**City of Petaluma**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended June 30, 2010**

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	Private- Purpose Trusts
	<u>                    </u>
<b>ADDITIONS:</b>	
Investment income	\$ 2,780
<b>Total additions</b>	<u>2,780</u>
<b>DEDUCTIONS:</b>	
Program costs	4,204
<b>Total deductions</b>	<u>4,204</u>
<b>CHANGES IN NET ASSETS</b>	(1,424)
<b>NET ASSETS:</b>	
Beginning of year	184,111
End of year	<u>\$ 182,687</u>



**City of Petaluma**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City was incorporated as a general law City by the state legislature on April 12, 1858. The City currently operates under a Council-Manager form of government established under a charter election in 1947. The City provides the following services as authorized by its charter: police and fire protection, ambulance service, transit service, parks and recreation, public works, community development, and general administrative services. In addition, the City owns and operates a water and waste water system, a municipal airport, and a marina.

As required by generally accepted accounting principles in the United States, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and either the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. Component units for which the City is considered financially accountable are described below:

**Petaluma Community Development Commission**

The Petaluma Community Development Commission (PCDC) was established by the City Council under the State of California Health and Safety Code, Section 34100, et seq. on September 27, 1976, to perform redevelopment activities for the City. Although PCDC is a separate legal entity from the City, it is reported as if it were part of the primary government because the City Council is the governing board, and it is financially accountable to the City. Separate basic financial statements are issued by PCDC, to comply with the redevelopment agency guidelines as established by the State of California. A copy may be obtained upon request from the City of Petaluma. PCDC is comprised of two project areas, Central Business District (CBD) and Petaluma Community Development project area (PCDC), which were fiscally merged during 2006/2007.

**City of Petaluma Public Financing Corporation**

The City of Petaluma Public Financing Corporation (PPFC) was established in November of 1990 and is a not-for-profit benefit corporation, created under the laws of the State of California. Although PPFC is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFC does not issue separate basic financial statements.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**A. Reporting Entity, Continued**

**Petaluma Public Financing Authority**

The Petaluma Public Financing Authority (PPFA) was established in May, 1996 as a joint powers authority between the City and PCDC. Its purpose was to issue revenue bonds, which provided funds for a consolidated special assessment bond refunding. Although PPFA is a separate legal entity from the City, it is reported as if it were part of the primary government, because its sole purpose is to be a financing entity for the City. PPFA does not issue separate basic financial statements.

Since the City Council serves as the governing board for these entities, they are considered blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government.

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

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

**Government – Wide Financial Statements**

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

These government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

*Government – Wide Financial Statements, Continued*

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Interfund receivables and payables
- Transfers in and out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure.

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are real and personal property taxes, other local taxes, franchise fees, forfeitures and penalties, motor license fees, rents and concessions, interest revenue, and state and federal grants and subventions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

Governmental Fund Financial Statements, Continued

Unearned revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when the revenue recognition criteria is met or when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and the revenue is recognized.

Certain indirect costs are included as part of the program expenses reported for individual functions and activities.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City determined the following funds to be major funds in fiscal year 2010:

General Fund - The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management, to be accounted for in another fund.

Home/Begin Special Revenue Fund - The Home/Begin Special Revenue Fund is used to account for federal grants received under the Housing and Community Development Act of 1974. The money is used for specific programs, which provide housing to people with low and moderate income.

Redevelopment Special Revenue Fund - This fund accounts for the redevelopment agency’s 20% set-aside, as required by law, of tax increment for Low and Moderate Income Housing. The activity of this fund consists of supporting development of affordable housing in the community. Also included in this fund are redevelopment agency donations and grant revenues.

Impact Fees Special Revenue Fund - This fund is used to account for fees received from local development projects, which are used for the construction of major public improvements, provide assistance to low income people in the community and for the acquisition, development, and enhancement of neighborhood and community parks.

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

Redevelopment Capital Project Fund - This fund accounts for the administration of programs and the capital projects undertaken in the Redevelopment Agency.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

The City determined all enterprise funds to be major funds in fiscal year 2010:

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

Ambulance Fund - This fund is used to account for the activities related to providing ambulance services to the citizens of the community.

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

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

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

Waste Water Utility Fund - This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including collection and treatment of wastewater.

Wastewater Rate Stabilization - This fund is used for the purpose of debt service calculations. The Financial Plan uses money from the Rate Stabilization fund to help meet the debt service coverage requirement for FY 10/11 to FY 12/13.

Water Utility Fund - This fund is part of the Water Resources and Conservation Department, which provides comprehensive and integrated management of Petaluma's water resources, including reliable delivery of high quality water.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

Proprietary Fund Financial Statements, Continued

Internal service fund balances and activities have been combined with governmental activities in the government-wide financial statements, and are comprised of the following funds:

Employee Benefits Fund - The fund accounts for City employees' dental, unemployment and vision benefits, and retiree benefits.

General Services Fund - The fund accounts for purchasing, printing and mail services.

Information Services Fund - The fund accounts for the cost of purchasing, operating and maintaining the City's voice, data and computer systems.

Risk Management Fund - The fund accounts for the accumulation of the resources and expenses related to the City's risk management activities and general insurance programs.

Vehicle/Equipment Replacement Fund (GG and BA) - The fund accounts for the accumulation of resources, and related expenses incurred for the replacement of major equipment and vehicles in the City. The fund is divided into two sub-funds, one for equipment acquired for general government activities (GG), and one for equipment acquired for business-type activities (BA).

Workers' Compensation Fund - The fund accounts for the accumulation of resources, and expenses related to funding workers' compensation benefits for City employees.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds represent Agency Funds and Private-Purpose Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds and private-purpose trust funds are accounted for using the accrual basis of accounting.

The Agency Funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for various assessment districts for which the City acts as an agent for debt service activities.

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

**C. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities because the commitments will be re-appropriated and honored in the subsequent year.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Cash, Cash Equivalents, and Investments**

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable for deposit and investment risk are specified for the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

**E. Inventories**

Inventories in General Fund, which consisted primarily of supplies and parts, are recorded at cost and inventories in Proprietary Funds, which consisted primarily supplies, meters, and vehicle parts held for future consumption, are record at the lower of cost or market on a first-in, first-out basis. Reported expenditures/expenses reflecting the purchase of supplies have been restated to reflect the consumption method of recognizing inventory-related expenditures/expenses. A reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute "available spendable resources," even though they are a component of net current assets.

**F. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**G. Land Held for Resale**

Land held for resale is carried at lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance current operations.

**H. Capital Assets**

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

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure within the basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

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

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

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**H. Capital Assets, Continued**

Interest costs incurred on borrowed funds during the period of construction of capital assets for Enterprise Funds are capitalized, when material, as a component of the cost of acquiring such assets. Interest in the amount of \$3,456,752 for the Sewer Fund was capitalized during the year ended June 30, 2010.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Estimated historical costs were developed in one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight-line basis, using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

Capital Assets Acquired Under Lease Purchase Contracts

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the government-wide financial statements as "capital lease obligations." A capital asset is recorded at the net present value of the total lease payments in the government-wide financial statements.

**I. Interest Payable**

In the Government-Wide Financial Statements, interest payable for long-term debt is recognized as the liability is incurred in the appropriate activity.

In the Fund Financial Statements, propriety fund types recognize the interest payable when the liability is incurred.

**J. Deferred Revenue / Unearned Revenue**

In the Government-Wide Financial Statements, unearned revenue is reported for transactions for which revenue has not yet been earned.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are; interest earned but not received on notes receivable, intergovernmental revenue earned but not received within the availability period, and for revenue received, but not earned at year-end.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***K. Compensated Absences***

The City has compensated absences for regular vacation and sick leave which are accounted for in accordance with generally accepted accounting principles (GAAP). Employees may accumulate earned vacation time according to certain limits. Management employees are limited to the amount, which may be earned, in a three year period. All other employees are limited to the amount, which may be earned, in a two year period.

All employees may accumulate unused sick leave without limits. The unused sick leave vests after five years of service for firefighters, and after ten years of service for all other employees. Vested sick leave is payable upon death or retirement for all employees at 50% of the vested amount, up to a limit of 1,000 hours for fire battalion chiefs, 720 hours for firefighters, 600 hours for police mid-management employees, and 480 hours for all other employees. All employees may elect, in lieu of a cash payment, to have all vested sick leave applied to their years of service under the retirement plan.

Public safety employees are also eligible for vested sick leave to be paid upon a disability retirement at 50% of the vested amount, up to a limit of 1,000 hours for firefighters, and 600 hours for all police officers.

A liability is calculated for all of the cost of compensated absences based on benefits earned by employees in the current period, for which there is a probability of payment at termination. The salary and related payroll costs are those in effect as of June, 30, 2010.

Compensated absences are recorded as liabilities on the Government-Wide Financial Statements and the Proprietary Fund Financial Statements.

***L. Long-Term Debt***

**Government-Wide Financial Statements**

Long-term debt and other long-term obligations are reported as liabilities in the appropriate accounts.

Bond premiums and discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Issuance costs are reported as deferred charges.

**Fund Financial Statements**

Long-term debt is not reported in the Governmental Fund Financial Statements but is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of the Net Assets.

In the Fund Financial Statements, governmental funds recognized bond premiums and discounts and issuance costs during the current period. The current year amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. All debt issuance costs are reported as debt service expenditures.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*M. Net Assets and Fund Equity*

**Government-Wide Financial Statements**

Net assets are classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Assets* - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

**Fund Financial Statements**

Reservations represent those portions of fund equity which are not appropriable for expenditure or which are legally segregated for specific future use. Designated fund balances represent tentative plans for future use of financial resources. Undesignated fund balance indicates that portion of the fund balance which is available for appropriation in future periods.

*N. Use of Restricted and Unrestricted Net Asset*

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

*O. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P. Revenues*

**Property Taxes**

Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified voters.

Property taxes attach as a lien on the property as of January 1. Secured property taxes are levied on July 1 and are due in two installments by December 10 and April 10. The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County. The City reports property tax revenue net of collection fees.

**Sales Tax Revenue**

The City accrues the State's July, August and September's sales tax payments for the previous fiscal year. The July, August and September payment is comprised of the actual April, May and June receipts, respectively. The July and August payments are recognized as revenue. A portion of the September payment is accrued and recorded in deferred revenue since it is measurable, but not available. The City reports sales tax revenue net of collection fees.

**Program Revenue**

In general, program revenues are derived from the activities of a particular function. Program revenues include charges for services, permits and fees, and restricted operating and capital grants.

**Operating and Non-Operating Revenues of Proprietary Funds**

Operating revenues of proprietary funds result from providing goods and services. They also include all revenue not related to capital financing, non-capital financing, or investing activities.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH AND INVESTMENTS**

The City maintains a cash and investments pool, which includes cash balances and authorized investments for all funds. The following is a summary of cash and investments at June 30, 2010:

	Government-Wide Statement of Net Assets			
	Governmental Activities	Business - Type		Fiduciary Funds
		Activities	Activities	
Cash and investments	\$ 45,720,815	\$ 33,553,535	\$ 3,481,548	\$ 82,755,898
Cash and investments with fiscal agents	17,131,971	1,121,485	-	18,253,456
<b>Total cash and investments</b>	<b>\$ 62,852,786</b>	<b>\$ 34,675,020</b>	<b>\$ 3,481,548</b>	<b>\$ 101,009,354</b>

Cash, cash equivalents, and investments consisted of the following at June 30, 2010:

<b>Cash and cash equivalents:</b>	
Demand Deposit	\$ 12,574,240
Total cash and cash equivalents	<u>12,574,240</u>
<b>Investments:</b>	
Local Agency Investment Fund	38,456,719
California Assets Management Program	5,189,537
Money Market Fund	920,439
Investments in Assessment District Bond	741,602
U.S. Government Securities:	
FFCB	843,063
FHLB	5,221,891
FHLMC	6,498,399
FNMA	6,972,788
U.S. Regions Bank	621,838
U.S. Treasury Notes	3,425,142
Corporate Notes	1,290,240
Investments with fiscal agents	<u>18,253,456</u>
Total investments	<u>88,435,114</u>
<b>Total cash and investments</b>	<u><u>\$ 101,009,354</u></u>

**A. Cash Deposits**

The carrying amount of the City's cash deposits was \$12,574,240 at June 30, 2010. Bank balances before reconciling items were \$12,507,325. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH AND INVESTMENTS, Continued**

**A. Cash Deposits, Continued**

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures and asset seizure funds segregated in the police trust account. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the City is authorized to invest or deposit in the following:

- Securities of the State or Local Agencies of the State
- Securities of the U.S. Treasury and other Federal Agencies
- Certificates of Deposit
- Bankers' Acceptances
- Repurchase Agreements
- Commercial Paper
- Money Market Funds
- Mutual Funds
- Guaranteed Investment Contracts
- California Assets Management Program (CAMP)
- State of California Local Agency Investment Fund (LAIF)

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method as follows. The total fair value adjustment resulted in a loss of \$(271,922).

**C. Investments in Local Agency Investment Fund**

The City invests in the Local Agency Investment Fund (LAIF), a State of California investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2010, at fair value. The fair value is calculated by multiplying the account balance with LAIF times a fair value factor of 1.001643776 which is determined by LAIF. This fair value factor was determined by dividing the total value by all LAIF participants' total cost.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**2. CASH AND INVESTMENTS, Continued**

**C. Investments in Local Agency Investment Fund, Continued**

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2010, included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

As of June 30, 2010, the City had \$38,456,719 invested in LAIF, which had invested 5.42% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

**D. Investments in Assessment District Bond**

The City purchased an improvement bond from the Assessment District 2000-01 in September 2001. This bond was issued to finance a portion of the work of the Washington/McDowell capital improvement project. The bond will be repaid by the property owners through September 2021. Interest is earned at a rate of 6% per annum. The assessment will be collected by the Sonoma County Assessor's Office. At June 30, 2010, the City had \$741,602 invested in the bond.

Investments are presented at fair value except as noted below. The fair value of participants' position in the investment pools is the same as the value of the investment pools' shares and investment income includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities (notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates market value.

**E. Investments in California Asset Management Program**

CAMP is a separate public agency established under the provisions of the California Joint Exercise of Powers Act. This program provides California public agencies with investment management services, and accounting and arbitrage rebate calculation services of tax-exempt financings. Investments are presented at fair value. At June 30, 2010, the City had \$5,189,537 invested in money market fund.

**F. Cash and Investments with Fiscal Agents**

The Cash and Investments with Fiscal Agents in the amount of \$18,253,456 include certain amounts which are held by fiscal agents to be used only for specific capital outlay, payments of certain long-term debt and maintaining required reserves. These funds have been invested only as permitted by specific State statutes governing their investment or applicable City ordinance, resolution, or bond indenture.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH AND INVESTMENTS, Continued**

**G. Risk Disclosures**

**Interest Rate Risk**

Interest rate risk is the market value fluctuation due to overall changes in interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed five years.

As a means of maintaining liquidity and minimizing interest rate risk, the City's investment policy limits are as follows:

<u>Maturity</u>	<u>% of Portfolio</u>
Up to one year	25% (Minimum)
one year to five years	75% (Maximum)

Fair value of cash and investments held in the City Treasury grouped by maturity date at June 30, 2010, are shown below:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>					
		<u>1 year or less</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
Cash deposits	\$ 12,574,240	\$ 12,574,240	\$ -	\$ -	\$ -	\$ -	\$ -
Securities of U.S. Government Agencies							
FFCB	843,063	-	843,063	-	-	-	-
FHLB	5,221,891	1,000,313	2,267,188	1,954,390	-	-	-
FHLMC	6,498,399	-	4,839,798	1,658,601	-	-	-
FNMA	6,972,788	1,101,958	3,934,017	1,936,813	-	-	-
U.S. Regions Bank	621,838	-	621,838	-	-	-	-
US Treasury Notes	3,425,142	916,197	2,508,945	-	-	-	-
Corporate Notes	1,290,240	-	-	1,290,240	-	-	-
<b>Total Securities of U.S.</b>							
Government Agencies	24,873,361	3,018,468	15,014,849	6,840,044	-	-	-
Local Agency Investments Fund	38,456,719	38,456,719	-	-	-	-	-
California Asset Management Program	5,189,537	5,189,537	-	-	-	-	-
Money Market Fund	920,439	920,439	-	-	-	-	-
Investments in Assessment Dist. Bond	741,602	87,579	87,579	87,579	87,579	87,579	303,707
Cash and investments with Fiscal Agents	18,253,456	18,253,456	-	-	-	-	-
<b>Total cash and investments</b>	<b>\$ 101,009,354</b>	<b>\$ 78,500,438</b>	<b>\$ 15,102,428</b>	<b>\$ 6,927,623</b>	<b>\$ 87,579</b>	<b>\$ 87,579</b>	<b>\$ 303,707</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**2. CASH AND INVESTMENTS, Continued**

*G. Risk Disclosures, Continued*

**Credit Risk**

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. According to the City's investment policy, no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities, and LAIF. If a security is downgraded by either Moody's or S&P to a level below the minimum quality required by the City, it shall be the City's policy to sell that security as soon as practicable.

At June 30, 2010, the City had the following deposits and investments:

	Credit Quality Ratings	
	Moody's	S&P
Investments:		
Securities of U.S. Government Agencies:		
FFCB	Aaa	AAA
FHLB	Aaa	AAA
FHLMC	Aaa	AAA
FNMA	Aaa, P-1	AAA, A-1+
U.S. Regions Bank	Aaa	AAA
US Treasury Notes	TSY	TSY
Corporate Notes	Aa2	AA+
Local Agency Investment Funds		Not Rated
California Asset Management Program		Not Rated
Investments in Money Market Funds		Not Rated
Investment in Authority Refunding Revenue Bond		Not Rated
Investments in Assessment District Bond		Not Rated

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk. The City's Investment Policy addresses custodial risk, which follows the Government Code.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**3. NOTES RECEIVABLE AND INTERESTS RECEIVABLE RELATED TO NOTES RECEIVABLE**

As of June 30, 2010, the City had the following notes receivables and interests receivable related to notes receivables:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>Notes receivable:</b>				
Housing Loans to				
Not-For-Profit Agencies	\$ 30,752,856	\$ 256,146	\$ (1,946,209)	\$ 29,062,793
First-Time Home Buyers Loans	5,561,371	-	-	5,561,371
Storefront Loan Program	261,821	-	(10,151)	251,670
<b>Total notes receivable</b>	36,576,048	256,146	(1,956,360)	34,875,834
<b>Interests receivable related to notes receivable</b>	5,102,011	973,675	(112,802)	5,962,884
<b>Total</b>	<u>\$ 41,678,059</u>	<u>\$ 1,229,821</u>	<u>\$ (2,069,162)</u>	<u>\$ 40,838,718</u>

**Housing Loans to Not-for-Profit-Agencies**

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

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

At June 30, 2010, the outstanding balance of the Housing Loans was \$29,062,793.

**First-Time Home Buyers Loans**

The City offers qualified low and moderate income first time home buyers silent second mortgages on home purchases. Accrued interest and principal are due when the primary loan is refinanced or on sale of the property. The interest rate is the lower of the principal amount plus interest at a rate of 10% per annum, or 28.6% to 33% net of sales price. At June 30, 2010, the outstanding balance of the loans was \$5,561,371.

**Storefront Loan Program**

The Redevelopment Agency offers low interest loans to property owners with buildings located in the Central Business District (Downtown) as an incentive to make improvements to the exterior storefronts. At June 30, 2010, the outstanding balance of the loans was \$251,670.

**Interests Receivable Related to Notes Receivable**

At June 30, 2010, the outstanding balance of interests receivable related to notes receivable was \$5,962,884.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**4. DEFERRED REVENUE**

*Fund Financial Statements*

At June 30, 2010, the following deferred revenues were recorded in the fund Financial Statements because the funds were not available to finance expenditures of the current period:

*Governmental Funds:*

Interest receivable on related notes receivable	\$ 5,737,939
Housing loans	11,256,610
Intergovernmental revenues	23,384
Miscellaneous	10,678
Total Governmental Funds	<u>\$ 17,028,611</u>

**5. INTERFUND BALANCES AND TRANSACTIONS**

**A. Due From/To Other Funds**

Due from/to other funds for the year ended June 30, 2010 were as follows:

		Due From Other Funds				
		Major Funds				
		General Fund	Impact Fees Special Revenue	City Capital Project	Internal Service Funds	Total
<b>Due To Other Funds</b>	<b>Governmental Funds:</b>					
	Major funds:					
	City Capital Project Fund	\$ -	\$ 1,444	\$ -	\$ -	\$ 1,444
	Non-Major Governmental Funds	678,118	-	-	-	678,118
	<b>Proprietary Funds:</b>					
	Development Services Fund	-	-	-	51,116	51,116
	Marina Fund	-	-	207,200	-	207,200
Transit Fund	109,409	-	-	-	109,409	
		<u>\$ 787,527</u>	<u>\$ 1,444</u>	<u>\$ 207,200</u>	<u>\$ 51,116</u>	<u>\$ 1,047,287</u>

These balances resulted from loans to cover negative cash balances as of June 30, 2010.



**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**6. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2009	Additions	Deletions	Reclassification	Balance June 30, 2010
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 36,053,072	\$ 211,632	\$ -	\$ -	\$ 36,264,704
Construction in process	21,586,014	6,231,914	-	(3,142,834)	24,675,094
Total capital assets, not being depreciated	<u>57,639,086</u>	<u>6,443,546</u>	<u>-</u>	<u>(3,142,834)</u>	<u>60,939,798</u>
Capital assets, being depreciated:					
Buildings and improvements	19,357,509	-	-	-	19,357,509
Vehicles and equipment	11,383,128	1,451,122	-	-	12,834,250
Infrastructure	164,541,554	-	(393,675)	3,142,834	167,290,713
Total capital assets, being depreciated	<u>195,282,191</u>	<u>1,451,122</u>	<u>(393,675)</u>	<u>3,142,834</u>	<u>199,482,472</u>
Accumulated depreciation:					
Buildings and improvements	(8,945,405)	(435,410)	-	-	(9,380,815)
Vehicles and equipment	(5,998,031)	(1,622,660)	-	-	(7,620,691)
Infrastructure	(51,746,850)	(5,870,518)	213,549	-	(57,403,819)
Total accumulated depreciation	<u>(66,690,286)</u>	<u>(7,928,588)</u>	<u>213,549</u>	<u>-</u>	<u>(74,405,325)</u>
Total capital assets, being depreciated, net	<u>128,591,905</u>	<u>(6,477,466)</u>	<u>(180,126)</u>	<u>3,142,834</u>	<u>125,077,147</u>
<b>Total Governmental Activities</b>	<u>\$ 186,230,991</u>	<u>\$ (33,920)</u>	<u>\$ (180,126)</u>	<u>\$ -</u>	<u>\$ 186,016,945</u>

Depreciation expense was charged to various governmental functions as follows:

General government	\$ 975,577
Police	123,432
Fire	581,429
Community Development	2,290,295
Parks and Recreation	629,312
Public Works	3,328,543
<b>Total depreciation expense</b>	<u>\$ 7,928,588</u>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**6. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2009	Additions	Deletions	Reclassification	Balance June 30, 2010
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,731,229	\$ -	\$ -	\$ -	\$ 10,731,229
Construction in process	172,249,604	6,957,076	(120,910)	(164,707,938)	14,377,832
Total capital assets, not being depreciated	<u>182,980,833</u>	<u>6,957,076</u>	<u>(120,910)</u>	<u>(164,707,938)</u>	<u>25,109,061</u>
Capital assets, being depreciated:					
Buildings and improvements	22,102,689	-	(5,775)	-	22,096,914
Vehicles and equipment	8,610,691	69,602	(610,516)	-	8,069,777
Infrastructure	108,031,306	-	-	164,707,938	272,739,244
Total capital assets, being depreciated	138,744,686	69,602	(616,291)	164,707,938	302,905,935
Less accumulated depreciation for:					
Buildings and improvements	(7,942,232)	(467,037)	2,190	-	(8,407,079)
Vehicles and equipment	(5,160,638)	(691,321)	450,791	-	(5,401,168)
Infrastructure	(58,058,318)	(4,400,938)	-	-	(62,459,256)
Total accumulated depreciation	<u>(71,161,188)</u>	<u>(5,559,296)</u>	<u>452,981</u>	<u>-</u>	<u>(76,267,503)</u>
Total capital assets, being depreciated, net	<u>67,583,498</u>	<u>(5,489,694)</u>	<u>(163,310)</u>	<u>164,707,938</u>	<u>226,638,432</u>
<b>Total business-type activities</b>	<u>\$ 250,564,331</u>	<u>\$ 1,467,382</u>	<u>\$ (284,220)</u>	<u>\$ -</u>	<u>\$ 251,747,493</u>

Depreciation expense was charged to the business-type functions as follows:

Airport	\$ 235,599
Development Services	72,429
Marina	116,292
Transit	286,047
Waste Water Utility	3,159,304
Water Utility	1,512,475
Vehicle Replacement - BA	177,150
<b>Total depreciation expense</b>	<u>\$ 5,559,296</u>

**B. Funds Financial Statements**

The governmental funds financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT**

The following is a summary of long-term debt for the year ended June 30, 2010:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Tax Allocation Bonds	\$ 72,124,184	\$ -	\$ (1,193,305)	\$ 70,930,879	\$ 1,305,000	\$ 69,625,879
Capital Leases	349,344	-	(115,260)	234,084	121,036	113,048
Assessment District Bond	314,000	-	(100,000)	214,000	103,000	111,000
Compensated Absences	3,387,767	4,103,621	(3,676,374)	3,815,014	412,244	3,402,770
<b>Total governmental activities</b>	<b>\$ 76,175,295</b>	<b>\$ 4,103,621</b>	<b>\$ (5,084,939)</b>	<b>\$ 75,193,977</b>	<b>\$ 1,941,280</b>	<b>\$ 73,252,697</b>
<b>Business-Type Activities:</b>						
Revenue Bonds	\$ 14,134,580	\$ -	\$ (664,678)	\$ 13,469,902	\$ 710,000	\$ 12,759,902
Certificate of Participation	5,678,860	-	(183,275)	5,495,585	185,000	5,310,585
Lines of Credit	22,525,582	2,150,000	-	24,675,582	24,675,582	-
State Loan Fund	117,945,624	115,010	(4,672,189)	113,388,445	4,780,327	108,608,118
Notes payable	6,865,212	101,628	(154,231)	6,812,609	439,283	6,373,326
Capital Lease	206,023	-	(65,064)	140,959	68,610	72,349
Compensated Absences	596,340	170,456	(377,324)	389,472	54,530	334,942
<b>Total business-type activities</b>	<b>\$ 167,952,221</b>	<b>\$ 2,537,094</b>	<b>\$ (6,116,761)</b>	<b>\$ 164,372,554</b>	<b>\$ 30,913,332</b>	<b>\$ 133,459,222</b>

**A. Governmental Activities Long-Term Debt**

**Tax Allocation Bonds**

The Tax Allocation Bonds at June 30, 2010, consisted of the following:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts Due Within One Year	Amounts Due in More than One Year
2001A Refunding Tax Allocation Bonds	\$ 1,790,000	\$ -	\$ (330,000)	\$ 1,460,000	\$ 340,000	\$ 1,120,000
2003A Tax Allocation Bonds	22,325,000	-	(460,000)	21,865,000	475,000	21,390,000
Unamortized Discount	(11,373)	-	474	(10,899)	-	(10,899)
2005A Tax Allocation Bonds	17,955,000	-	(260,000)	17,695,000	270,000	17,425,000
Deferred amount refunding	(1,048,672)	-	49,937	(998,735)	-	(998,735)
Unamortized Premium	137,660	-	(6,478)	131,182	-	131,182
2007 Tax Allocation Bonds	31,505,000	-	(205,000)	31,300,000	220,000	31,080,000
Unamortized Discount	(528,431)	-	17,762	(510,669)	-	(510,669)
<b>Total tax allocation bonds</b>	<b>\$ 72,124,184</b>	<b>\$ -</b>	<b>\$ (1,193,305)</b>	<b>\$ 70,930,879</b>	<b>\$ 1,305,000</b>	<b>\$ 69,625,879</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Tax Allocation Bonds, Continued**

**2001A Refunding Tax Allocation Bonds**

On June 4, 2001, PCDC issued Refunding Tax Allocation Bonds, Series 2001A in the amount of \$4,025,000. The proceeds of the bonds were used to refund the 1992 Tax Allocation Bonds and to fund the development of the auto plaza located in the Petaluma Community Development Project Area. The Bonds mature annually each May 1 from 2002 to 2014, in amounts ranging from \$250,000 to \$390,000 and bear interest at rates ranging from 3.50% to 4.50%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after May 1, 2010, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or by lot within any one maturity date, on any date on or after May 1, 2009, at a price equal to the principal amount, plus accrued interest on the redemption date. The outstanding balance of the bonds was \$1,460,000 as of June 30, 2010.

At June 30, 2010, the bonds had a reserve requirement of \$1,549,012. PCDC entered into an agreement with MBIA and purchased a debt service reserve surety bond to fulfill the requirement. The bonds are payable from and secured by tax revenues. PCDC has pledged a portion of future property tax increment revenue to repay the 2001A Refunding Tax Allocation Bonds. Total principal and interest remaining on the bond is \$1,624,255 payable through 2014.

The annual debt service requirements outstanding at June 30, 2010, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2011	\$ 340,000	\$ 63,340	\$ 403,340
2012	355,000	49,315	404,315
2013	375,000	34,050	409,050
2014	390,000	17,550	407,550
<b>Total</b>	<b>\$ 1,460,000</b>	<b>\$ 164,255</b>	<b>\$ 1,624,255</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Tax Allocation Bonds, Continued**

**2003A Tax Allocation Bonds**

On October 28, 2003, PCDC issued Tax Allocation Bonds, Series 2003A in the amount of \$23,630,000. The proceeds of the bonds will be used to finance PCDC projects within the Petaluma Community Development Project area. The Bonds mature annually each May 1 from 2007 to 2033, in amounts ranging from \$430,000 to \$8,215,000 and bear interest at rates ranging from 2.25% to 5.00%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after May 1, 2014, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or by lot within any one maturity date, on any date on or after May 1, 2013, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from and secured by tax revenues. The outstanding balance of the bonds was \$21,865,000 as of June 30, 2010.

At June 30, 2010, the bonds had a reserve requirement of \$1,469,737. PCDC entered into an agreement with MBIA and purchased a debt service reserve surety bond to fulfill the requirement. PCDC has pledged a portion of future property tax increment revenue to repay the 2003A Tax Allocation Bonds. Total principal and interest remaining on the bond is \$38,574,096 payable through 2033.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2011	\$ 475,000	\$ 1,026,043	\$ 1,501,043	\$ (474)
2012	495,000	1,010,011	1,505,011	(474)
2013	505,000	992,686	1,497,686	(474)
2014	520,000	974,380	1,494,380	(474)
2015	515,000	954,230	1,469,230	(474)
2016-2020	2,900,000	4,434,410	7,334,410	(2,370)
2021-2025	3,620,000	3,722,834	7,342,834	(2,370)
2026-2030	4,620,000	2,759,502	7,379,502	(2,370)
2031-2033	8,215,000	835,000	9,050,000	(1,419)
<b>Total</b>	<b>\$ 21,865,000</b>	<b>\$ 16,709,096</b>	<b>\$ 38,574,096</b>	<b>\$ (10,899)</b>

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Tax Allocation Bonds, Continued**

**2005A Tax Allocation Bonds**

On September 21, 2005, PCDC issued Refunding Tax Allocation Bonds, Series 2005A Tax Allocation Bonds in the amount of \$18,355,000. The proceeds of the bonds will be used to refund the 2000A Tax Allocation Bonds and finance the issuance costs of the 2005A Refunding Tax Allocation Bonds. The Bonds mature annually each May 1 from 2006 to 2030, in amounts ranging from \$90,000 to \$1,420,000 and bear interest at rates ranging from 5.00% to 5.75%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or before May 1, 2016, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after May 1, 2015, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable solely from secured tax revenues. The outstanding balance of the bonds was \$17,695,000 as of June 30, 2010.

At June 30, 2010, the bonds had a reserve requirement of \$3,018,750. PCDC entered into an agreement with MBIA and purchased a debt service reserve surety bond to fulfill the requirement. PCDC has pledged a portion of future property tax increment revenue to repay the 2005A Tax Allocation Bonds. Total principal and interest remaining on the bond is \$28,045,407 payable through 2030.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Year Ending June 30,	Principal	Interest	Total	Amortization of Deferral Amount	Amortization of Bond Premium
2011	\$ 270,000	\$ 778,251	\$ 1,048,251	\$ (49,937)	\$ 6,478
2012	275,000	769,814	1,044,814	(49,937)	6,478
2013	285,000	760,739	1,045,739	(49,937)	6,478
2014	300,000	751,120	1,051,120	(49,937)	6,478
2015	750,000	740,620	1,490,620	(49,937)	6,478
2016-2020	4,205,000	3,250,626	7,455,626	(249,685)	32,390
2021-2025	5,160,000	2,300,487	7,460,487	(249,685)	32,390
2026-2030	6,450,000	998,750	7,448,750	(249,680)	34,012
<b>Total</b>	<b>\$ 17,695,000</b>	<b>\$ 10,350,407</b>	<b>\$ 28,045,407</b>	<b>\$ (998,735)</b>	<b>\$ 131,182</b>

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Tax Allocation Bonds, Continued**

**2005A Tax Allocation Bonds, Continued**

In connection with the issuance of the bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$1,248,420 which will be amortized over the 25 year life of the bonds resulting in an annual amortization of \$49,937.

**2007 Tax Allocation Bonds**

On April 10, 2007, PCDC issued Subordinate Tax Allocation Bonds, Series 2007 in the amount of \$31,825,000. The proceeds of the bonds were used to refund the 2000B Tax Allocation Bonds and provide \$30,000,000 in project funds. The Bonds mature annually each May 1 from 2008 to 2039, in amounts ranging from \$115,000 to \$4,355,000 and bear interest at rates ranging from 4.00% to 4.50%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or before May 1, 2016, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after May 1, 2015, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable solely from secured tax revenues. The outstanding balance of the bonds was \$31,300,000 as of June 30, 2010.

At June 30, 2010, the bonds had a reserve requirement of \$2,671,548. PCDC entered into an agreement with MBIA and purchased a debt service reserve surety bond to fulfill the requirement. PCDC has pledged a portion of future property tax increment revenue to repay the 2007 Tax Allocation Bonds. Total principal and interest remaining on the bond is \$63,733,428 payable through 2039.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2011	\$ 220,000	\$ 1,376,911	\$ 1,596,911	\$ (17,762)
2012	230,000	1,367,011	1,597,011	(17,762)
2013	240,000	1,357,812	1,597,812	(17,762)
2014	250,000	1,348,212	1,598,212	(17,762)
2015	255,000	1,338,212	1,593,212	(17,762)
2016-2020	1,435,000	6,530,060	7,965,060	(88,810)
2021-2025	1,735,000	6,216,640	7,951,640	(88,810)
2026-2030	2,110,000	5,816,804	7,926,804	(88,810)
2031-2035	8,500,000	5,204,814	13,704,814	(88,810)
2036-2039	16,325,000	1,876,952	18,201,952	(66,619)
<b>Total</b>	<b>\$ 31,300,000</b>	<b>\$ 32,433,428</b>	<b>\$ 63,733,428</b>	<b>\$ (510,669)</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Tax Allocation Bonds, Continued**

**2007 Tax Allocation Bonds, Continued**

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

**Capital Leases**

Capital leases at June 30, 2010, consisted of the following:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts Due Within One Year	Amounts Due in More than One Year
Information Services	\$ 131,143	\$ -	\$ (63,651)	\$ 67,492	\$ 67,492	\$ -
Public Works	218,201	-	(51,609)	166,592	53,544	113,048
<b>Total capital lease</b>	<b>\$ 349,344</b>	<b>\$ -</b>	<b>\$ (115,260)</b>	<b>\$ 234,084</b>	<b>\$ 121,036</b>	<b>\$ 113,048</b>

**Information Services Capital Lease**

On July 20, 2006 the City entered into a Master Tax-Exempt Lease/Purchase Agreement with Key Government Finance, Inc. for the VOIP phone system. At the end of the 4 year lease period the City will own the equipment. The total principal amount was \$343,455. The interest rate is 10.8%. The accumulated depreciation and current cost at June 30, 2010 were \$269,040 and \$343,455. The outstanding balance at June 30, 2010 was \$67,492.

The annual debt service requirements outstanding at June 30, 2010, were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 67,492	\$ 4,042	\$ 71,534
<b>Total</b>	<b>\$ 67,492</b>	<b>\$ 4,042</b>	<b>\$ 71,534</b>

**Public Works Capital Lease**

On March 26, 2008 the City entered into a Lease with Option to Purchase Agreement with First Municipal Leasing Corporation for a Wirtgen E50DC Grinder. At the end of the five year lease period the City will have the option to purchase the equipment. The total principal amount was \$270,393. The interest rate is 3.75%. The accumulated depreciation and current cost at June 30, 2010 were \$40,559 and \$270,392. The outstanding balance at June 30, 2010 was \$166,592 payable from the Street Maintenance Fund.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Capital Leases, Continued**

**Public Works Capital Lease, Continued**

The annual debt service requirements outstanding at June 30, 2010, were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 53,544	\$ 6,253	\$ 59,797
2012	55,552	4,245	59,797
2013	57,496	2,161	59,657
<b>Total</b>	<b>\$ 166,592</b>	<b>\$ 12,659</b>	<b>\$ 179,251</b>

**Assessment District Bond**

**Auto Plaza DDA - AD 19**

In 1992, PCDC has an obligation under the Auto Center Disposition and Development Agreement to refund 50% of assessments paid by property owners in relation to the Assessment District 19 Bonds. On February 3, 1992, the Assessment District 19 Bonds were issued in the amount of \$1,080,000. The proceeds of the bonds were to finance public improvements at the Auto Plaza. The Bonds mature annually each September 2 from 1997 to 2010, in amounts ranging from \$45,000 to \$111,000 and bear interest at rates ranging from 5.60% to 7.75%. Interest is payable semiannually on March 2 and September 2. The bonds are payable from and secured by assessments paid by the property owners. The outstanding balance was \$214,000 as of June 30, 2010.

The annual debt service requirements outstanding at June 30, 2010, were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2011	\$ 103,000	\$ 12,594	\$ 115,594
2012	111,000	4,301	115,301
<b>Total</b>	<b>\$ 214,000</b>	<b>\$ 16,895</b>	<b>\$ 230,895</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**7. LONG-TERM DEBT, Continued**

**A. Governmental Activities Long-Term Debt, Continued**

**Defeased Debt**

In prior years, the City has defeased various bond issues by creating separate, irrevocable trust funds. New debt was issued, and the proceeds were used to purchase US government securities, which were placed in trust funds. The investments, and fixed earnings from the investments, are expected to be sufficient to fully service the defeased debt, until the debt is called or matures. For financial reporting purposes, the debt is considered defeased. Consequently, the trusts' assets and liabilities are not included in the City's basic financial statements.

At June 30, 2010, the amount of the 1990 COP Water revenue bonds defeased debt outstanding , but removed from the long-term liabilities, totaled \$1,910,000.

At June 30, 2010, the amount of Redevelopment 2000A tax allocation bonds defeased debt outstanding, but removed from the long-term liabilities, totaled \$16,550,000.

At June 30, 2010, the amount of 1993 Certificates of Participation defeased debt outstanding, but removed from the long-term liabilities, totaled \$2,735,000.

At June 30, 2010, the amount of PCDC issued Subordinate Tax Allocation Bonds Series 2007 defeased debt outstanding, but removed from the long-term liabilities, totaled \$130,000.

**Pledged Revenues**

PCDC has pledged tax revenues to the repayment of PCDC's debts through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of tax increment revenues allocated to PCDC's project areas pursuant to Section 33670 of the Redevelopment Law excluding that portion of such tax increment revenues required to be paid under Tax-Sharing Agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Tax increment received in 2009-2010 was \$17,224,163 and total debt service of all Tax Allocation Bonds paid was \$4,515,396. The Bonds required 26% of net revenues. In future years, annual principal and interest payments on the Tax Allocation Bonds are expected to require 35% of tax increment revenues. The total principal and interest remaining to be paid on the Bonds is \$131,977,187.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt**

**Revenue Bonds**

Revenue Bonds at June 30, 2010, consisted of the following:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts Due Within One Year	Amounts Due in More than One Year
2000 Wastewater Revenue Bonds	\$ 5,935,000	\$ -	\$ (410,000)	\$ 5,525,000	\$ 435,000	\$ 5,090,000
Unamortized Discount	(48,178)	-	4,448	(43,730)	-	(43,730)
2001B Water Revenue Bonds	8,260,000	-	(260,000)	8,000,000	275,000	7,725,000
Unamortized Discount	(12,242)	-	874	(11,368)	-	(11,368)
<b>Total revenue bonds</b>	<b>\$ 14,134,580</b>	<b>\$ -</b>	<b>\$ (664,678)</b>	<b>\$ 13,469,902</b>	<b>\$ 710,000</b>	<b>\$ 12,759,902</b>

**2000 Wastewater Revenue Bonds**

On May 1, 2000, the City issued Wastewater Revenue Bonds, Series 2000 in the amount of \$8,895,000. The proceeds of the bonds were used to finance improvements to the Waste Water System. The Bonds mature annually each May 1 from 2001 to 2020, in amounts ranging from \$280,000 to \$690,000 and bear interest at rates ranging from 4.25% to 5.50%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after May 1, 2010, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after May 1, 2009, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Waste Water Utility Fund. The outstanding balance of the bonds was \$5,525,000 as of June 30, 2010.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Year Ending June 30,	Principla	Interest	Total	Amortization of Bond Discount
2011	\$ 435,000	\$ 288,694	\$ 723,694	\$ (4,448)
2012	455,000	267,488	722,488	(4,448)
2013	480,000	244,736	724,736	(4,448)
2014	505,000	220,738	725,738	(4,448)
2015	530,000	194,982	724,982	(4,448)
2016-2020	3,120,000	522,932	3,642,932	(21,490)
<b>Total</b>	<b>\$ 5,525,000</b>	<b>\$ 1,739,570</b>	<b>\$ 7,264,570</b>	<b>\$ (43,730)</b>

The bonds were issued at a discount of \$88,950 which is being amortized over the 20 year life of the bonds resulting in an annual amortization of \$4,448.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Revenue Bonds, Continued**

**2001B Water Revenue Bonds**

On August 1, 2001, the City issued Water Revenue Bonds, Series 2001 in the amount of \$10,165,000. The proceeds of the bonds were used to refund the 1990 Certificates of Participation, and to finance improvements to the Water System. The Bonds mature annually each November 1 from 2001 to 2031, in amounts ranging from \$210,000 to \$2,445,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semiannually on May 1 and November 1. The Bonds maturing on or after November 1, 2012, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after November 1, 2011, at a price equal to the principal amount, plus accrued interest on the redemption date.

The bonds are payable solely from a pledge of and lien upon the net revenues received by the City from the ownership and operation of its Water Utility Fund. The outstanding balance of the bonds was \$8,000,000 as of June 30, 2010.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2011	\$ 275,000	\$ 378,122	\$ 653,122	\$ (874)
2012	285,000	366,922	651,922	(874)
2013	295,000	355,138	650,138	(874)
2014	310,000	342,234	652,234	(874)
2015	320,000	328,214	648,214	(874)
2016-2020	1,535,000	1,418,881	2,953,881	(4,370)
2021-2025	1,715,000	1,039,181	2,754,181	(2,628)
2026-2030	2,210,000	550,750	2,760,750	-
2031-2032	1,055,000	53,375	1,108,375	-
<b>Total</b>	<b>\$ 8,000,000</b>	<b>\$ 4,832,817</b>	<b>\$ 12,832,817</b>	<b>\$ (11,368)</b>

The bonds were issued at a discount of \$18,361 which is being amortized over 21 years resulting in an annual amortization of \$874.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Certificate of Participation**

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts	Amounts
					Due Within One Year	Due in More than One Year
2003 Certificate of Participation	\$ 5,615,000	\$ -	\$ (180,000)	\$ 5,435,000	\$ 185,000	\$ 5,250,000
Unamortized Premium	63,860	-	(3,275)	60,585	-	60,585
<b>Total certificate of participation</b>	<b>\$ 5,678,860</b>	<b>\$ -</b>	<b>\$ (183,275)</b>	<b>\$ 5,495,585</b>	<b>\$ 185,000</b>	<b>\$ 5,310,585</b>

**2003 Certificate of Participation**

On December 9, 2003, the City issued the 2003 Certificate of Participation in the amount of \$6,295,000. The proceeds of the certificates were used to refund the 1993 Certificates which were issued to finance portions of the Petaluma Municipal Airport. The certificates mature annually each August 1 from 2005 to 2028, in amounts ranging from \$165,000 to \$435,000 and bear interest at rates ranging from 2.500% to 5.125%. Interest is payable semiannually on February 1 and August 1. The certificates maturing on or after August 1, 2014, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after August 1, 2013, at a price equal to the principal amount, plus accrued interest on the redemption date. Principal and interest due with respect to the certificates will be made from the base rental payments payable by the City (the Airport Fund is the primary obligator). The outstanding balance of the certificates was \$5,435,000 as of June 30, 2010.

The annual debt service requirements outstanding at June 30, 2010 were as follows:

For the Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Premium
2011	\$ 185,000	\$ 249,818	\$ 434,818	\$ 3,275
2012	190,000	243,581	433,581	3,275
2013	200,000	236,504	436,504	3,275
2014	210,000	228,504	438,504	3,275
2015	215,000	219,926	434,926	3,275
2016-2020	1,245,000	946,642	2,191,642	16,375
2021-2025	1,585,000	616,014	2,201,014	16,375
2026-2029	1,605,000	170,022	1,775,022	11,460
<b>Total</b>	<b>\$ 5,435,000</b>	<b>\$ 2,911,011</b>	<b>\$ 8,346,011</b>	<b>\$ 60,585</b>

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Lines of Credit**

Lines of Credit at June 30, 2010, consisted of the following:

	Balance			Classification		
	July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
BNP Paribas LOC	\$ 13,150,000	\$ 2,150,000	\$ -	\$ 15,300,000	\$ 15,300,000	\$ -
Zions Bank LOC	9,375,582	-	-	9,375,582	9,375,582	-
<b>Total lines of credit</b>	<b>\$ 22,525,582</b>	<b>\$ 2,150,000</b>	<b>\$ -</b>	<b>\$ 24,675,582</b>	<b>\$ 24,675,582</b>	<b>\$ -</b>

**Revolving Credit Line**

On September 1, 2005, the City entered into a revolving credit agreement with two banking institutions. BNP Paribas and Zions 1st National Bank provided a revolving line of credit to the City in an amount up to \$25,000,000 and \$75,000,000, respectively.

- The BNP LOC bears interest with reference to the Base Rate (the greater of prime commercial rate, or the sum of rates quoted by two or more federal funds brokers, plus 1/2 1%), or at the option of the City, with reference to an adjusted LIBOR (the LIBOR divided by the quantity of 100% less the reserve percentage rate). Interest on the outstanding balance is payable monthly. The LOC is secured by pledged revenues, and the General Fund of the City is not liable. The balance at June 30, 2010 was \$15,300,000.
- The Zions Bank LOC fixed interest rate is 3.88%, and the variable interest rate is 91.03% of the one year Seattle Federal Home Loan Bank Rate. Interest is payable semiannually. The LOC is secured by pledged revenue, and the General Fund of the City is not liable. The outstanding balance at June 30, 2010 was \$9,375,582.

The Lines of Credit provided interim financing for the construction of the Ellis Creek Water Recycling Facility. The Lines of Credit terminate on August 1, 2010, at which time the outstanding balance becomes due and payable. The outstanding balance on the Lines of Credit at June 30, 2010 is \$24,675,582. The City had intended to repay the outstanding balance on the Lines of Credit from the proceeds of a wastewater system revenue bond, which the City had planned to issue in the Spring of 2010. The wastewater system revenue bond issuance has been delayed until winter 2011.

On September 14, 2009, the City Council of the City, as required by California law, ordered the submission to the voters of the City of an initiative submitted to the City with the necessary signatures (the "Initiative"), which would have required the City to reduce its wastewater rates to those in effect on January 1, 2006. The Initiative was submitted to the voters of the City at an election held on November 2, 2010 and was not approved.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Lines of Credit, Continued**

**Revolving Credit Line, Continued**

With the approaching termination date of August 1, 2010 of the Lines of Credit, the City restructured the agreements with the BNP Paribas and Zions Bank on June 28, 2010 which included partial prepayments of the outstanding agreement amounts of \$6,200,462 and \$3,799,538, respectively; extension of the time for repayment to June 1, 2011; payment of a loan restructuring fee payable on July 1, 2010 equal to 1% of the unpaid principal amount of the loan outstanding and adjustments of the applicable interest rates which amended the LIBOR Portion to bear interest for each Interest Period selected therefore at a rate per annum determined by adding 2.50% to the Adjusted LIBOR and 4% per annum of the entire outstanding principal balance of the loan on July 1, 2010, respectively.

**State Loan Fund**

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
					State Revolving Loan Fund	\$ 117,945,624
<b>Total state revolving loan fund</b>	<b>\$ 117,945,624</b>	<b>\$ 115,010</b>	<b>\$ (4,672,189)</b>	<b>\$ 113,388,445</b>	<b>\$ 4,780,327</b>	<b>\$ 108,608,118</b>

**State Revolving Loan Fund**

In October, 2005 the City was awarded \$125,964,254 for the Ellis Creek Water Recycling Facility from the California Clean Water State Revolving Fund. The first draw was in September, 2006. Upon completion of the construction of the recycling facility, the State Division of Financial Assistance for the State Water Resources Control Board will prepare an appropriate SRF installment sale agreement payment schedule. The City may without penalty prepay all or any portion of the outstanding principal amount of the obligation provided that the City also pays all accrued interest on the principal amount prepaid through the date of the prepayment. This obligation is secured by the net revenues of the Waste Water Enterprise Fund. The interest rate is 2.4%. The outstanding balance at June 30, 2010 was \$113,388,445.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Notes Payable**

Notes Payable at June 30, 2010, consisted of the following:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Amounts Due Within One Year	Amounts Due in More than One Year
CA Dept. Boat/Waterways	\$ 5,448,932	\$ 101,628	\$ -	\$ 5,550,560	\$ 275,874	\$ 5,274,686
CA Dept. of Transportation	1,416,280	-	(154,231)	1,262,049	163,409	1,098,640
<b>Total notes payable</b>	<b>\$ 6,865,212</b>	<b>\$ 101,628</b>	<b>\$ (154,231)</b>	<b>\$ 6,812,609</b>	<b>\$ 439,283</b>	<b>\$ 6,373,326</b>

**CA Dept. Boat/Waterways**

On March 11, 1993, the California Department of Boating and Waterways issued a note in the amount of \$3,960,000 to finance construction of the Petaluma Marina. The terms of the loan allow unpaid interest to be added to the outstanding principal. The loan balance was increased by unpaid interest and penalties for the years ended June 30, 1998, and 2000 through 2010. The debt is the responsibility of the Marina Fund. The outstanding balance at June 30, 2010 was \$5,550,560.

The loan contract between the City and the California Department of Boating and Waterways states "The repayment of the loan is to be made from the gross revenues originating from fees and rentals charged and received by the City for services, facilities and leaseholds provided or located within the project area. Such gross revenues shall constitute security for loan repayments. However, if such gross revenues should prove insufficient to repay the loan, then the City shall pay for the operations, maintenance and dredging costs occurring within the project area from revenue sources other than those generated within the project area, and all gross revenues shall be used to repay the loan." The City is out of compliance with this section of the loan agreement, as loan payments are not being made from gross revenues of the project area. Gross operating revenues usually do not cover the cost of operating expenses. Additionally, the cost of the required dredging of the Marina Fund was paid with contributions from other funds, not out of the Marina Fund's gross revenues.

In May 2006, the City met with the Director of the California Department of Boating and Waterways in an attempt to have this loan forgiven. The State refused to forgive the debt, but agreed that the City could continue to operate the Marina, in a manner consistent with operations since inception.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Notes Payable, Continued**

**CA Dept. Boat/Waterways, Continued**

The annual debt service requirements outstanding at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 275,874	\$ 134,101	\$ 409,975
2012	288,289	121,686	409,975
2013	301,262	108,713	409,975
2014	314,818	95,157	409,975
2015	328,985	80,990	409,975
2016-2020	1,470,787	169,102	1,639,889
Acc Prin/Int/Penalites	2,570,545	757,664	3,328,209
<b>Total</b>	<b>\$ 5,550,560</b>	<b>\$ 1,467,413</b>	<b>\$ 7,017,973</b>

**CA Dept. of Transportation**

On October 4, 1996, the California Department of Transportation issued three airport loans, in the amounts of \$975,000, \$50,000 and \$40,000, which were used to finance construction of hangars, installation of an electronic payment fueling system, and upgrading of the fueling system, respectively, at the Airport. In June, 2005 an additional \$1,400,000 was loaned to finance the construction of additional hangars. At June 30, 2010 the outstanding balance of the first loan (L-8) was \$156,000 and the second loan (L-11) was \$1,106,049.

The annual debt service requirements at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 163,409	\$ 57,588	\$ 220,997
2012	137,920	50,131	188,051
2013	79,931	45,206	125,137
2014	84,775	41,409	126,184
2015	89,619	37,383	127,002
2016-2020	520,762	118,484	639,246
2021-2022	185,633	11,372	197,005
<b>Total</b>	<b>\$ 1,262,049</b>	<b>\$ 361,573</b>	<b>\$ 1,623,622</b>

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**7. LONG-TERM DEBT, Continued**

**B. Business-Type Activities Long-Term Debt, Continued**

**Capital Lease**

**ACCELA**

On December 4, 2006 the City entered into a Municipal Lease-Purchase Agreement with Government Capital Corporation for ACCELA software. At the end of the 5 year lease period the City will have the option to purchase the software. The total principal amount was \$332,782. The interest rate is 15.08%. The accumulated depreciation and current cost at June 30, 2010 were \$199,669 and \$332,782. The outstanding balance at June 30, 2010 was \$140,959.

The annual debt service requirements at June 30, 2010 were as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 68,610	\$ 7,682	\$ 76,292
2012	72,349	3,943	76,292
<b>Total</b>	<b>\$ 140,959</b>	<b>\$ 11,625</b>	<b>\$ 152,584</b>

**Compensated Absences**

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$4,204,486 as of June 30, 2010. The City typically uses the General Fund to liquidate compensated absences recorded in the governmental activities. For compensated absences recorded in the business-type activities, the program that has incurred the expense is used to liquidate the liability.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due in One Year	Due in More Than One Year
<b>Governmental activities</b>	\$ 3,387,767	\$ 4,103,621	\$ (3,676,374)	\$ 3,815,014	\$ 412,244	\$ 3,402,770
<b>Business-type activities</b>	596,340	170,456	(377,324)	389,472	54,530	334,942
<b>Total</b>	<b>\$ 3,984,107</b>	<b>\$ 4,274,077</b>	<b>\$ (4,053,698)</b>	<b>\$ 4,204,486</b>	<b>\$ 466,774</b>	<b>\$ 3,737,712</b>

**8. NON-CITY OBLIGATION**

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**8. NON-CITY OBLIGATION, Continued**

**1915 Act Bonds**

The 1915 Act bonds have been issued to finance improvements in various special assessment districts in the City. The bonds are a liability of the property owners, and are secured by liens against the assessed properties. The City acts merely as the fiscal agent for the collection of the assessment to be used for the principal and interest payments from the property owners, disbursements of such monies to the bondholders, and if appropriate, beginning foreclosures. The principal amount of bonds outstanding at June 30, 2010 was \$5,507,900.

**Multi-Family Housing Revenue Bonds**

Oakmont project – the Redevelopment Agency issued \$4,750,000 in Multifamily Housing Revenue Bonds, with a variable rate of interest, not to exceed 12%, with the variable rate to be determined by the marketing agent. The bonds will mature April 1, 2026. Current balance is \$3,450,000. The proceeds from the bonds were used to make a loan to Oakmont Retirement Investors, LLC for the purpose of financing the acquisition and construction of a 76-unit assisted living care/multi-family rental facility known as Oakmont at Petaluma. In August 1997, PCDC consented to a sale of the project from Oakmont Retirement Investors, LLC to Windchime of Walnut Creek Investors, LP, a California limited partnership. The bonds are special obligation of PCDC, payable solely from the rental revenue and other assets pledged or assigned to payment of the bonds by Windchime of Walnut Creek, LP. These bonds are not recorded as liabilities on the City's financial statements.

On September 15, 2003, PCDC issued Multi-Family Housing Revenue Bonds and Taxable Multi-Family Housing Revenue Bonds in the amount of \$6,197,000. The current balance outstanding is \$5,792,000. The proceeds of the bonds will be used to finance the construction and equipping of an 81 unit, multi-family, rental housing development in the City of Petaluma, known as the "Downtown River Apartments." The bonds are special obligation of PCDC payable solely from rental revenue and other assets pledged or assigned to payment of the bonds by the obligator.

**9. RISK MANAGEMENT**

The City provides coverage up to a maximum of \$500,000 for each general liability claim. The City is a member of a public entity risk pool, which provides liability coverage of up to \$40,000,000 per occurrence, including the City's risk-limit. The actuarially determined liability at June 30, 2010 for general liability was \$5,017,785, which includes an estimate for incurred, but not reported claims.

The amounts of coverage for the risk retention, pool participation, purchased insurance and cost reimbursed benefits have not changed from the prior year. The amount of settled claims has not exceeded the maximum coverage in any of the past three years, under risk retention, pool participation, purchased insurance and cost reimbursed plans.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**9. RISK MANAGEMENT, Continued**

The public entity risk pool (Pool), to which the City belongs, assesses each member an annual contribution to cover claims, operating costs and claim settlement expenses. The Pool has a multi-level risk sharing arrangement for its liability program. Members assume their own losses, up to their retention level. Losses in excess of the retention are paid out of a central pool maintained by the Pool for each of the four levels of coverage. This central pool is funded by all of the members participating in that program layer through contributions. Losses in excess of participation limits are the responsibility of the individual member from which the loss or claim originated.

The City provides coverage up to a maximum of \$750,000 for each workers' compensation claim and \$1,000,000 from insurance per employee. The actuarially determined liability as of June 30, 2010 for workers' compensation was \$3,029,194, which includes an estimate for incurred, but not reported claims.

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

The accrued claims liability of \$1,988,591, reported in the risk funds as of June 30, 2010 is based upon the requirement of GASB Statement No.10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for future claims and payments for workers' compensation were based on an actuarial study, which was completed for the year ended June 30, 2010. Liabilities for future claims and payments for general liability were determined by management, based on a review of actual active claims as of June 30, 2010.

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2010, 2009, and 2008:

For the Years Ended June 30,	Claims	Claims Incurred	Claims Payments	Claims	Classification	
	Payable July 1			Payable June 30	Due in One Year	Due in more than One Year
2008	\$ 5,879,154	\$ (186,098)	\$ (1,054,918)	\$ 4,638,138	\$ 718,908	\$ 3,919,230
2009	4,638,138	207,014	(925,922)	3,919,230	(1,098,555)	5,017,785
2010	3,919,230	2,025,010	(926,455)	5,017,785	1,570,937	3,446,848

Employee medical, disability and life insurance benefits are also purchased. The City self-insures for additional employee benefit insurance such as dental, vision and unemployment, on a cost reimbursement basis, up to defined annual maximums. No liability has been accrued for these claims, as they are deemed immaterial.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**10. DEFICIT FUND BALANCES AND NET ASSETS**

*Fund Financial Statements*

At June 30, 2010, the following funds had deficit fund balances or deficit net assets:

Funds	Deficit
<b>Proprietary Funds:</b>	
Development Services Fund	\$ (717,694)
Marina Fund	(3,724,936)

Due to the decline in development activity, the deficit balance of the Development Services Enterprise Fund was not eliminated. Efforts will be made in 2010-2011 to reduce operating expenses or obtain additional funds to clear the deficit as the construction sector recovers from the recession.

In May of 2006, the City met with the Director of the California Department of Boating and Waterway in an attempt to have a \$6,000,000 loan forgiven. Debt forgiveness would eliminate the negative fund balance. The State refused to forgive the debt, but agreed that the City could continue to operate the Marina in a manner consistent with operations since inception.

**11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations for the following funds:

Fund	Appropriation	Expenditure	Variance
General Fund			
Departmental:			
City Clerk	\$ 278,950	\$ 284,226	\$ (5,276)
City Attorney	392,225	428,943	(36,718)
Animal Services	749,575	751,034	(1,459)
Community Development:			
Fire	8,971,100	9,222,578	(251,478)
CDBG Fund	343,550	518,170	(174,620)
Public Safety Fund	225,850	287,739	(61,889)
Landscape Assessment Districts Fund	438,400	474,519	(36,119)

- City Clerk variance is due to the salary and benefits expenditures higher than expected.
- City Attorney variance is due to legal expenses higher than anticipated.
- Animal Services variance is due to operating expenses being higher than expected.
- Fire variance is due to overtime utilization as required to backfill vacant and unfilled firefighter-paramedic positions.
- CDBG variance is due to excess funds from the prior years that were spent in the current fiscal year for the Senior Rehabilitation project.
- Public Safety variance is due to the local match portion of the purchase of police command vehicles being greater than anticipated.
- Landscape Assessment Districts Fund variance is due to unexpected repair and maintenance costs during the fiscal year.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**12. CLASSIFICATION OF UNRESERVED AND UNDESIGNED FUND BALANCES**

	General Fund	HOME/Begin Special Revenue Fund	Redevelopment Special Revenue Fund	Impact	City Capital Project Fund	Redevelopment Capital Project Fund	Non-Major Governmental Funds	Total
				Fees				
				Special Revenue Fund				
<b>Fund Balances:</b>								
Reserved	\$ 881,458	\$ 10,198,290	\$ 22,495,101	\$ 1,099,390	\$ 4,785,555	\$ 27,402,603	\$ 358,872	\$ 67,221,269
Unreserved, designated in:								
Special projects	-	-	13,596	-	8,458	-	8,157	30,211
Total unreserved, designated	-	-	13,596	-	8,458	-	8,157	30,211
Unreserved, undesignated	926,720	(9,531,785)	2,055,192	12,599,516	(2,811,032)	-	6,071,478	9,310,089
<b>Total fund balances</b>	<b>\$ 1,808,178</b>	<b>\$ 666,505</b>	<b>\$ 24,563,889</b>	<b>\$ 13,698,906</b>	<b>\$ 1,982,981</b>	<b>\$ 27,402,603</b>	<b>\$ 6,438,507</b>	<b>\$ 76,561,569</b>

**13. RETIREMENT PLANS**

*Pension Plan*

Plan Description

The City offers retirement benefits to all employees. There are two separate plans:

- California Public Employees Retirement System, which is offered to employees who work in excess of 1,000 hours per year.
- Public Agency Retirement System, which is offered to employees who work less than 1,000 hours per year.

California Public Employees Retirement System

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

Funding Policy

Miscellaneous employees are required to contribute seven percent (7%) of their annual salary to PERS and Public Safety employees are required to contribute nine percent (9%) of their annual salary to PERS. The City is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. For the fiscal year 2009-2010, PERS charged 11.165% for the miscellaneous plan and 28.060% for the safety plan.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**13. RETIREMENT PLANS, Continued**

Annual Pension Cost

For 2009-2010, the City's annual pension cost of \$4,688,870 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.55% to 14.45% for miscellaneous employees and from 3.55% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 years for miscellaneous employees and 30 years for safety employees.

**THREE-YEAR TREND INFORMATION FOR PERS**

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Miscellaneous	6/30/2008	\$ 1,847,614	100%	\$ -
	6/30/2009	1,789,412	100%	-
	6/30/2010	1,467,276	100%	-
Safety	6/30/2008	\$ 3,473,620	100%	\$ -
	6/30/2009	3,526,399	100%	-
	6/30/2010	3,221,594	100%	-

Funded Status

	Actuarial Valuation Date	Actuarial Assets	Entry Age Accrued Liability	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
Miscellaneous	6/30/09	\$ 65,534,272	\$ 74,583,463	\$ 9,049,191	87.9%	\$ 13,821,245	65.5%
Safety	6/30/09	95,254,855	123,598,289	28,343,434	77.1%	11,672,603	242.8%

Public Agency Retirement System

The City of Petaluma contributes to a Public Agency Retirement System/Alternative Retirement System (PARS), a public agency multiple-employer defined contribution pension trust. PERS provides benefits at the time of retirement, total disability or death. PARS acts as a common investment and administrative agent for participating public agencies. Benefit provisions and all other requirements are established by federal statute and city resolutions. Copies of PARS' annual financial report may be obtained from their office at 3961 MacArthur Blvd., Suite 200, Newport Beach, CA 92660.

Contributions

Participants are required to contribute 7% of their annual salary. The City is required to contribute 0.5% of the annual salary of covered participants. The contribution requirements were established on the Adoption Agreement. For fiscal year ended June 30, 2010, the City contributed \$976 and the covered employees contributed \$13,661, the total of which met the requirements of the plan.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**14. OTHER POSTEMPLOYMENT BENEFITS**

The City is a phase 2 employer and is required to adopt GASB 45 beginning with the 2008-09 fiscal year.

Plan Description

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

The City provides eligible employees who retire with a monthly retiree allowance, currently provided through the California Public Employees’ Retirement System (CalPERS) Health Benefits Program under the Public Employees’ Medical and Hospital Care Act (PEMHCA). The monthly benefit allowance varies by bargaining unit labor contract. The benefit allowances have been long-standing and previously ratified by labor and the City Council through the negotiation process. The dollar amount varies by bargaining units and by years of service. The range of the benefit is \$100 to \$156.83 per month. Currently the minimum allowance increase by \$5 per year until it reaches \$100 per month in 2014. The City’s employer contribution for each employee shall be the minimum required by PEMHCA. The City pays this contribution directly to CalPERS. No dental, vision, or life insurance benefits are provided, except for some retired Council Members. The Plan does not issue a financial report.

In the 1990s, the City adopted various resolutions relating to a health benefit allowance for Council Members. There are seven former Council Members receiving a benefit under the resolution ranging from \$100 to \$379 per month. In 1995, State law prohibited newly elected Council Members from receiving the benefit unless on a self-pay basis. The exception would be if a Council Member could retire into CalPERS and was covered under the PEMHCA.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of CalPERS service or disability. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2008:

	Safety	Miscellaneous
Eligible active employees	118	185
Enrolled eligible retirees	56	67

Funding Policy

There is no statutory requirement for the City to pre-fund its OPEB obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. The City fixed dollar benefit cannot be less than the PEMHCA minimum (unequal method) for PEMHCA retirees.

For fiscal year 2009-10, the City paid \$165,471 for retiree healthcare plan post employment benefits. This consisted of \$86,198 in direct cash payments to individuals and a \$79,273 payment to CalPERS for the City’s health premium contributions under PEMHCA. PEMHCA is, for most employers, a community rated plan and is not required to value implied subsidies for retirees under GASB 45.

The Annual Required Contribution (ACR) is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**14. OTHER POSTEMPLOYMENT BENEFITS, Continued**

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

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

The following table, based on the City's actuarial valuation as of June 30, 2008, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Fiscal Year Ended	Beginning Balance Net OPEB Obligation	Annual Required Contributions	Annual Interest on Beginning NOO	Amortization of Beginning NOO	Annual Contributions	Ending Balance Net OPEB Obligation
2009-2010	\$ 641,737	\$ 833,000	\$ 29,000	\$ (48,000)	\$ (165,471)	\$ 1,290,266

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009-10 are as follows:

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 833,000	54.9%	\$ 1,290,266

*Funded Status and Progress*

As of June 30, 2008, the most recent actuarial valuation date, the plan was not funded in its initial year of implementation. The actuarial accrued liability for benefits was \$7,002,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$7,002,000 and a funded ratio (actuarial value of assets as a percentage of the actuarial liability) of 0 percent.

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

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

**14. OTHER POSTEMPLOYMENT BENEFITS, Continued**

Actuarial Methods and Assumptions

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

In the June 30, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, plus merit increases per CalPERS 1997-2002 experience study. PEMHCA minimum trend rate is 9.7% for each year through 2016 and decreases to 4.5% for 2017 and beyond, the benefit cap has a 0% increase, not less than PEMHCA minimum. PEMHCA is a community rated plan not required to value implied subsidies to retirees and the plan is not funded in a segregated restricted trust. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis, starting, June 30, 2008.

Most Recent Actuarial Study – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Unfunded) Overfunded Actuarial Liability as Percentage of	Funded Ratio	Covered Payroll	Covered Payroll
6/30/2008	\$ -	\$ 7,002,000	(Unfunded)	0.00%	\$ 23,627,000	(29.64)%
6/30/2006	-	6,990,000	Overfunded	0.00%	22,883,000	(30.55)%

**15. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan (Plan) created in accordance with California Government Code Section 53212 and Internal Revenue Code of 1986, Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

In March, 1997, the City amended the Plan's documents to comply with a new federal law. The Plan's assets have been placed into a trust for the exclusive benefit of the employees and their beneficiaries. The City is the administrator of the Plan but the assets are held by an independent investment manager and, therefore, are not recorded as assets of the City. Each employee directs the investment of the assets in his or her account.

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**16. COMMITMENTS AND CONTINGENCIES**

The City's governmental funds had year-end commitments at June 30, 2010 totaling \$1,570,798, for construction related contracts awarded, but not completed, and proprietary funds in the amount of \$38,020.

The City's governmental funds had outstanding professional service contracts at year-end in the amount of \$4,861,750 and proprietary funds in the amount of \$2,290,096.

The City is directly and indirectly involved in various types of litigation, relating principally to claims arising from construction contracts, personal injury, property damage, alleged civil rights violations, and land use decisions. Liabilities other than from contracts and land use decisions will be covered or settled by the City's risk management program. Liabilities, which are excluded from the risk management program, will be covered from risk management reserves and/or the General Fund contingency reserve.

The City participates in a number of federally assisted grant programs, including those from the US Department of Housing and Urban Development, US Department of Justice, National Highway Traffic Safety Administration, and the Federal Aviation Administration. Receipts from these grant programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes no significant liabilities will result.

As of June 30, 2010, in the opinion of City Management, there were no additional outstanding matters that would have a significant effect on the financial position of the City.

**17. POLLUTION REMEDIATION OBLIGATIONS**

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as liabilities or, if appropriate, capitalized when goods and services are acquired if one of the following five specified obligating events occurs:

- The City is compelled to take pollution remediation action because of an imminent endangerment;
- The City violates a pollution prevention-related permit or license;
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation;
- The City commences or legally obligates itself to commence pollution remediation.

At June 30, 2010, the City identified the following sites which met one of the above obligating events:

**City of Petaluma**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2010**

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**17. POLLUTION REMEDIATION OBLIGATIONS, Continued**

Payran Street Site

301 Payran Street, site of a former fire station and underground storage tank, has had an extensive history of subsurface investigations and remediation work since approximately 1988. Groundwater sampling and analysis has confirmed that both onsite and offsite groundwater is impacted with petroleum hydrocarbons. The Sonoma County Department of Environmental Health acts as the Local Oversight Program (LOP) on behalf of the State Water Resources Control Board and has directed the City to continue with its cleanup of the site. The estimated costs for drilling and placement of Dual-Phased Extraction Wells (DPE) is approximately \$675,000. The City expects any liability amounts to be recovered from the State Cleanup Fund.

Airport Site: Sky Ranch Drive

In 2008, the City determined there was a contamination at the Municipal Airport at Sky Ranch Drive during the pre-construction ground sampling and during the removal of the three 12,000-gallon underground storage fuel tanks.

Due to the contamination found, the County of Sonoma's Department of Health Services (DHS) placed the removal site in the State's Leaking Underground Storage Tank Program. In June 2010, the State accepted a clean-up claim application submitted by the City and pending the future of the State's Clean-up Fund, the City may be reimbursed for clean-up efforts up to \$1.5 million. A work plan was submitted and approved by the County of Sonoma in October 2010. The work plan included the installation of three monitoring wells and a year of quarterly monitoring to provide additional soil and groundwater investigation. The installation of the wells will be completed in December 2010.

**18. SUBSEQUENT EVENTS**

State Financial and Budget Shortfall

In 2009, the State enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The fiscal year 2009-2010 payment was \$5,079,099 and it is anticipated another \$1,044,706 will need to be submitted for the fiscal year 2010-2011. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes.

BNP Paribas and Zions Bank Line of Credit

The City anticipates issuing bonds in the Winter of 2011 to refund the BNP Paribas Line of Credit and the Zions Bank Line of Credit. The Line of Credits provided interim financing for the construction of the Ellis Creek Water Recycling Facility.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Petaluma**  
**Required Supplementary Information**  
**For the year ended June 30, 2010**

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**1. BUDGETARY INFORMATION**

*Budgetary Policy and Control*

The City Council adopts an annual budget, submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year lapse and become a part of the unreserved fund balance which may be appropriated for the next fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to make adjustments to the operating budget within funds and between departments. Transfers of operating budgets from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriations and all changes in capital improvement project budgets require the approval of the City Council. Supplemental appropriations during the fiscal year were not material.

The annual budget is prepared on a basis consistent with generally accepted accounting principles. It is adopted for all governmental type funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded when issued in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental and proprietary fund types. Open encumbrances at year-end are recorded as reservations of fund balance since the commitments will be paid by subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

The City did not adopt a budget for the HOME/Begin Special Revenue Fund for fiscal year 2009/2010.

**City of Petaluma**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

**1. BUDGETARY INFORMATION, Continued**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 2,039,265	\$ 2,039,265	\$ 2,039,265	\$ -
<b>Resources (inflows):</b>				
Taxes	20,652,000	20,652,000	19,767,516	(884,484)
Licenses, permits and fees	531,000	656,200	786,533	130,333
Fines, forfeitures and penalties	513,000	513,000	603,326	90,326
Use of money and property	384,000	383,800	411,693	27,893
Intergovernmental	4,800,000	4,939,350	4,664,168	(275,182)
Charges for current services	4,048,650	4,205,000	3,931,924	(273,076)
Other	2,007,000	2,010,075	1,878,298	(131,777)
Transfers from other funds	1,132,900	1,394,500	1,269,344	(125,156)
<b>Total resources</b>	<b>34,068,550</b>	<b>34,753,925</b>	<b>33,312,802</b>	<b>(1,441,123)</b>
<b>Amount available for appropriation</b>	<b>36,107,815</b>	<b>36,793,190</b>	<b>35,352,067</b>	<b>(1,441,123)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
General government:				
City council	128,700	123,550	110,549	13,001
City clerk	309,900	278,950	284,226	(5,276)
City attorney	393,600	392,225	428,943	(36,718)
City manager	585,250	587,500	494,357	93,143
Animal services	781,800	749,575	751,034	(1,459)
Administrative services	1,828,200	1,694,300	1,598,533	95,767
<b>Total General government</b>	<b>4,027,450</b>	<b>3,826,100</b>	<b>3,667,642</b>	<b>158,458</b>
Community development	241,300	476,700	168,454	308,246
Police	15,255,800	14,700,100	14,638,288	61,812
Fire	9,348,750	8,971,100	9,222,578	(251,478)
Parks and recreation	1,640,050	1,545,500	1,461,317	84,183
Public works	5,052,850	4,455,300	4,279,656	175,644
Capital outlay	12,000	212,150	57,677	154,473
Transfers to other funds	-	50,000	48,277	1,723
<b>Total charges to appropriations</b>	<b>35,578,200</b>	<b>34,236,950</b>	<b>33,543,889</b>	<b>693,061</b>
Fund balance at June 30,	\$ 529,615	\$ 2,556,240	\$ 1,808,178	\$ (748,062)

**City of Petaluma**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

**1. BUDGETARY INFORMATION, Continued**

*Budgetary Comparison Schedule – Redevelopment Special Revenue Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 22,825,804	\$ 22,825,804	\$ 22,825,804	\$ -
<b>Resources (inflows):</b>				
Taxes	3,000,000	3,000,000	3,285,294	285,294
Use of money and property	109,500	109,500	48,389	(61,111)
Intergovernmental	-	-	160,332	160,332
Charges for current services	-	-	22,110	22,110
Other	-	-	158,007	158,007
<b>Total resources</b>	<b>3,109,500</b>	<b>3,109,500</b>	<b>3,674,132</b>	<b>564,632</b>
<b>Amount available for appropriation</b>	<b>25,935,304</b>	<b>25,935,304</b>	<b>26,499,936</b>	<b>564,632</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	2,696,650	2,938,550	1,713,040	1,225,510
Transfers to other funds	76,000	326,000	223,007	102,993
<b>Total charges to appropriations</b>	<b>2,772,650</b>	<b>3,264,550</b>	<b>1,936,047</b>	<b>1,328,503</b>
Fund balance at June 30,	\$ 23,162,654	\$ 22,670,754	\$ 24,563,889	\$ 1,893,135

**City of Petaluma**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

**1. BUDGETARY INFORMATION, Continued**

*Budgetary Comparison Schedule – Impact Fees Special Revenue Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 14,267,770	\$ 14,267,770	\$ 14,267,770	\$ -
<b>Resources (inflows):</b>				
Licenses, permits and fees	651,450	651,450	488,401	(163,049)
Use of money and property	160,500	160,500	183,665	23,165
Charges for services	19,600	19,600	8,964	(10,636)
Transfers from other funds	1,000	1,891,150	674,176	(1,216,974)
<b>Total resources</b>	<b>832,550</b>	<b>2,722,700</b>	<b>1,355,206</b>	<b>(1,367,494)</b>
<b>Amount available for appropriation</b>	<b>15,100,320</b>	<b>16,990,470</b>	<b>15,622,976</b>	<b>(1,367,494)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	1,525,750	1,525,650	1,400,554	125,096
Police	950	950	260	690
Fire	700	700	312	388
Parks and recreation	4,950	4,950	107	4,843
Public works	6,150	6,150	4,380	1,770
Transfers to other funds	1,863,000	2,038,000	518,457	1,519,543
<b>Total charges to appropriations</b>	<b>3,401,500</b>	<b>3,576,400</b>	<b>1,924,070</b>	<b>1,652,330</b>
Fund balance at June 30,	\$ 11,698,820	\$ 13,414,070	\$ 13,698,906	\$ (3,019,824)

**City of Petaluma**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2010**

**2. DEFINED BENEFIT PENSION PLAN**

A schedule of funding progress for the year ended June 30, 2010 including the past three actuarial valuations is presented below.

**SCHEDULE OF FUNDING PROGRESS**

	Actuarial Valuation Date*	Actual Asset Value	Entry Age Actuarial Accrued Liability	Underfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Underfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
<b>Miscellaneous</b>	6/30/07	\$ 56,469,750	\$ 62,630,507	\$ 6,160,757	90.2%	\$ 14,415,740	42.7%
<b>Employees Group</b>	6/30/08	61,951,599	68,273,578	6,321,979	90.7%	15,994,559	39.5%
	6/30/09	65,534,272	74,583,463	9,049,191	87.9%	13,821,245	65.5%
<b>Safety</b>	6/30/07	83,733,721	103,858,166	20,124,445	80.6%	11,620,163	173.2%
<b>Employees Group</b>	6/30/08	90,649,420	112,806,649	22,157,229	80.4%	12,462,757	177.8%
	6/30/09	95,254,855	123,598,289	28,343,434	77.1%	11,672,603	242.8%

\* Latest information available.

**3. OTHER POST EMPLOYMENT BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	(Unfunded) Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	(Unfunded) Overfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ -	\$ 7,002,000	\$ (7,002,000)	0.00%	\$ 23,627,000	(29.64)%
6/30/2006	-	6,990,000	(6,990,000)	0.00%	22,883,000	(30.55)%

## **SUPPLEMENTARY INFORMATION**



## Non-Major Governmental Funds

### Special Revenue Funds:

*Community Development Block Grant Fund* - The fund accounts for federal grants received under the Housing and Community Development Act of 1974 from the US Department of Housing and Urban Development. Funds are used to develop a viable urban community, by providing adequate housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

*Grants and Donations Fund* - The fund accounts for various donations received by City departments, and related expenditures.

*Gas Tax Fund* - The fund reports receipts and disbursements of funds under Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California. Expenditures in this fund, for administrations, maintenance and construction, must be street related.

*Public Safety Fund* - The fund is used to account for asset seizure, supplemental law enforcement, service fund, abandoned vehicle abatement, fire hazmat, in law fees activates.

*Landscape Assessment Districts Fund* - The fund details revenue and maintenance costs associated with forty-seven landscape assessment districts maintained by the City of Petaluma. These districts collect funds from the property owners, and use the funds to maintain common landscape areas within the boundaries of the district.

*Street Fund* - The fund accounts for revenue received from the solid waste surcharge, imposed as part of the franchise fee on the waste hauler. This revenue, along with transfers from various other City funds, will be expended on street maintenance activities.

*Transient Occupancy Tax Fund* - The fund reports the hotel and motel occupancy tax receipts, and the disbursements to local, not-for-profit groups, which sponsor community events, or promote tourism.

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

### Debt Service Funds:

*Redevelopment CBD/PCD Debt Service Fund* - The fund accounts for the accumulation of resources, and the payment of principal and interest of the Redevelopment Agency's long-term debt.

### Permanent Funds:

*Wickersham Park Trust Permanent Fund* - The fund accounts for resources that are held by the City, which are legally restricted to the extent that only earnings may be used maintenance improvements to Wickersham Park.

**City of Petaluma**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2010**

	Special Revenue					
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts	Street
<b>ASSETS</b>						
Cash and investments	\$ 64,720	\$ 928,000	\$ 393,110	\$ 770,680	\$ 383,106	\$ 2,378,536
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	-	33,311	-	-	-	46,221
Intergovernmental	57,335	610,470	164,544	19,935	12,803	-
Misc other receivables	-	-	-	-	-	-
Deposits and prepaid items	-	14,584	-	-	-	-
Interests receivable related to notes receivable	98,533	-	-	-	-	-
Notes receivable	784,000	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,004,588</b>	<b>\$ 1,586,365</b>	<b>\$ 557,654</b>	<b>\$ 790,615</b>	<b>\$ 395,909</b>	<b>\$ 2,424,757</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 25,742	\$ 85,562	\$ 21,702	\$ 2,188	\$ 45,284	\$ 18,424
Wages payable	-	359	-	-	581	13,562
Deferred revenue	882,533	23,384	-	-	-	-
Interfund payable	-	595,548	-	-	-	-
<b>Total liabilities</b>	<b>908,275</b>	<b>704,853</b>	<b>21,702</b>	<b>2,188</b>	<b>45,865</b>	<b>31,986</b>
<b>Fund Balances:</b>						
Reserved for:						
Encumbrances	-	22,009	-	-	-	-
Deposits and prepaid items	-	14,584	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total reserved</b>	<b>-</b>	<b>36,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unreserved, designated for:						
Special revenue funds	-	-	-	-	-	5,438
Unreserved, reported in:						
Special revenue funds	96,313	844,919	535,952	788,427	350,044	2,387,333
Debt service fund	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-
<b>Total unreserved</b>	<b>96,313</b>	<b>844,919</b>	<b>535,952</b>	<b>788,427</b>	<b>350,044</b>	<b>2,392,771</b>
<b>Total fund balances</b>	<b>96,313</b>	<b>881,512</b>	<b>535,952</b>	<b>788,427</b>	<b>350,044</b>	<b>2,392,771</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,004,588</b>	<b>\$ 1,586,365</b>	<b>\$ 557,654</b>	<b>\$ 790,615</b>	<b>\$ 395,909</b>	<b>\$ 2,424,757</b>

Special Revenue		Debt Service	Permanent	Total
Transient Occupancy Tax	Prince Park	CDB/PCD Redevelopment	Wickersham Park Trust	Non-Major Governmental Funds
\$ -	\$ 1,029,682	\$ 285,617	\$ 23,177	\$ 6,256,628
-	-	588	-	588
182,307	-	36,074	-	297,913
-	-	-	-	865,087
-	-	-	-	-
-	-	-	-	14,584
-	-	-	-	98,533
-	-	-	-	784,000
<u>\$ 182,307</u>	<u>\$ 1,029,682</u>	<u>\$ 322,279</u>	<u>\$ 23,177</u>	<u>\$ 8,317,333</u>

\$ 81,387	\$ -	\$ -	\$ -	\$ 280,289
-	-	-	-	14,502
-	-	-	-	905,917
82,570	-	-	-	678,118
<u>163,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,878,826</u>

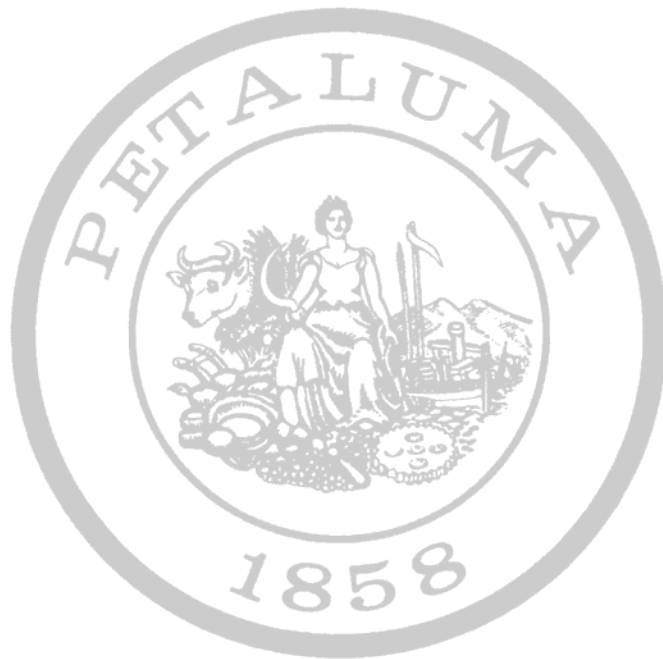
-	-	-	-	22,009
-	-	-	-	14,584
-	-	322,279	-	322,279
-	-	322,279	-	358,872

-	2,719	-	-	8,157
18,350	1,026,963	-	-	6,048,301
-	-	-	-	-
-	-	-	23,177	23,177
<u>18,350</u>	<u>1,029,682</u>	<u>-</u>	<u>23,177</u>	<u>6,079,635</u>
<u>18,350</u>	<u>1,029,682</u>	<u>322,279</u>	<u>23,177</u>	<u>6,438,507</u>
<u>\$ 182,307</u>	<u>\$ 1,029,682</u>	<u>\$ 322,279</u>	<u>\$ 23,177</u>	<u>\$ 8,317,333</u>

**City of Petaluma**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2010**

	Special Revenue					
	Community Development Block Grant	Grants and Donations	Gas Tax	Public Safety	Landscape Assessment Districts	Street
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,414
Fines, forfeitures and penalties	-	-	-	186,569	-	-
Use of money and property	431	-	-	11,629	10,000	27,545
Intergovernmental	518,170	4,123,518	1,497,213	148,030	-	292,725
Charges for current services	-	-	5,125	1,089	400,779	3,641
Other	-	244,564	-	-	-	185,353
<b>Total revenues</b>	<b>518,601</b>	<b>4,368,082</b>	<b>1,502,338</b>	<b>347,317</b>	<b>410,779</b>	<b>1,057,678</b>
<b>EXPENDITURES:</b>						
Current:						
Community development	518,170	156,252	-	-	-	-
Police	-	293,024	-	33,739	-	-
Fire	-	65,418	-	-	-	-
Parks and recreation	-	344,294	-	-	474,519	-
Public works	-	699,998	341,176	-	-	1,796,036
Capital outlay	-	643,154	-	139,000	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	8,187
<b>Total expenditures</b>	<b>518,170</b>	<b>2,202,140</b>	<b>341,176</b>	<b>172,739</b>	<b>474,519</b>	<b>1,804,223</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>431</b>	<b>2,165,942</b>	<b>1,161,162</b>	<b>174,578</b>	<b>(63,740)</b>	<b>(746,545)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	85,650	14,000	-	-	1,038,144
Transfers out	-	(2,217,108)	(1,113,000)	(115,000)	-	(77,736)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,131,458)</b>	<b>(1,099,000)</b>	<b>(115,000)</b>	<b>-</b>	<b>960,408</b>
<b>Net change in fund balances</b>	<b>431</b>	<b>34,484</b>	<b>62,162</b>	<b>59,578</b>	<b>(63,740)</b>	<b>213,863</b>
<b>FUND BALANCES:</b>						
Beginning of year	95,882	847,028	473,790	728,849	413,784	2,178,908
End of year	\$ 96,313	\$ 881,512	\$ 535,952	\$ 788,427	\$ 350,044	\$ 2,392,771

Special Revenue		Debt Service	Permanent	Total
Transient Occupancy Tax	Prince Park	CDB/PCD Redevelopment	Wickersham Park Trust	Non-Major Governmental Funds
\$ 1,165,607	\$ -	\$ -	\$ -	\$ 1,714,021
-	-	-	-	186,569
-	12,357	3,126	195	65,283
-	-	-	-	6,579,656
-	-	-	-	410,634
-	-	-	-	429,917
<u>1,165,607</u>	<u>12,357</u>	<u>3,126</u>	<u>195</u>	<u>9,386,080</u>
104,711	-	15,476	-	794,609
-	-	-	-	326,763
-	-	-	-	65,418
-	-	-	-	818,813
-	-	-	-	2,837,210
-	-	-	-	782,154
-	-	1,355,000	-	1,355,000
-	-	3,280,831	-	3,289,018
<u>104,711</u>	<u>-</u>	<u>4,651,307</u>	<u>-</u>	<u>10,268,985</u>
<u>1,060,896</u>	<u>12,357</u>	<u>(4,648,181)</u>	<u>195</u>	<u>(882,905)</u>
-	-	5,000,000	-	6,137,794
(1,000,000)	(17,900)	-	-	(4,540,744)
<u>(1,000,000)</u>	<u>(17,900)</u>	<u>5,000,000</u>	<u>-</u>	<u>1,597,050</u>
60,896	(5,543)	351,819	195	714,145
(42,546)	1,035,225	(29,540)	22,982	5,724,362
<u>\$ 18,350</u>	<u>\$ 1,029,682</u>	<u>\$ 322,279</u>	<u>\$ 23,177</u>	<u>\$ 6,438,507</u>



# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### City Capital Project Funds - Major Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 9,951,845	\$ 9,951,845	\$ 9,951,845	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	-	63,000	27,154	(35,846)
Other	2,788,000	3,522,375	-	(3,522,375)
Transfers from other funds	6,370,000	13,028,300	2,999,147	(10,029,153)
<b>Total resources</b>	<b>9,158,000</b>	<b>16,613,675</b>	<b>3,026,301</b>	<b>(13,587,374)</b>
<b>Amount available for appropriation</b>	<b>19,109,845</b>	<b>26,565,520</b>	<b>12,978,146</b>	<b>(13,587,374)</b>
<b>Charges to appropriations (outflows):</b>				
Current:				
Public works	-	-	77,322	(77,322)
Capital outlay	13,578,300	9,771,950	5,459,578	4,312,372
Transfers to other funds	1,216,400	12,823,525	5,458,265	7,365,260
<b>Total charges to appropriations</b>	<b>14,794,700</b>	<b>22,595,475</b>	<b>10,995,165</b>	<b>11,600,310</b>
Fund balance at June 30,	\$ 4,315,145	\$ 3,970,045	\$ 1,982,981	\$ (1,987,064)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Capital Project Fund For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 27,610,101	\$ 27,610,101	\$ 27,610,101	\$ -
<b>Resources (inflows):</b>				
Taxes	13,000,000	13,000,000	13,938,869	938,869
Use of money and property	242,000	242,000	245,204	3,204
Intergovernmental	-	-	4,583	4,583
Charges for current services	200,000	20,000	-	(20,000)
Transfers from other funds	1,226,400	10,969,275	4,866,232	(6,103,043)
<b>Total resources</b>	<b>14,668,400</b>	<b>24,231,275</b>	<b>19,054,888</b>	<b>(5,176,387)</b>
<b>Amount available for appropriation</b>	<b>42,278,501</b>	<b>51,841,376</b>	<b>46,664,989</b>	<b>(5,176,387)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	10,936,300	13,082,150	13,466,053	(383,903)
Capital outlay	65,000	65,000	772,336	(707,336)
Transfers to other funds	6,000,000	11,024,025	5,023,997	6,000,028
<b>Total charges to appropriations</b>	<b>17,001,300</b>	<b>24,171,175</b>	<b>19,262,386</b>	<b>4,908,789</b>
Fund balance at June 30,	\$ 25,277,201	\$ 27,670,201	\$ 27,402,603	\$ (267,598)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 95,882	\$ 95,882	\$ 95,882	\$ -
<b>Resources (inflows):</b>				
Use of money and property	-	-	431	431
Intergovernmental	343,000	343,000	518,170	175,170
<b>Total resources</b>	<b>343,000</b>	<b>343,000</b>	<b>518,601</b>	<b>175,601</b>
<b>Amount available for appropriation</b>	<b>438,882</b>	<b>438,882</b>	<b>614,483</b>	<b>175,601</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	343,550	343,550	518,170	(174,620)
<b>Total charges to appropriations</b>	<b>343,550</b>	<b>343,550</b>	<b>518,170</b>	<b>(174,620)</b>
Fund balance at June 30,	\$ 95,332	\$ 95,332	\$ 96,313	\$ 981

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Grants and Donations Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 847,028	\$ 847,028	\$ 847,028	\$ -
<b>Resources (inflows):</b>				
Use of money and property	4,100	4,100	-	(4,100)
Intergovernmental	5,611,000	6,986,550	4,123,518	(2,863,032)
Other	137,500	137,500	244,564	107,064
Transfer from other funds	-	61,000	85,650	24,650
<b>Total resources</b>	<b>5,752,600</b>	<b>7,189,150</b>	<b>4,453,732</b>	<b>(2,735,418)</b>
<b>Amount available for appropriation</b>	<b>6,599,628</b>	<b>8,036,178</b>	<b>5,300,760</b>	<b>(2,735,418)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
General government	20,000	20,000	-	20,000
Community development	75,000	61,350	156,252	(94,902)
Police	410,000	410,000	293,024	116,976
Fire	105,000	105,000	65,418	39,582
Parks	150,000	150,000	344,294	(194,294)
Public works	1,666,000	1,666,000	699,998	966,002
Capital outlay	-	128,500	643,154	(514,654)
Transfers to other funds	3,305,000	4,552,050	2,217,108	2,334,942
<b>Total charges to appropriations</b>	<b>5,731,000</b>	<b>7,092,900</b>	<b>4,419,248</b>	<b>2,673,652</b>
Fund balance at June 30,	\$ 868,628	\$ 943,278	\$ 881,512	\$ (61,766)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Gas Tax Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 473,790	\$ 473,790	\$ 473,790	\$ -
<b>Resources (inflows):</b>				
Use of money and property	20,800	20,800	-	(20,800)
Intergovernmental	1,462,400	1,462,400	1,497,213	34,813
Charges for current services	-	-	5,125	5,125
Transfers from other funds	-	14,000	14,000	-
<b>Total resources</b>	<b>1,483,200</b>	<b>1,497,200</b>	<b>1,516,338</b>	<b>19,138</b>
<b>Amount available for appropriation</b>	<b>1,956,990</b>	<b>1,970,990</b>	<b>1,990,128</b>	<b>19,138</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Public works	150,650	375,000	341,176	33,824
Transfers to other funds	1,113,000	1,113,000	1,113,000	-
<b>Total charges to appropriations</b>	<b>1,263,650</b>	<b>1,488,000</b>	<b>1,454,176</b>	<b>33,824</b>
Fund balance at June 30,	\$ 693,340	\$ 482,990	\$ 535,952	\$ 52,962

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Public Safety Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 728,849	\$ 728,849	\$ 728,849	\$ -
<b>Resources (inflows):</b>				
Fines, forfeitures and penalties	132,000	132,000	186,569	54,569
Use of money and property	-	-	11,629	11,629
Intergovernmental	133,000	133,000	148,030	15,030
Charges for current services	-	-	1,089	1,089
<b>Total resources</b>	<b>265,000</b>	<b>265,000</b>	<b>347,317</b>	<b>82,317</b>
<b>Amount available for appropriation</b>	<b>993,849</b>	<b>993,849</b>	<b>1,076,166</b>	<b>82,317</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Police	55,000	55,000	33,739	21,261
Capital Outlay	45,000	55,850	139,000	(83,150)
Transfers to other funds	115,000	115,000	115,000	-
<b>Total charges to appropriations</b>	<b>215,000</b>	<b>225,850</b>	<b>287,739</b>	<b>(61,889)</b>
Fund balance at June 30,	\$ 778,849	\$ 767,999	\$ 788,427	\$ 20,428

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Landscape Assessment Districts Special Revenue Fund For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 413,784	\$ 413,784	\$ 413,784	\$ -
<b>Resources (inflows):</b>				
Use of money and property	11,500	11,500	10,000	(1,500)
Charges for current services	380,700	380,700	400,779	20,079
<b>Total resources</b>	<b>392,200</b>	<b>392,200</b>	<b>410,779</b>	<b>18,579</b>
<b>Amount available for appropriation</b>	<b>805,984</b>	<b>805,984</b>	<b>824,563</b>	<b>18,579</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Parks and recreation	373,950	438,400	474,519	(36,119)
<b>Total charges to appropriations</b>	<b>373,950</b>	<b>438,400</b>	<b>474,519</b>	<b>(36,119)</b>
Fund balance at June 30,	\$ 432,034	\$ 367,584	\$ 350,044	\$ (17,540)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Street Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ 2,178,908	\$ 2,178,908	\$ 2,178,908	\$ -
<b>Resources (inflows):</b>				
Taxes	375,000	550,000	548,414	(1,586)
Use of money and property	30,900	30,900	27,545	(3,355)
Intergovernmental	325,000	325,000	292,725	(32,275)
Charges for current services	-	-	3,641	3,641
Other	-	185,000	185,353	353
Transfers from other funds	1,000,000	1,199,150	1,038,144	(161,006)
<b>Total resources</b>	<b>1,730,900</b>	<b>2,290,050</b>	<b>2,095,822</b>	<b>(194,228)</b>
<b>Amount available for appropriation</b>	<b>3,909,808</b>	<b>4,468,958</b>	<b>4,274,730</b>	<b>(194,228)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Public works	3,066,550	3,162,450	1,796,036	1,366,414
Interest expense	16,000	16,000	8,187	
Transfers to other funds	24,000	238,725	77,736	160,989
<b>Total charges to appropriations</b>	<b>3,106,550</b>	<b>3,417,175</b>	<b>1,881,959</b>	<b>1,527,403</b>
Fund balance at June 30,	\$ 803,258	\$ 1,051,783	\$ 2,392,771	\$ 1,333,175

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Transient Occupancy Tax Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance July 1,	\$ (42,546)	\$ (42,546)	\$ (42,546)	\$ -
<b>Resources (inflows):</b>				
Taxes	1,255,000	1,255,000	1,165,607	(89,393)
Use of money and property	13,800	13,800	-	(13,800)
<b>Total resources</b>	<b>1,268,800</b>	<b>1,268,800</b>	<b>1,165,607</b>	<b>(103,193)</b>
<b>Amount available for appropriation</b>	<b>1,226,254</b>	<b>1,226,254</b>	<b>1,123,061</b>	<b>(103,193)</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	181,000	181,000	104,711	76,289
Transfers to other funds	1,000,000	1,000,000	1,000,000	-
<b>Total charges to appropriations</b>	<b>1,181,000</b>	<b>1,181,000</b>	<b>1,104,711</b>	<b>76,289</b>
Fund balance at June 30,	\$ 45,254	\$ 45,254	\$ 18,350	\$ (26,904)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Prince Park Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,035,225	\$ 1,035,225	\$ 1,035,225	\$ -
<b>Resources (inflows):</b>				
Use of money and property	17,900	17,900	12,357	(5,543)
<b>Total resources</b>	17,900	17,900	12,357	(5,543)
<b>Amount available for appropriation</b>	1,053,125	1,053,125	1,047,582	(5,543)
<b>Charges to appropriations (outflows):</b>				
Transfers out	17,900	17,900	17,900	-
<b>Total charges to appropriations</b>	17,900	17,900	17,900	-
Fund balance at June 30,	\$ 1,035,225	\$ 1,035,225	\$ 1,029,682	\$ (5,543)

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Redevelopment Debt Service Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ (29,540)	\$ (29,540)	\$ (29,540)	\$ -
<b>Resources (inflows):</b>				
Use of money and property	-	-	3,126	3,126
Transfers from other funds	5,000,000	5,000,000	5,000,000	-
<b>Total resources</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,003,126</b>	<b>3,126</b>
<b>Amount available for appropriation</b>	<b>4,970,460</b>	<b>4,970,460</b>	<b>4,973,586</b>	<b>3,126</b>
<b>Charges to appropriations (outflows):</b>				
Departmental:				
Community development	20,000	20,000	15,476	4,524
Debt service:				
Principal	1,671,400	1,671,400	1,355,000	316,400
Interest and fiscal charges	3,308,600	3,308,600	3,280,831	27,769
<b>Total charges to appropriations</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>4,651,307</b>	<b>348,693</b>
Fund balance at June 30,	\$ (29,540)	\$ (29,540)	\$ 322,279	\$ 351,819

# City of Petaluma

## Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### Wickersham Park Trust Permanent Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 22,982	\$ 22,982	\$ 22,982	\$ -
<b>Resources (inflows):</b>				
Use of money and property	500	500	195	(305)
<b>Total resources</b>	500	500	195	(305)
Fund balance at June 30,	\$ 23,482	\$ 23,482	\$ 23,177	\$ (305)

## Internal Service Funds

*Employee Benefits Fund* - The fund accounts for City employees' dental, unemployment and vision benefits, and retiree benefits.

*General Services Fund* - The fund accounts for purchasing, printing and mail services.

*Information Services Fund* - The fund accounts for the cost of purchasing, operating and maintaining the City's voice, data and computer systems.

*Risk Management Fund* - The fund accounts for the accumulation of the resources and expenses related to the City's risk management activities and general insurance programs.

*Vehicle/Equipment Replacement Fund (GG) and (BA)* - The fund accounts for the accumulation of resources, and related expenses incurred for the replacement of major equipment and vehicles in the City. The fund is divided into two sub-funds, one for equipment acquired for general government (GG) activities, and one for equipment acquired for business-type activities (BA).

*Workers' Compensation Fund* - The fund accounts for the accumulation of resources, and expenses related to funding workers' compensation benefits for City employees.

**City of Petaluma**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2010**

	Employee Benefits Fund	General Services Fund	Information Services Fund	Risk Management Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 498,706	\$ 812,898	\$ 62,377	\$ 4,923,915
Account receivable	659	-	14,831	26,050
Due from other funds	-	-	51,116	-
Inventories	-	15,991	-	-
Deposits and prepaid items	19,461	1,159	7,749	855,936
<b>Total current assets</b>	<b>518,826</b>	<b>830,048</b>	<b>136,073</b>	<b>5,805,901</b>
Non-current assets:				
Capital assets:				
Depreciable	-	27,144	1,640,571	-
Less accumulated depreciation	-	(19,073)	(992,022)	-
<b>Total capital assets</b>	<b>-</b>	<b>8,071</b>	<b>648,549</b>	<b>-</b>
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets:</b>	<b>518,826</b>	<b>838,119</b>	<b>784,622</b>	<b>5,805,901</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	7,218	819	9,271	39,483
Wages payable	679	3,262	10,284	772
Interest payable	-	-	4,042	-
Compensated absences, due within one year	339	1,461	9,418	1,063
Long-term debt, due within one year	-	-	67,492	-
<b>Total current liabilities</b>	<b>8,236</b>	<b>5,542</b>	<b>100,507</b>	<b>41,318</b>
Non-current liabilities:				
Claims payable	-	-	-	1,988,591
Compensated absences, due in more than one year	5,615	47,089	120,652	8,367
<b>Total Non-current liabilities</b>	<b>5,615</b>	<b>47,089</b>	<b>120,652</b>	<b>1,996,958</b>
<b>Total liabilities</b>	<b>13,851</b>	<b>52,631</b>	<b>221,159</b>	<b>2,038,276</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	8,071	648,549	-
Unrestricted	504,975	777,417	(85,086)	3,767,625
<b>Total net assets</b>	<b>\$ 504,975</b>	<b>\$ 785,488</b>	<b>\$ 563,463</b>	<b>\$ 3,767,625</b>

Equipment Replacement (GG) Fund	Equipment Replacement (BA) Fund	Workers' Compensation Fund	Total
\$ 259,904	\$ 49,505	\$ 5,698,804	\$ 12,306,109
-	-	-	41,540
-	-	-	51,116
-	-	-	15,991
-	-	141,334	1,025,639
<u>259,904</u>	<u>49,505</u>	<u>5,840,138</u>	<u>13,440,395</u>
4,880,516	1,314,643	-	7,862,874
(2,425,275)	(853,558)	-	(4,289,928)
<u>2,455,241</u>	<u>461,085</u>	<u>-</u>	<u>3,572,946</u>
-	-	-	-
<u>2,715,145</u>	<u>510,590</u>	<u>5,840,138</u>	<u>17,013,341</u>
-	-	59,406	116,197
-	-	1,055	16,052
-	-	-	4,042
-	-	339	12,620
-	-	-	67,492
<u>-</u>	<u>-</u>	<u>60,800</u>	<u>216,403</u>
-	-	3,029,194	5,017,785
-	-	9,014	190,737
<u>-</u>	<u>-</u>	<u>3,038,208</u>	<u>5,208,522</u>
<u>-</u>	<u>-</u>	<u>3,099,008</u>	<u>5,424,925</u>
2,455,241	461,085	-	3,572,946
259,904	49,505	2,741,130	8,015,470
<u>\$ 2,715,145</u>	<u>\$ 510,590</u>	<u>\$ 2,741,130</u>	<u>\$ 11,588,416</u>

**City of Petaluma**  
**Combining Statement of Activities and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2010**

	Employee Benefits Fund	General Services Fund	Information Services Fund	Risk Management Fund
<b>OPERATING REVENUES:</b>				
Charges for sales	\$ -	\$ 6,238	\$ -	\$ -
Charges for services	892,262	348,500	1,639,752	1,229,390
<b>Total operating revenues</b>	<b>892,262</b>	<b>354,738</b>	<b>1,639,752</b>	<b>1,229,390</b>
<b>OPERATING EXPENSES:</b>				
Cost of services	230,163	293,313	1,139,512	376,643
Claims	518,337	-	-	646,009
General and administrative	81,615	51,037	252,696	127,517
Depreciation	-	2,690	308,348	-
<b>Total operating expenses</b>	<b>830,115</b>	<b>347,040</b>	<b>1,700,556</b>	<b>1,150,169</b>
<b>Operating income (loss)</b>	<b>62,147</b>	<b>7,698</b>	<b>(60,804)</b>	<b>79,221</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment earnings and rent	7,466	12,536	1,686	65,748
Interest expense	-	-	(4,474)	-
Gain or (loss) on disposal of assets	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>7,466</b>	<b>12,536</b>	<b>(2,788)</b>	<b>65,748</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>69,613</b>	<b>20,234</b>	<b>(63,592)</b>	<b>144,969</b>
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>69,613</b>	<b>20,234</b>	<b>(63,592)</b>	<b>144,969</b>
<b>NET ASSETS:</b>				
Beginning of year	435,362	765,254	627,055	3,622,656
End of year	<b>\$ 504,975</b>	<b>\$ 785,488</b>	<b>\$ 563,463</b>	<b>\$ 3,767,625</b>

Equipment Replacement (GG) Fund	Equipment Replacement (BA) Fund	Workers' Compensation Fund	Total
\$ -	\$ -	\$ -	\$ 6,238
-	-	284,242	4,394,146
-	-	284,242	4,400,384
-	-	193,383	2,233,014
-	-	1,155,417	2,319,763
500	500	183,168	697,033
499,340	177,150	-	987,528
499,840	177,650	1,531,968	6,237,338
(499,840)	(177,650)	(1,247,726)	(1,836,954)
3,860	735	80,449	172,480
-	-	-	(4,474)
7,685	(7,685)	-	-
11,545	(6,950)	80,449	168,006
(488,295)	(184,600)	(1,167,277)	(1,668,948)
87,601	-	-	87,601
-	(87,601)	-	(87,601)
87,601	(87,601)	-	-
(400,694)	(272,201)	(1,167,277)	(1,668,948)
3,115,839	782,791	3,908,407	13,257,364
\$ 2,715,145	\$ 510,590	\$ 2,741,130	\$ 11,588,416

**City of Petaluma**  
**Combining Statement of Cash Flows**  
**All**  
**For the year ended June 30, 2010**

	Employee Benefits Fund	General Services Fund	Information Services Fund	Risk Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 891,603	\$ 354,738	\$ 1,624,921	\$ 1,203,340
Cash payments to suppliers for goods and services	(297,671)	(313,038)	(1,145,525)	(518,726)
Cash payments to employees for services	(82,027)	(45,639)	(240,101)	(133,809)
Claims paid	(518,337)	-	-	(28,586)
<b>Net cash provided (used) by operating activities</b>	<b>(6,432)</b>	<b>(3,939)</b>	<b>239,295</b>	<b>522,219</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Interfund receivable/payable	55,956	-	(107,072)	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>55,956</b>	<b>-</b>	<b>(107,072)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	-	-	-	-
Proceeds from sale assets	-	-	-	-
Payments of long term debt	-	-	(63,651)	-
Interest paid	-	-	(7,881)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>(71,532)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	7,466	12,536	1,686	65,748
<b>Net cash provided (used) by investing activities</b>	<b>7,466</b>	<b>12,536</b>	<b>1,686</b>	<b>65,748</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>56,990</b>	<b>8,597</b>	<b>62,377</b>	<b>587,967</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	441,716	804,301	-	4,335,948
End of year	<u>\$ 498,706</u>	<u>\$ 812,898</u>	<u>\$ 62,377</u>	<u>\$ 4,923,915</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET ASSETS:</b>				
Cash and investments	498,706	812,898	62,377	4,923,915
Total cash and investments	<u>\$ 498,706</u>	<u>\$ 812,898</u>	<u>\$ 62,377</u>	<u>\$ 4,923,915</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 62,147	\$ 7,698	\$ (60,804)	\$ 79,221
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	2,690	308,348	-
Changes in assets and liabilities:				
Account receivable	(659)	-	(14,831)	(26,050)
Inventories	-	(6,913)	-	-
Deposits and prepaids	8,193	649	(3,624)	(145,218)
Accounts payable	(75,701)	(13,461)	(2,389)	3,135
Wages payable	(707)	(3,218)	(16,225)	(3,188)
Accrued claims	-	-	-	617,423
Compensated absences	295	8,616	28,820	(3,104)
Total adjustments	(68,579)	(11,637)	300,099	442,998
<b>Net cash provided (used) by operating activities</b>	<b>\$ (6,432)</b>	<b>\$ (3,939)</b>	<b>\$ 239,295</b>	<b>\$ 522,219</b>

Equipment Replacement (GG) Fund	Equipment Replacement (BA) Fund	Workers' Compensation Fund	Total
\$ -	\$ -	\$ 284,242	\$ 4,358,844
-	-	(337,489)	(2,612,449)
(500)	(500)	(185,656)	(688,232)
-	-	(674,285)	(1,221,208)
<u>(500)</u>	<u>(500)</u>	<u>(913,188)</u>	<u>(163,045)</u>
-	-	140,884	89,768
87,601	-	-	87,601
-	(87,601)	-	(87,601)
<u>87,601</u>	<u>(87,601)</u>	<u>140,884</u>	<u>89,768</u>
(80,334)	80,335	-	1
7,685	(7,685)	-	-
-	-	-	(63,651)
-	-	-	(7,881)
<u>(72,649)</u>	<u>72,650</u>	<u>-</u>	<u>(71,531)</u>
3,860	735	80,449	172,480
<u>3,860</u>	<u>735</u>	<u>80,449</u>	<u>172,480</u>
18,312	(14,716)	(691,855)	27,672
241,592	64,221	6,390,659	12,278,437
<u>\$ 259,904</u>	<u>\$ 49,505</u>	<u>\$ 5,698,804</u>	<u>\$ 12,306,109</u>
259,904	49,505	5,698,804	12,306,109
<u>\$ 259,904</u>	<u>\$ 49,505</u>	<u>\$ 5,698,804</u>	<u>\$ 12,306,109</u>
\$ (499,840)	\$ (177,650)	\$ (1,247,726)	\$ (1,836,954)
499,340	177,150	-	987,528
-	-	-	(41,540)
-	-	-	(6,913)
-	-	(141,334)	(281,334)
-	-	(2,772)	(91,188)
-	-	(1,577)	(24,915)
-	-	481,132	1,098,555
-	-	(911)	33,716
<u>499,340</u>	<u>177,150</u>	<u>334,538</u>	<u>1,673,909</u>
<u>\$ (500)</u>	<u>\$ (500)</u>	<u>\$ (913,188)</u>	<u>\$ (163,045)</u>



## Fiduciary Fund Financial Statements

### Private-Purpose Trust Funds:

*Thomas Lee Charity Trust Fund* - This fund is a private purpose trust fund in which trust earnings are available for one-time aid to Petaluma citizens in need.

*Child Care Trust Fund* - This is a private purpose trust fund in which the fund's earnings are available for childcare vouchers for eligible Petaluma working families with childcare costs.

### Agency Funds:

*General Agency Funds* - These funds account for resources received from, held for, and due to, non-related parties.

*Public Community Access Fund* - This fund is used to account for monies received from the local television cable company and used by the not-for-profit organization that provides public television to City residents.

*Assessment Districts Funds* - These funds account for monies held by the City, collected from parcel assessments, and used to pay special assessment debt, pursuant to the provisions of the Improvements Bonds Act of 1915.

**City of Petaluma**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**June 30, 2010**

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	Thomas Lee Charity Fund	Child Care Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments	\$ 23,728	\$ 158,959	\$ 182,687
<b>Total assets</b>	<u>23,728</u>	<u>158,959</u>	<u>182,687</u>
<b>NET ASSETS</b>			
Held in trust	<u>\$ 23,728</u>	<u>\$ 158,959</u>	<u>\$ 182,687</u>

**City of Petaluma**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Private Purpose Trust Funds**  
**For the year ended June 30, 2010**

	Thomas Lee Charity Fund	Child Care Fund	Total
<b>ADDITIONS:</b>			
Investment income	\$ 372	\$ 2,408	\$ 2,780
<b>Total revenues</b>	<b>372</b>	<b>2,408</b>	<b>2,780</b>
<b>DEDUCTIONS:</b>			
Program costs	-	4,204	4,204
<b>Total expenditures</b>	<b>-</b>	<b>4,204</b>	<b>4,204</b>
<b>Change in net assets</b>	<b>372</b>	<b>(1,796)</b>	<b>(1,424)</b>
<b>NET ASSETS:</b>			
Beginning of year	23,356	160,755	184,111
End of year	<u>\$ 23,728</u>	<u>\$ 158,959</u>	<u>\$ 182,687</u>

**City of Petaluma**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2010**

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>General Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,030,284	\$ 621,328	\$ (635,823)	\$ 1,015,789
Accounts receivable	221	-	-	221
<b>Total assets</b>	<b>\$ 1,030,505</b>	<b>\$ 621,328</b>	<b>\$ (635,823)</b>	<b>\$ 1,016,010</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 1,030,505	\$ 1,476,880	\$ (1,491,375)	\$ 1,016,010
<b>Total liabilities</b>	<b>\$ 1,030,505</b>	<b>\$ 1,476,880</b>	<b>\$ (1,491,375)</b>	<b>\$ 1,016,010</b>
 <b><u>Public Community Access Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 108,717	\$ 31,794	\$ (26,146)	\$ 114,365
<b>Total assets</b>	<b>\$ 108,717</b>	<b>\$ 31,794</b>	<b>\$ (26,146)</b>	<b>\$ 114,365</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 108,717	\$ 31,794	\$ (26,146)	\$ 114,365
<b>Total liabilities</b>	<b>\$ 108,717</b>	<b>\$ 31,794</b>	<b>\$ (26,146)</b>	<b>\$ 114,365</b>
 <b><u>Assessment Districts Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,348,995	\$ 1,857,373	\$ (2,037,661)	\$ 2,168,707
Intergovernmental receivable	25,050	125,057	(25,050)	125,057
<b>Total assets</b>	<b>\$ 2,374,045</b>	<b>\$ 1,982,430</b>	<b>\$ (2,062,711)</b>	<b>\$ 2,293,764</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 2,374,045	\$ 2,464,153	\$ (2,544,434)	\$ 2,293,764
<b>Total liabilities</b>	<b>\$ 2,374,045</b>	<b>\$ 2,464,153</b>	<b>\$ (2,544,434)</b>	<b>\$ 2,293,764</b>
 <b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,487,996	\$ 2,510,495	\$ (2,699,630)	\$ 3,298,861
Accounts receivable	221	-	-	221
Intergovernmental receivable	25,050	125,057	(25,050)	125,057
<b>Total assets</b>	<b>\$ 3,513,267</b>	<b>\$ 2,635,552</b>	<b>\$ (2,724,680)</b>	<b>\$ 3,424,139</b>
<b>Liabilities:</b>				
Accrued liabilities	\$ 3,513,267	\$ 3,972,827	\$ (4,061,955)	\$ 3,424,139
<b>Total liabilities</b>	<b>\$ 3,513,267</b>	<b>\$ 3,972,827</b>	<b>\$ (4,061,955)</b>	<b>\$ 3,424,139</b>



Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE (INCLUDING THE PROVISIONS  
CONTAINED IN THE GUIDELINES FOR COMPLIANCE AUDITS) AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Petaluma, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting during our 2010 audit that we consider to be significant deficiencies and are reported in the Schedule of Findings and Questioned Costs as items 2010-01 and 2010-02. However, we did not identify any deficiencies that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members of the City Council  
of the City of Petaluma  
Petaluma, California  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws, regulations, contracts, and grant agreements and other matters. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Diego, California  
February 24, 2011

# City of Petaluma, CA

## Statistical Section

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

<b>Contents</b>	<b>Schedule</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	<b>1, 2, 3, 4, 5</b>
<b>Revenue Capacity</b> <i>These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	<b>6, 7, 8, 9, 10, 11</b>
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	<b>12, 13, 14, 15, 16</b>
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	<b>17, 18</b>
<b>Operating Information</b> <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	<b>19, 20, 21</b>

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt	\$ 128,149,019	\$ 113,972,864	\$ 113,574,606	114,705,474
Restricted:				
Special projects	31,938,959	36,707,513	43,425,547	45,022,351
Debt service	681,264	7,187	7,187	322,279
Permanent fund: non-expendable trust	16,000	-	-	
Capital projects	7,471,666	40,354,175	37,584,928	29,385,584
Permanent - Expendable	-	-	-	23,177
Unrestricted	24,261,726	24,661,177	22,775,416	21,886,630
<b>Total governmental activities net assets</b>	<b>192,518,634</b>	<b>215,702,916</b>	<b>217,367,684</b>	<b>211,345,495</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	87,376,102	82,677,183	83,208,450	87,764,411
Restricted:				
Special projects	-			
Debt service	1,290,671	1,344,216	1,135,775	1,121,485
Permanent fund: non-expendable trust	-	-	-	
Capital projects	-	-	-	
Unrestricted	6,189,560	17,336,938	30,290,323	33,986,673
<b>Total business-type activities net assets</b>	<b>94,856,333</b>	<b>101,358,337</b>	<b>114,634,548</b>	<b>122,872,569</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	215,525,121	196,650,047	196,783,056	202,469,885
Restricted:				
Special projects	34,938,959	36,707,513	43,425,547	45,022,351
Debt service	1,971,935	1,351,403	1,142,962	1,443,764
Permanent fund: non-expendable trust	16,000	-	-	-
Permanent fund: expendable trust	-	-	-	23,177
Capital projects	7,471,666	40,354,175	37,584,928	29,385,584
Unrestricted	30,451,286	41,998,115	53,065,739	55,873,303
<b>Total primary government activities net assets</b>	<b>\$ 290,374,967</b>	<b>\$ 317,061,253</b>	<b>\$ 332,002,232</b>	<b>\$ 334,218,064</b>

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 987,253	\$ 4,193,590	\$ 4,555,487	5,108,416
Community development	13,395,617	18,167,372	16,380,437	19,832,323
Police	15,327,707	16,428,414	15,788,825	15,727,066
Fire	8,425,482	8,193,495	8,174,322	10,172,173
Parks and recreation	5,388,317	6,122,230	5,337,468	2,969,236
Public works	10,840,989 (6)	9,696,513	6,698,175	10,178,360
Debt service	2,411,702	3,497,895	3,522,910	3,349,762
Total governmental activities net assets	<u>56,777,067</u>	<u>66,299,509</u>	<u>60,457,624</u>	<u>67,337,336</u>
Business-type activities				
Airport	1,437,423	1,586,579	1,342,029	1,612,320
Ambulance	2,165,665	2,628,526	2,307,644	-
Development Services	1,285,879 (5)	1,323,365	1,524,440	1,083,873
Marina	973,383	807,938	678,347	645,797
Public Transportation	2,180,198	2,540,221	2,281,271	2,302,413
Wastewater	10,168,807	11,586,672	10,722,037	12,137,201
Water Utility	11,672,040	10,570,251	10,528,513	11,069,553
Total business-type activities net assets	<u>29,883,395</u>	<u>31,043,552</u>	<u>29,384,281</u>	<u>28,851,157</u>
Total primary government activities net assets	<u>\$ 86,660,462</u>	<u>\$ 97,343,061</u>	<u>\$ 89,841,905</u>	<u>\$ 96,188,493</u>
<b>Program Revenues :</b>				
Governmental activities:				
Charges for services:				
General government	\$ 4,375,803	\$ 263,871	\$ 3,443,554	3,067,208
Community development	2,716,987	5,433,211	1,622,257	1,603,801
Police	804,138	708,284	282,203	285,067
Fire	539,327	-	354,651	1,980,928
Parks and recreation	1,623,461	1,379,888	1,097,340	920,627
Public works	999,774	138,806	145,004	257,400
Operating grants and contributions	7,103,205 (7)	9,278,484	1,649,225	1,675,098
Capital grants and contributions	11,508,822 (8)	11,271,768	3,401,082	3,601,567
Total government activities program revenues	<u>29,671,517</u>	<u>28,474,312</u>	<u>11,995,316</u>	<u>13,391,696</u>
Business-type activities				
Charges for services:				
Airport	2,162,861	1,653,143	1,721,866	1,656,007
Ambulance	1,959,471	1,855,217	2,042,455	-
Development Services	1,056,394 (5)	952,925	1,234,681	1,212,558
Marina	225,298	245,634	253,888	268,650
Public Transportation	259,194	201,802	202,524	191,704
Wastewater Utility	15,088,411	16,910,890	17,555,638	19,068,591
Water Utility	11,276,420	11,914,062	12,461,378	11,718,421
Operating grants and contributions	2,963,475	-	-	-
Capital grants and contributions	436,975	2,386,860	4,055,695	2,681,248
Total business-type activities program revenues	<u>35,428,499</u>	<u>36,120,533</u>	<u>39,528,125</u>	<u>36,797,179</u>
Total primary government program revenues	<u>\$ 65,100,016</u>	<u>\$ 64,594,845</u>	<u>\$ 51,523,441</u>	<u>\$ 50,188,875</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Net revenues (expenses):				
Governmental activities	\$ (27,105,550)	\$ (37,825,197)	\$ (48,462,308)	\$ (53,945,640)
Business-type activities	5,545,104	5,076,981	10,143,844	7,946,022
Total net revenues (expenses)	<u>\$ (21,560,446)</u>	<u>\$ (32,748,216)</u>	<u>\$ (38,318,464)</u>	<u>\$ (45,999,618)</u>
<b>General revenues and other changes in net assets:</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,135,526	\$ 7,392,338	\$ 7,172,637	6,923,955
Redevelopment tax increment	15,697,091	16,777,120	17,241,026	17,224,163
Sales taxes	11,460,165	11,649,972	9,445,467	8,631,248
Franchise tax	2,607,627	2,549,185	3,089,600	3,132,790
Property transfer tax	-	-	-	-
Motor Vehicle in-lieu	-	4,244,088	-	-
Intergovernmental, unrestricted	5,593,600	8,111,724	8,061,316	6,159,837
Other taxes	2,345,441	2,335,038	2,792,427	2,793,543
Unrestricted investment earnings	3,721,310	3,743,723	2,185,882	796,641
Miscellaneous revenue	-	1,205,971	680,896	2,039,729
Internal capital contributions	-	-	-	-
Transfers	869,137	322	(1,042,655)	221,545
Total governmental activities	<u>49,429,897</u>	<u>58,009,481</u>	<u>49,626,596</u>	<u>47,923,451</u>
Business-type activities:				
Taxes:				
Unrestricted investment earnings	\$ 851,342	\$ 1,131,778	\$ 772,842	521,229
Miscellaneous revenue	2,590,461	99,362	-	(7,685)
Internal capital contributions	-	-	-	-
Transfers	(869,137)	(322)	1,042,655	(221,545)
Total business-type activities	<u>2,572,666</u>	<u>1,230,818</u>	<u>1,815,497</u>	<u>291,999</u>
Total primary government	<u>\$ 52,002,563</u>	<u>\$ 59,240,299</u>	<u>\$ 51,442,093</u>	<u>\$ 48,215,450</u>
<b>Changes in net assets:</b>				
Governmental activities	\$ 22,324,347	\$ 20,184,286	\$ 1,164,288	\$ (6,022,189)
Business-type activities	<u>8,117,770</u>	<u>6,307,799</u>	<u>11,959,341</u>	<u>8,238,021</u>
Total primary government	<u>\$ 30,442,117</u>	<u>\$ 26,492,086</u>	<u>\$ 13,123,629</u>	<u>\$ 2,215,832</u>

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

- (1) Operating grants and contributions decreased, and capital grants and contributions increased in 2005 due to a change in classification between operating and capital. Additionally, capital contributions increased \$3.8 million over 2004 due to developer contributions.
- (2) Motor vehicle-in-lieu tax increased in 2005 due to increased state funding.
- (3) Internal capital contributions were recorded for the first time in 2005. This represents the transfers of capital assets from governmental activities to business-type activities.
- (4) The category of intergovernmental, unrestricted taxes was created in 2006 to include the motor vehicle-in-lieu tax and the property transfer tax previously recorded separately.
- (5) Development Services (BA fund) began operations in 2006-07
- (6) Increased expenditures in public works from street maintenance, engineering activity and non-capital FEMA disaster grants
- (7) Increased revenue in operating grants from non-capital FEMA disaster grants
- (8) Increased revenue in capital contributions from developer contributions

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

	Fiscal Year			
	2007	2008	2009	2010
<b>General Fund:</b>				
Reserved	\$ 8,538,875	\$ 2,849,553	\$ 252,265	\$ 881,458
Unreserved, designated	294,705	761,418	54,582	-
Unreserved	129,604	3,875	1,732,418	926,720
Total general fund	<u>8,963,184</u>	<u>3,614,846</u>	<u>2,039,265</u>	<u>1,808,178</u>
<b>All Other Governmental Funds</b>				
Reserved	28,746,906	40,732,331	57,098,058	56,141,521
Unreserved, designated for:				
Special revenue funds	926,105	625,383	165,151	21,753
Capital project funds	-	82,077	-	-
Unreserved, reported in:				
Special revenue funds	7,147,776	4,206,199	15,205,694	21,369,514
Debt service funds	-	-	(36,727)	-
Capital project funds	38,595,870	31,998,281	8,548,759	(2,802,574)
Permanent trust	-	-	-	23,177
Total all other governmental funds	<u>75,416,657</u>	<u>77,644,271</u>	<u>80,980,935</u>	<u>74,753,391</u>
Total governmental fund balances	<u>\$ 84,379,841</u>	<u>\$ 81,259,117</u>	<u>\$ 83,020,200</u>	<u>\$ 76,561,569</u>

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

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

	Fiscal Year			
	2007	2008	2009	2010
<b>Revenues</b>				
Taxes (see schedule 5)	\$ 40,489,024	\$ 41,281,833	\$ 39,739,098	38,705,700
Licenses, permits and fees	3,802,778	6,311,769	1,912,580	1,274,934
Fines, forfeitures and penalties	757,904	868,609	799,544	789,895
Use of money and property	3,061,200	3,394,711	2,215,231	1,019,686
Intergovernmental	11,776,669	14,610,795	12,447,440	11,435,893
Charges for current services	7,947,098	5,701,169	4,784,440	4,373,632
Other	12,386,785	8,843,045	876,041	2,466,222
<b>Total revenues</b>	<b>80,221,458</b>	<b>81,011,931</b>	<b>62,774,374</b>	<b>60,065,962</b>
<b>Expenditures</b>				
Current:				
General government	4,635,200	5,058,079	3,875,414	3,667,640
Community development	12,118,473	16,587,683	14,877,627	17,542,710
Police	15,488,637	16,866,135	15,104,761	14,965,311
Fire	7,972,434	8,165,412	7,790,262	9,288,308
Parks and recreation	4,925,759	5,647,957	4,574,962	2,280,237
Public works	9,016,455	7,321,255	5,521,183	7,198,568
Capital outlay	24,671,199	19,328,719	4,375,770	7,071,745
Debt service				
Principal	1,140,000	1,184,000	1,312,000	1,355,000
Interest	2,088,863	3,484,023	3,359,588	3,289,018
Cost of issuance	844,300	-	-	-
<b>Total expenditures</b>	<b>82,901,320</b>	<b>83,643,263</b>	<b>60,791,567</b>	<b>66,658,537</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,679,862)</b>	<b>(2,631,332)</b>	<b>1,982,807</b>	<b>(6,592,575)</b>
<b>Other Financing Sources (Uses):</b>				
Debt issuance	31,825,000	-	-	-
Premium paid	(568,396)	-	-	-
Payment to escrow agent	(482,364)	-	-	-
Proceeds from the sale of assets	56,414	10,992	1,669	-
Contributions from enterprise funds	269,283	-	-	-
Transfers in	52,105,306	29,447,200	16,622,618	15,946,693
Transfers out	(51,580,506)	(29,927,878)	(17,368,889)	(15,812,749)
<b>Total other financing sources (uses)</b>	<b>31,624,737</b>	<b>(469,686)</b>	<b>(744,602)</b>	<b>133,944</b>
<b>Net change in fund balances</b>	<b>\$ 28,944,875</b>	<b>\$ (3,101,018)</b>	<b>\$ 1,238,205</b>	<b>\$ (6,458,631)</b>
Debt service as a percentage of noncapital expenditures (1)	5.55%	7.26%	8.28%	7.79%

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) Paragraph 12b requires that the interest and principal components of debt service expenditures be presented separately and that total debt service be shown as a percentage of total noncapital expenditures. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditure categories.

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

Tax type	Fiscal Year				% Change 2007-2010
	2007	2008	2009	2010	
Property	\$ 22,832,617	\$ 24,169,458	\$ 24,413,663	\$ 24,148,118	5.76%
Sales and Use	11,483,300	11,649,972	9,445,467	8,631,248	-24.84%
Occupancy	1,446,005	1,487,648	1,300,892	1,165,607	-19.39%
Franchise	2,607,627	2,549,185	3,089,600	3,132,790	20.14%
Property Transfer	1,220,039	861,987	737,354	845,268	-30.72%
Other	899,436	563,583	752,122	782,669	-12.98%
Total taxes	\$ 40,489,024	\$ 41,281,833	\$ 39,739,098	\$ 38,705,700	

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

Schedule 6

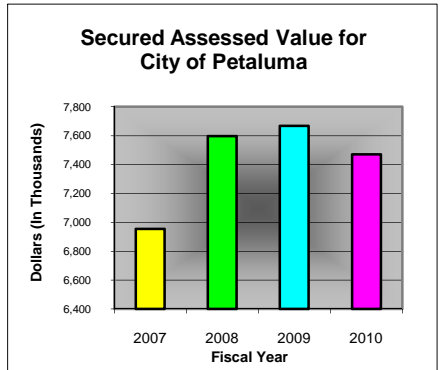
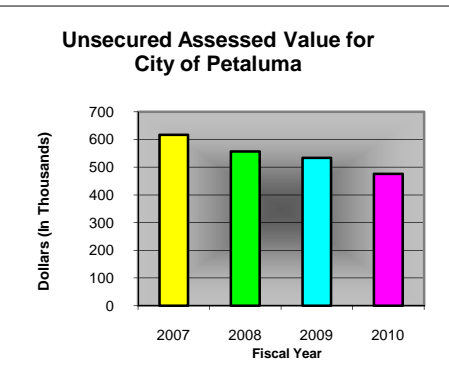
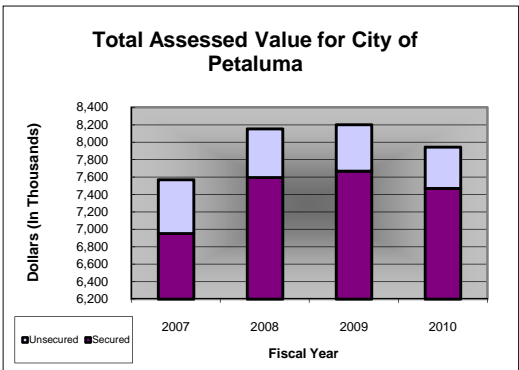
City of Petaluma, CA

Assessed Value and Estimated Actual Value of Taxable Property

Last Five Fiscal Years

City						
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Ratio of Total Assessed to Total Estimated Actual
2006	5,005,613,855	144,978,518	(152,934,335)	4,997,658,038	n/a	n/a
2007	5,530,953,593	159,460,308	(163,484,711)	5,526,929,190	7,671,377,716	1.388
2008	5,968,553,636	145,463,556	(164,209,253)	5,949,807,939	7,237,667,667	1.216
2009	5,946,303,133	170,659,394	(170,960,134)	5,946,002,393	7,135,268,278	1.200
2010	5,736,779,190	167,095,060	(136,640,449)	5,767,233,801	5,883,904,941	1.020

Redevelopment Agency						
Fiscal Year	Secured Property	Unsecured Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Total Direct Tax Rate (1)
2006	1,194,266,828	502,529,757	(84,871,453)	1,678,060,675	n/a	n/a
2007	1,423,411,000	458,035,521	(79,174,627)	1,802,272,092	2,501,553,664	1.39
2008	1,627,639,769	411,773,777	(83,983,508)	1,955,430,038	2,378,690,691	1.21
2009	1,721,701,909	363,711,768	(86,248,289)	1,972,165,388	2,366,620,159	1.20
2010	1,733,181,743	309,090,199	(69,577,527)	1,972,694,415	1,733,181,743	1.02



Source: Sonoma County Auditor-Controller; Sonoma County Assessor; MuniServices, LLC

Notes: The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations above.

(2) As of 2007-08, secured and unsecured values are gross taxable values. Exemptions include all types of exempt properties. Previous years reported homeowners' exemptions only.

(3) As of 2007-08, Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales prices. Based on these calculations, a multiplier value was extrapolated and applied to current assessed values.

## Schedule 7

### City of Petaluma, CA

#### Assessed Value of Taxable Property by Use Code, Citywide

#### Last Five Fiscal Years (in thousands)

Category	2006	2007	2008	2009	2010
Residential	4,812,912	5,360,159	5,816,643	5,796,159	5,555,350
Commercial	595,995	670,985	737,020	816,894	841,014
Manufacturing	435,056	459,467	494,966	509,564	524,252
Vacant	211,623	225,686	276,480	259,769	278,095
Rural	29,082	36,079	56,741	34,949	36,061
Professional	59,785	62,532	67,838	69,365	70,073
Recreation	23,331	31,900	32,333	34,405	39,235
Unknown	22,167	22,559	27,686	29,622	30,618
Institution	34,763	39,435	40,580	39,249	37,717
Agriculture	20,826	21,229	22,344	21,628	27,496
Governmental	243	-	-	3,725	3,799
Industrial	14,801	14,903	12,889	14,148	14,319
Transportation	3,044	6,995	9,495	8,993	9,349
Public	1,311	1,338	-	1,392	1,419
Miscellaneous	1,077	1,099	1,178	1,143	1,164
TOTAL	6,266,016	6,954,366	7,596,193	7,641,005	7,469,961

#### Sources:

2006-07 Use code categories provided by Sonoma County Assessor data, MuniServices, LLC

Prior years' data is unavailable.

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

Schedule 8

City of Petaluma, CA

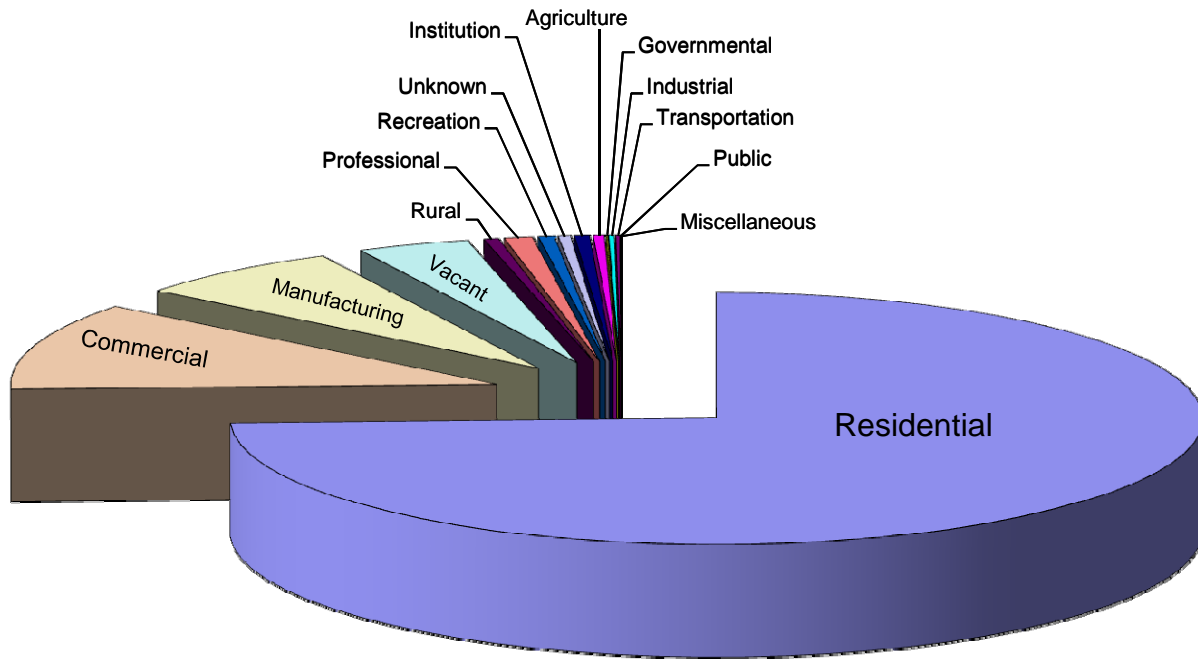
Assessed Value of Taxable Property by Use Code, Citywide

2009-2010 Land Use Chart

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**Assessed Value by Use Code for RDA and City**



Source: MuniServices, LLC

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

	2006	2007	2008	2009	2010
Basic City and County Levy (1):					
City Direct Rate	0.1600	0.1600	0.1600	0.1600	0.1600
County of Sonoma	0.8400	0.8400	0.8400	0.8400	0.8400
Total Basic City and County Levy:	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments:					
WS Dam-Russian River Project	0.0070	0.0070	0.0070	0.0070	0.0070
Petaluma High school bonds	0.0200	0.0200	0.0200	0.0305	0.0305
Sonoma County Junior College bonds	0.0250	0.0250	0.0250	0.0250	0.0250
Petaluma Elementary school bonds	0.0480	0.0480	0.0480	0.0455	0.0435
Old Adobe Elementary school bonds	0.0220	-	-	-	-
Total Override Assessments:	0.1220	0.1000	0.1000	0.1080	0.1060
Total Direct and Overlapping Rates:	1.1220	1.1000	1.1000	1.1080	1.1060

**Source:** Sonoma County Auditor-Controller Office; 2006-07 County Auditor data, MuniServices LLC

Rates are not adjusted for ERAF

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1% is shared by all taxing agencies within which jurisdiction(s) the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

**Schedule 10**  
**City of Petaluma, CA**  
**Principal Property Tax Payers,**  
**Current Year and Ten Years Ago**

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
CA Redwood Business Park	\$ 95,946,801	1	1.24%	-		
RNM Lakeville	64,929,568	2	0.84%	-		
Sequoia Equities Cypress Poin	52,786,505	3	0.68%	-		
Petaluma Theatre District Llc	51,501,632	4	0.67%	-		
Quarry Heights Llc	39,623,634	5	0.51%	-		
CRP Holdings A-1 Llc	34,223,958	6	0.44%	-		
EQR Lakeville Resort General P	33,701,671	7	0.44%	-		
Azure At Lakeville Square Llc	30,485,123	8	0.39%	-		
Redwood Gateway Llc	30,381,282	9	0.39%	-		
Cisco Technology Inc	30,201,078	10	0.39%	-		
Regency Petaluma Llc	27,314,212		0.35%	-		
Chelsea GCA Realty Ptp	27,307,360		0.35%	-		
Fibex Systems Inc.	24,158,200		0.31%	-		
Minnesota Mining & Manufacturi	23,516,340		0.30%	-		
Savoy Corporation	22,336,337		0.29%	-		
Inland American Stephens South	21,930,000		0.28%	-		
Petaluma Marina Investors Llc	21,514,560		0.28%	-		
LBA Realty Fund II - WBP III L	20,799,676		0.27%	-		
Marina Office Park Associates	20,130,402		0.26%	-		
Washington Square Associates	20,067,040		0.26%	-		
Syers Propeties I Lp	19,910,037		0.26%	-		
Cerent Corp	19,842,030		0.26%	-		
Tellabs Petaluma Inc.	19,536,390		0.25%	-		
Parkway Petaluma Llc	19,490,446		0.25%	-		
Merlone Geier Partners Lp	17,500,000		0.23%	-		
Top Ten Taxpayers	\$ 789,134,282		10.20%	\$ -		0.00%
All Other Taxpayers	6,950,793,934		89.80%	-		100.00%
Total Taxable Assessed Value	\$ 7,739,928,216		100.00%	\$ -		100.00%

Source: 2006-07 Sonoma County Assessor, MuniServices, LLC

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount (1)	Percentage of Levy
2006	\$ 6,078,868	\$ 6,072,830	99.90%	\$ -	\$ 6,072,830	99.90%
2007	\$ 6,617,725	\$ 6,617,725	100.00%	\$ -	\$ 6,617,725	100.00%
2008	\$ 7,127,556	\$ 7,127,556	100.00%	\$ -	\$ 7,127,556	100.00%
2009	\$ 7,085,792	\$ 7,085,792	100.00%	\$ -	\$ 7,085,792	100.00%
2010	\$ 6,893,778	\$ 6,893,778	100.00%	\$ -	\$ 6,893,778	100.00%

**Source:** Sonoma County Auditor-Controller Office, Property Tax Division

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) The County of Sonoma bills and collects property taxes on behalf of the City using an alternative method of distribution known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the City each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to Sonoma County.

**Schedule 12**  
**City of Petaluma, CA**  
**Ratios of Outstanding Debt by Type,**  
**Last Four Fiscal Years**

Governmental Activities					
Fiscal Year	General Obligation Bonds	Redevelopment Tax Allocation Bonds	Redevelopment Other	Total Governmental Activities	
2006	\$ -	\$ 45,610,000	\$ 570,000	\$ 46,180,000	
2007	\$ -	\$ 75,895,000	\$ 490,000	\$ 76,385,000	
2008	\$ -	\$ 74,795,000	\$ 406,000	\$ 75,201,000	
2009	\$ -	\$ 73,575,000	\$ 314,000	\$ 73,889,000	
2010	\$ -	\$ 72,320,000	\$ 214,000	\$ 72,534,000	

Business-type Activities					
Year	Revenue Bonds	Term Loans	Certificates of Participation	Revolving Credit Lines	Total Business-Type Activities
2006	\$ 16,045,000	\$ 6,718,771	\$ 6,130,000	\$ 20,497,041	\$ 49,390,812
2007	\$ 15,455,000	\$ 6,779,855	\$ 5,960,000	\$ 69,211,800	\$ 97,406,655
2008	\$ 14,835,000	\$ 7,100,142	\$ 5,790,000	\$ 121,725,582	\$ 149,450,724
2009	\$ 14,134,580	\$ 7,071,235	\$ 5,678,860	\$ 140,471,206	\$ 167,355,881
2010	\$ 13,469,902	\$ 6,953,568	\$ 5,495,585	\$ 138,064,027	\$ 163,983,082

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2006	\$ 95,570,812	9%	\$1,685
2007	\$ 173,791,655	9%	\$3,049
2008	\$ 224,651,724	12%	\$3,913
2009	\$ 241,244,881	13%	\$4,219
2010	\$ 236,517,082	12%	\$4,091

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

**Schedule 13**  
**City of Petaluma, CA**  
**Ratios of General Bonded Debt Outstanding**  
**Last Four Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Tax Allocation Bonds				
2006	\$ -	\$ 45,610,000		\$ 45,610,000	0.91%	\$ 804
2007	\$ -	\$ 75,895,000		\$ 75,895,000	1.37%	\$ 1,332
2008	\$ -	\$ 74,795,000		\$ 74,795,000	1.26%	\$ 1,303
2009	\$ -	\$ 73,575,000		\$ 73,575,000	1.24%	\$ 1,287
2010	\$ -	\$ 72,320,000		\$ 72,320,000	1.25%	\$ 1,251

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

**Schedule 14**  
**City of Petaluma, CA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**

2009-10 Assessed Valuation:	\$ 7,828,663,411	(includes aircraft valuations)
Redevelopment Incremental Valuation:	(1,601,916,733)	
Adjusted Assessed Valuation:	<u>\$ 6,226,746,678</u>	

	Total Debt 6/30/2010	% Applicable (1) Debt 6/30/2010	City's Share of Debt 6/30/2010
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Sonoma County Joint Community College	\$ 205,864,565	10.144%	\$ 20,882,901
Petaluma Joint Union High School District	41,505,749	73.247%	30,401,716
Old Adobe Union School District	4,830,492	88.508%	4,275,372
Petaluma City School District	19,755,000	78.890%	15,584,720
Waugh School District Community Facilities District #1	9,190,000	100.000%	9,190,000
City of Petaluma 1915 Act Bonds	5,522,900	100.000%	5,522,900
Sonoma County Sunnyslope Assessment District	70,000	100.000%	70,000
Total Overlapping Tax and Assessment Debt	<u>\$ 286,738,706</u>		<u>\$ 85,927,609</u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Sonoma County General Fund Obligations	\$ 45,809,752	10.257%	\$ 4,698,706
Sonoma County Pension Obligations	246,795,500	10.257%	25,313,763
Sonoma County Office of Education COP	2,740,000	10.257%	281,042
Sonoma County Joint Community College GF Obligation	2,210,000	10.144%	224,182
Petaluma Joint Union High School District COP	7,760,000	73.247%	5,683,967
City of Petaluma General Fund Obligations	5,435,000	100.000%	5,435,000
Total Direct and Overlapping General Fund Debt:	<u>\$ 310,750,252</u>		<u>\$ 41,636,660</u>
Combined Total Debt	<u>\$ 597,488,958</u>		<u>\$ 127,564,269</u> (2)

**Source:**

MuniServices, LLC

**Notes:**

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Ratios to 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.03%

Ratios to Adjusted Assessed Valuation<sup>a</sup>

Combined Direct Debt (\$5,960,000) 0.09%

Combined Total Debt 1.95%

State School Building Aid Repayment as of 6/30/2009: \$0

**Schedule 15**  
**City of Petaluma, CA**  
**Legal Debt Margin Information**  
**Last Four Fiscal Years**

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Fiscal Year	Tax Increment Revenue*	Annual Debt Service**	Required Coverage (125%)	Legal Debt Margin	Debt as Percentage of Legal Debt Margin
2006	14,180,658	3,250,890	4,063,613	7,375,915	44%
2007	15,697,091	4,549,617	5,687,021	10,010,070	45%
2008	16,777,120	4,551,807	5,689,759	11,087,361	41%
2009	17,241,026	4,551,807	5,689,759	11,551,267	39%
2010	17,224,163	4,543,120	5,678,900	11,545,263	39%

\*gross tax increment

\*\* all bonded debt

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

**Schedule 16**  
**City of Petaluma, CA**  
**Pledged-Revenue Coverage**  
**Last Four Fiscal Years**

2001B Water Revenue Bonds							
Fiscal Year	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service		Coverage*	
				Principal	Interest		
2006	\$ 10,576,626	\$ 8,853,724	\$ 1,722,902	\$ 230,000	\$ 425,190	2.63	
2007	\$ 11,410,484	\$ 10,056,453	\$ 1,354,031	\$ 235,000	\$ 416,471	2.01	
2008	\$ 12,127,481	\$ 9,712,628	\$ 2,414,853	\$ 245,000	\$ 407,472	3.70	
2009	\$ 12,600,543	\$ 8,935,234	\$ 3,665,309	\$ 250,000	\$ 398,190	5.65	
2010	\$ 11,834,384	\$ 8,939,191	\$ 2,895,193	\$ 260,000	\$ 388,563	4.46	

2001B Water Revenue Bonds							
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage**	
				Principal	Interest		
2006	\$ 9,513,307	\$ 8,853,724	\$ 659,583	\$ 230,000	\$ 425,190	1.01	
2007	\$ 10,705,186	\$ 10,056,453	\$ 648,733	\$ 235,000	\$ 416,471	1.00	
2008	\$ 11,504,472	\$ 9,712,628	\$ 1,791,844	\$ 245,000	\$ 407,472	2.75	
2009	\$ 12,098,469	\$ 8,935,234	\$ 3,163,235	\$ 250,000	\$ 398,190	4.88	
2010	\$ 11,450,882	\$ 8,939,191	\$ 2,511,691	\$ 260,000	\$ 388,563	3.87	

2000 Waste Water Revenue Bonds							
Fiscal Year	Operating Revenue	Operating Expenses	Net Available Revenue	Debt Service		Coverage*	
				Principal	Interest		
2006	\$ 13,621,441	\$ 9,395,294	\$ 4,226,147	\$ 340,000	\$ 375,058	5.91	
2007	\$ 16,419,779	\$ 8,717,162	\$ 7,702,617	\$ 355,000	\$ 359,928	10.77	
2008	\$ 18,134,602	\$ 9,126,619	\$ 9,007,983	\$ 375,000	\$ 343,954	12.53	
2009	\$ 18,161,035	\$ 8,938,695	\$ 9,222,340	\$ 390,000	\$ 326,704	12.87	
2010	\$ 19,678,650	\$ 8,452,255	\$ 11,226,395	\$ 410,000	\$ 308,374	15.63	

2000 Waste Water Revenue Bonds							
Fiscal Year	Operating Rev less Connect Fees	Operating Expenses	Net Available Revenue	Debt Service		Coverage**	
				Principal	Interest		
2006	\$ 12,208,399	\$ 9,395,294	\$ 2,813,105	\$ 340,000	\$ 375,058	3.93	
2007	\$ 15,477,287	\$ 8,717,162	\$ 6,760,125	\$ 355,000	\$ 359,928	9.46	
2008	\$ 16,765,361	\$ 9,126,619	\$ 7,638,742	\$ 375,000	\$ 343,954	10.62	
2009	\$ 17,867,043	\$ 8,938,695	\$ 8,928,348	\$ 390,000	\$ 326,704	12.46	
2010	\$ 19,539,209	\$ 8,452,255	\$ 11,086,954	\$ 410,000	\$ 308,374	15.43	

\* 125% required  
 \*\* 100% required

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

**Statement 17**  
**City of Petaluma, CA**  
**Demographic and Economic Statistics,**  
**Last Five Calendar Years**

Calendar Year	Population (1)	Personal Household Income (in thousands of dollars (2))	Per Capita Personal Income (3)	Median Age	School Enrollment	Estimated Unemployment Rate % (4)
2005	56,632	\$ 61,679	\$ 18,650	37.1	16,597	4.90%
2006	56,727	\$ 63,726	\$ 18,775	37.1	16,845	3.80%
2007	56,996	\$ 1,868,215	\$ 32,778	n/a	12,290	3.60%
2008	57,418	\$ 1,935,618	\$ 33,711	37.1	8,004	4.00%
2009	57,187	\$ 1,892,832	\$ 33,099	38	7,957	5.20%
2010	57,817	\$ 1,995,438	\$ 34,513	39	7,612	8.90%

**Sources:**

Sonoma County Economic Development Board (Economic and Demographic Profile Series)  
Petaluma Area Chamber of Commerce  
Sonoma County Office of Education  
MuniServices, LLC

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

- (1) Population projections are provided by the California Department of Finance Projections
- (2) As of 2006-07, Personal Income is total citywide income for all residents as recommended by GASB Statement No. 44. The previous years' values were an average household income per resident.
- (3) As of 2006-07, Personal Income per Capita is provided by American Community Survey Data adjusted for inflation.
- (4) Unemployment data is provided by EDD, Labor Market Information Division

**Schedule 18**  
**City of Petaluma, CA**  
**Principal Employers**  
**Current Year and Ten Years Ago**

Employer	2010			2000 (2)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Petaluma School District	1,300	1	4.11%	n/a		
United States Postal Service	582	2	1.84%	n/a		
Petaluma Valley Hospital	546	3	1.73%	n/a		
Petaluma Poultry Processors	402	4	1.27%	n/a		
Santa Rosa Junior College	350	5	1.11%	n/a		
City of Petaluma	292	6	0.92%	n/a		
Calix Networks Inc.	262	7	0.83%	n/a		
Old Adobe Union School District	230	8	0.73%	n/a		
Clover Stornetta Farms	220	9	0.70%	n/a		
North Bay Drywall	185	10	0.59%	n/a		
Total Principal Employers	4,369		13.83%	n/a		
Total City Employment (1)	31,600			n/a		

**Sources:**

2006-07: MuniServices, LLC

**Notes:**

(1) Total city employment provided by EDD Labor Force Data

(2) N/A: unable to obtain the top ten employers for 1998

**Schedule 19**

**City of Petaluma, CA**

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

**Last Seven Fiscal Years**

Function/Program	Full-time and Part-time Equivalent as of June 30						
	2004	2005	2006	2007	2008	2009	2010
<b>Governmental</b>							
General government (total of next 8)	46.1	43.4	43.7	44.2	42.8	44.7	44.7
Administrative Services (Finance)	13.2	12.7	12.7	13.7	12.1	11.5	11.6
Internal Services	12.4	11.9	11.9	13.4	13.6	15.2	15.2
Animal Services	10.0	8.9	9.4	9.4	9.7	9.2	9.0
City Attorney	0.5	0.5	0.5	0.5	0.5	0.5	0.5
City Clerk	2.8	2.8	2.8	2.8	2.5	2.0	2.0
City Manager	2.8	2.2	1.9	1.9	1.8	3.8	3.8
Human Resources	2.6	2.6	2.6	2.6	2.6	2.6	2.6
General Plan	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Community development	32.0	37.0	31.0	28.0	26.0	2.0	3.6
Fire	45.0	48.0	48.0	48.0	48.0	47.0	58.3
Police	103.0	99.0	103.0	105.0	110.0	111.0	111.8
Parks and recreation	49.0	44.0	47.0	48.0	48.0	45.3	19.8
Public works	30.0	28.0	35.0	40.0	36.0	31.0	49.0
<b>Business Activities</b>							
Airport	2.0	2.0	2.0	3.0	3.0	2.7	3.1
Ambulance	10.0	10.0	10.0	11.0	11.0	11.0	0.0
Development Services	0.0	0.0	0.0	3.0	5.0	2.0	2.0
Marina	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Transit	1.0	1.0	1.0	1.0	2.0	2.0	1.8
Water	25.0	23.0	24.0	24.0	25.0	24.0	25.7
Waste water	14.0	16.0	18.0	19.0	18.0	31.3	30.5
<b>Total</b>	<b>358</b>	<b>352</b>	<b>363</b>	<b>375</b>	<b>375</b>	<b>355</b>	<b>351</b>

**Source:** City budget, finance department

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

**Schedule 20**  
**City of Petaluma, CA**  
**Operating Indicators by Function/Program,**  
**Last Seven Fiscal Years**

Function/Program	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Community development							
Commercial building permits issued	343	325	333	334	331	201	192
Residential building permits issued	970	879	948	833	670	666	725
Inspections performed	N/A (1)	N/A (1)	8,307	6,740	4,314	2,846	3,288
Police							
Number of police calls	58,748	55,545	58,748	68,748	54,671	57,396	53,209
Parking violations	7,784	6,122	7,000	7,834	7,734	6,769	5,825
Traffic violations	6,845	5,845	7,670	9,079	6,941	6,769	7,181
Fire							
Ambulance runs	3,333	3,323	3,484	3,723	3,566	3,624	3,569
Fire calls	1,428	1,430	1,401	1,445	1,487	1,551	1,478
Inspections	2,137	1,899	2,048	1,974	1,716	2,164	1,737
Public works							
Street resurfacing miles	1.40	16.82	2.94	2.50	0	0.85	2.44
Parks and recreation							
Historical library & museum visitors	8,641	7,053	8,340	7,890	8,234	7,184	12,521
Recreation class attendance	N/A (1)	N/A (1)	N/A (1)	7,132	8,701	4,602	3,248
Special event attendance	17,601	22,636	25,636	24,716	30,000	13,000	12,000
Airport							
Airport movements	56,218	56,000	56,000	26,000	26,000	26,000	26,000
Annual fuel consumption (gallons)	160,860	155,618	163,866	188,000	174,174	170,500	172,110
Water							
Annual water purchased in billion of gallons	4	3	3	3	3.2	2.8	2.2
Utility accounts	18,968	19,265	18,955	19,549	19,549	19,434	20,214
Wastewater							
Average dry weather flows of sewage	4.4 mgd	5.1 mgd	4.4 mgd	4.6 mgd	3.99 mgd	4 mgd	4.3 mgd
Transit							
Number of bus routes	3	3	3	3	3	3	3
Annual ridership	163,775	159,690	163,775	189,500	189,500	167,927	181,556

**Sources:**

Various city department reports, annual budget narrative

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) N/A - Statistical information unavailable from the city department

(2) As of 2006-07, airport movements is restricted to take-offs only. Prior years' data included take-offs and landings.

This table has been revised to exclude: potholes repaired, water main breaks and water connections.

**Schedule 21**  
**City of Petaluma, CA**  
**Capital Asset Statistics by Function/Program**  
**Last Seven Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>							
Stations	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	2
Patrol units	40	40	59	53	53	53	56
<b>Fire</b>							
Fire stations	3	3	3	3	3	3	3
Ambulances	3	3	4	4	4	4	4
<b>Public works</b>							
Streets (miles)	170	170	170	185	185	185	185
Highways (miles)	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Streetlights	5,043	5,043	4,740	4,600	4,700	6,000	6,000
Traffic Signals	45	47	48	48	50	55	55
<b>Park and recreation</b>							
Acreage	180	187	196	265	299	299	299
Parks	43	43	43	44	44	44	44
Community centers	2	2	2	2	4	4	4
Recreation facilities	3	3	3	4	4	4	4
Ball/soccer fields	40	40	43	48	48	48	48
Tennis court	7	7	7	9	11	11	11
Turning basin public dock footage	995	995	995	995	995	995	995
Community swimming pools	2	2	2	2	2	2	2
Library	1	1	1	1	1	1	1
<b>Water</b>							
Water mains (miles)	245	245	250	273	278	278	278
Fire hydrants	2,312	2,658	2,405	2,474	2,482	2,493	2,490
Aqueduct stations	8	8	8	8	8	8	8
Wells	20	18	18	18	18	18	16
Valves	6,864	6,799	6,965	7,118	7,190	7,227	7,251
Reservoirs, finished water (total capacity - 13.1 mg)	10	10	11	11	11	11	13.1
<b>Wastewater</b>							
Booster stations (35 pumps)	11	11	11	11	11	11	11
Sanitary sewers (miles)	N/A	N/A	192	195	195	195	195
Storm sewers (miles)	N/A	N/A	142	144	166	166	166
Treatment capacity (millions of gallons)	1,898	1,898	1,898	1,898	1,806	1,777	1,960
Transit - buses	8	8	9	10	10	10	10
<b>Airport</b>							
Runway length	3,600	3,600	3,600	3,600	3600	3600	3600
City hangars	127	127	182	181	165	165	165

**Sources:**

Various city department reports, annual budget narrative

**Notes:** The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information begin in that year.

(1) N/A - Statistical information unavailable from the city department