

**CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM**

Meeting Date: January 19, 2021

To: Honorable Mayor and City Councilmembers

From: Ana Kwong – Administrative Services Director

Subject: Receive and File of the City’s annual audit for the year-ended June 30, 2020

Recommendation That the City Council Accept the City’s Annual Audit for the year-ended June 30, 2020

Funding: Currently Budgeted: Yes No N/A
Net General Fund Cost:
If Cost to Other Fund(s),

Account Code/Costs authorized in City Approved Budget (if applicable AK (verified by Administrative Services Department)

INTRODUCTION:

The item is recommending the City Council receive the financial reports by a Certified Public Accountant for the City’s annual audit for the year ended June 30, 2020.

BACKGROUND:

The Comprehensive Annual Financial Report (CAFR) is an audited summary report of the financial transactions of the City for the Fiscal Year 2019-20 (ending June 30, 2020). The report is designed to provide summary financial information for citizens, other government agencies, municipal lenders and other interested parties. The format of this report complies with the generally accepted accounting principles (GAAP) and reporting requirements of the national Governmental Accounting Standards Board (GASB). The City’s operations show signs of stability, a result of the prudent and sound management practices of the City of Sebastopol.

Each year the City of Sebastopol has an audit conducted by an independent auditing firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sebastopol for the fiscal year ended June 30, 2020 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting 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. Badawi & Associates is a licensed Certified Public Accountant, who specializes in

governmental audits. They had audited and verified the City of Sebastopol's financial statements and have issued the City a clean audit report, and that the accompanying financial statements have no significant or unusual transactions in the City's statement of net position and fund statements.

Following completion of the CAFR, Management has submitted the CAFR to the Governmental Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting program. The GFOA is a nationally recognized nonprofit professional association serving more than 18,000 finance professionals in the United States and Canada, and the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

DISCUSSION:

The City's financial statements provide information about the finances of the City in its entirety, as well as information about individual funds. The CAFR is organized into the three sections summarized below.

Introductory Section

- Letter of Transmittal - which is designed to complement Management's Discussion and Analysis (the MD&A), is prepared by management and used to communicate information on areas that may have an impact on the City's finances now and in the future. This includes economic factors as well as budget and management factors. Both should be read together to understand the City's financial position.

Financial Section (the main body of the CAFR for current year information)

- Independent Auditors' Report – the City's report card on the content of the CAFR
- Management's Discussion and Analysis (MD&A) – provides an analytical overview of the City's financial status and results for the year
- Basic Financial Statements – reports finances at a point in time (assets - liabilities) and throughout the year (revenues - expenditures), and cash flows
 - City-Wide Statements – overview of financial information including all of the City's operations by financial activity
 - Fund Financial Statements – a detailed look at funds, reporting the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance
 - Notes to the Financial Statements (Notes) – a narrative explanation that accompanies the Basic Financial Statements

Required Supplementary Information

- Budget to Actual Comparisons – for all governmental funds with a legally adopted budget
- Pension Information – schedule of changes in the pension liability and related ratios; schedule of contributions by plan
- OPEB Information – schedule showing three years of Other Post-Employment Benefits Other Than Pensions

Statistical Section (current and historical information – up to 10 years)

The last section of the CAFR, which is unaudited, contains schedules of statistical data about the City of Sebastopol in five major categories:

- Financial Trends
- Revenue Capacity
- Debt Capacity
- Demographic and Economic Information
- Operating Information

These schedules, generally covering a ten-year period, provide operating context for the financial data presented in the financial section of the CAFR.

The CAFR will be available on the City’s website after tonight’s meeting, and attached to this staff report. Copies are also available for review in the Administrative Services Department.

Analysis

The CAFR is a complex document containing a tremendous amount of information. From the auditing standpoint, our auditor has been able to provide an independent review of the City’s financial reporting processes and internal controls, and finds that the City of Sebastopol is in good financial health and is maintaining control over budgeted activities with assets trending up, liabilities trending down, and net assets positive, inclusive of related pension liabilities. The City’s General Fund ends with a \$10.14 million fund balance, of which \$4.27 million is unassigned and available for expenditure. The fund balance exceeded the \$1.87 million reserve requirement.

Financial Considerations

The audit report provides reasonable assurance that the financial statements are free of any material misstatements and found no material weaknesses and is therefore an indication that City funds are being spent appropriately and as intended by the City Council, grantor agencies, and Federal and State laws.

This report, with no material misstatements and weaknesses, signals the City’s quality of accounting and financial reporting and are an indication that City funds are being spent appropriately and as intended by the City Council, grantor agencies, and federal and State laws. They also help maintain the City’s favorable bond ratings.

PUBLIC COMMENT:

As of the writing of this staff report, the City has not received any public comment. However, staff anticipates receiving public comment from interested parties following the publication and distribution of this staff report. Such comments will be provided to the City Council as supplemental materials before or at the meeting. In addition, public comments may be offered during the public hearing.

PUBLIC NOTICE:

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to schedule meeting date.

FISCAL IMPACT:

No funding impacting for this program.

RECOMMENDATION:

That the City Council adopt by motion and minute order to receive and file the Fiscal Year 2019-20 audited Comprehensive Annual Financial Report (CAFR).

Attachments:

Audited Comprehensive Annual Financial Report (CAFR) as of June 30, 2020 – City of Sebastopol
Power Point Report



CITY OF SEBASTOPOL

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020



City of Sebastopol

Sebastopol, California

Comprehensive Annual Financial Report

For the year ended June 30, 2020

Prepared by:
Administrative Services Department

City of Sebastopol
Comprehensive Annual Financial Report
For the year ended June 30, 2020

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City Council

Mayor Patrick Slayter
Vice Mayor Una Glass
Michael Carnacchi
Sarah Glade Gurney
Neysa Hinton

**City Manager**

Larry McLaughlin
lmclaughlin@cityofsebastopol.org
Assistant City Manager/City Clerk, MMC
Mary Gourley
mgourley@cityofsebastopol.org

City of Sebastopol

December 23, 2020

Honorable Mayor, Members of the Council and Citizens of the City of Sebastopol:

City staff is pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sebastopol for the fiscal year ended June 30, 2020. This report was prepared by the Administrative Service (Finance) Department, which is responsible for both the accuracy of the data presented, and the completeness of the presentation.

The CAFR includes a complete set of audited financial statements and related explanatory notes to the financial statements that provide additional context for reading the statements, such as accounting policies, as well as detail about summary information presented in the statements. Also, the CAFR includes supplemental information and statistical information to enhance readers' understanding of the City's financial and economic information. The City issues the CAFR within approximately six months after the close of each fiscal year with the intent to meet the goals of fiscal transparency and demonstrate compliance with various sources of external financing, such as state and federal regulations and bond covenants.

City management assumes full responsibility for the completeness and reliability of all of the information contained in this report; and has established a comprehensive framework of internal control to ensure that information is accurate and produced in accordance with generally accepted accounting principles. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's independent auditor, Badawi & Associates, has issued an unmodified ("clean") opinion on the City of Sebastopol financial statements for the fiscal year ended June 30, 2020. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements and should be read in conjunction with this letter and the financial statements and notes.

Profile of the City of Sebastopol

The City of Sebastopol has a population of approximately 7,800 residents; and is located in Sonoma County, California. Sebastopol was incorporated 1902, and operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council members. The Council is elected on a non-partisan basis. Council members serve four year staggered terms, with two members elected every two years. The Mayor is selected by the five-member Council and serves in that capacity for one year.

The Council is responsible for, among other matters, approving and modifying ordinances, adopting the City budget, appointing committee and commission members, and hiring the City Manager and City Attorney. The City Manager is responsible for assuring compliance with the ordinances, implementing the policies and direction of the City Council, appointing department heads, hiring employees, and managing daily operations of the City.

Sebastopol is a full-service city that provides a wide variety of municipal services to its residents and visitors, including municipal utilities (Water and Wastewater); fire and police protection; construction and

7120 Bodega Avenue, Sebastopol, California 95472 Tel. 707.823.1153 Fax. 707.823.1135

www.cityofsebastopol.org

maintenance of City streets, storm drains, bridges, and similar infrastructure type assets; park maintenance; community recreation activities; building inspections; licenses and permits; and facilities. The city also serves as a transportation and economic hub for West Sonoma County.

Sebastopol is a City that Cares:

Sebastopol is a caring community that celebrates inclusion, diversity and sustainable environmental practices; as well as the health and success of its citizens and businesses. Many visitors, from “locals” traveling from the San Francisco Bay Area to interested visitors from around the world, come to Sebastopol to enjoy the natural environment, fine dining, welcoming lodging, and a wide array of recreational and educational activities.

The City is well-known for its leadership efforts in environmental sustainability, and strives to conserve natural resources, notably energy and water. Sebastopol hosts many local events that celebrate the arts and artists, with a robust Community Center that provides an easily accessible space for many local artisans, actors and communicators. A “makers’ space” is located within the city, and a local technology company has hosted many “makers fairs.” Sebastopol seeks an environment where its citizens and visitors can learn and grow together in a caring, supportive environment.

Budget Process:

The City’s annual budget serves as the foundation for the City of Sebastopol’s financial planning and expenditure control system. All departments of the City submit requests for appropriations to the City Budget Subcommittee each year; these requests serve as a starting point for developing a proposed budget. The City Budget Subcommittee presents a proposed operating and capital budget to the City Council each year. The Council holds public hearings, generally starting in June, to review and receive input on the proposed budget before formal adoption. The budget is adopted by fund, department and account classification. During the year, the City Manager may authorize budget transfers within departments and funds, but only the City Council can approve additional appropriations. Staff provides monthly financial reports to the Council during the year and may prepare a comprehensive budget review at mid-year. Council approves adjustments to the original budget during the year to reflect changing conditions that impact revenues or expenditures.

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The general fund comparison is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the City’s other governmental-type funds a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

Local Economy

The City is located in beautiful Sonoma County, approximately sixty miles north of San Francisco. The area attracts many visitors each year, and Sebastopol receives substantial funding from sales taxes and transient occupancy taxes. Attractive recreational opportunities, great food and wine, and specialty retail shops that offer locally made goods bring in many visitors. Warm welcomes and friendly service brings them back!

Local employment prospects are strong, in relation to historical trends. However, the impacts of the Covid-19 pandemic that began in March 2020 are having a negative impact on local businesses, and the employment prospects for residents of the city. Projected sales and transient occupancy taxes have been lowered based on very recent experience with the pandemic’s impacts, and the budget for FY 20-21 budget has been adjusted accordingly. The FY 20-21 general fund operating budget anticipates the use of resources to exceed sources of funding by approximately \$2.2 million; and the unassigned general fund balance at June 30, 2021 is projected to be approximately \$2.4 million dollars. The projected unassigned balance will cover annual expenditures by 22%; which is above the City Council’s policy benchmark of 20%.

Future Challenges:

The Fiscal Year 2020-21 budget was challenging to balance due to the pandemic; and included flat property tax projections, and lower receipts for other general taxes, especially sales taxes. Cooperation on resource use is the key to maintaining safe reserve levels, and departments began the budget process with a mandate to control expenditures with little or no growth.

Other impacts on future budgets will be pension and post-employment health care costs, as actuarial estimates impact the City's contractual obligation to provide retirement funding to CalPERS, and health care costs continue to rise at a rate that exceeds general inflation. The City has accumulated \$2.7 million in assigned fund balance to create a budgetary buffer against future spikes in pension funding requirements.

The retail hub known as "The Barlow" experienced the most severe economic impacts from prior years' floods, and was experiencing a recovery right before the economic impacts of Covid-19 were felt. All local businesses suffered economically due to the Covid-19 virus. The City is actively working with State and County public health officials to maintain a safe environment for residents and visitors, while also planning to restore the local economic landscape to a sustainable and healthy level. Cooperation and communication will be the key to safety and success.

Long-Term Financial Planning

The City annually updates a five-year financial forecast, incorporating both projected revenues and expenditures for the general fund. The City Council balanced the FY 20-21 budget with an appropriate use of reserves that provided for the continuation of essential services during a response to the Covid-19 pandemic. The City has a practice of using moderately conservative revenue projections and adjusts projections at mid-year when necessary. The fiscal sustainability goals and priorities that had financially-significant impacts on budget development follow:

I. Maintain core services to the public as a top priority:

- a. The budget provides "baseline" funding in core areas, including police, fire, roadways, recreation and development services; and funds administrative efforts to make public communications and decision-making transparent and responsive.
- b. By policy, funding requests that are above a baseline budget (prior years' minimum operating requirements, contractual obligation plus an inflation factor), are incorporated in departmental operating budgets based on a cost-to-service benefit analysis.
- c. Create and charge fair prices for services that are delivered on an "as requested" basis, such as planning and development services which are regulated through a the user fee schedule.

II. Create and maintain appropriate operating budgetary surpluses:

- a. Anticipated revenues plus beginning fund balances (financing sources) should be higher than appropriations for expenditures plus ending fund balances (financing uses).
- b. The City's goal of creating and maintaining fund balances while providing for core services is intended to provide a cushion against uncontrollable spikes in costs or unanticipated short-term drops in revenue.
- c. Planned fund balance uses, besides providing stability when expenses spike or revenues drop, should be limited to taking care of deferred City infrastructure and equipment needs, funding one-time costs to create efficiencies in City programs, and providing pre-funding of longer-term liabilities that will save money in future years.
- d. The FY 20-21 adopted operating budget meets the City Council's fund balance policy goals and does not fund items above the baseline policy level.

III. Debt financing is limited to achieving operating efficiencies:

- a. Consistent with the City Council's goal to provide stability for ongoing core service programs.

- b. The FY 20-21 operating budget provides for no additional debt financing.
- c. Core programs that require significant infrastructure, like Water and Wastewater may use debt financing for significant capital costs due to the long-term nature of the assets and financing plans.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sebastopol for its comprehensive annual financial report for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents that conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Sebastopol has received the Certificate of Achievement for three consecutive years (fiscal years ended 2017 through 2019).

We believe our current report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to GFOA to determine its eligibility for another certificate. Staff Contributions

Acknowledgment

The preparation of this report would not have been possible without the teamwork and dedication within the City's Administrative Services (Finance) Department staff, and through the cooperation of the entire City staff. City staff members have my sincere appreciation for their contributions. The Mayor and Council Members deserve recognition for their continued support and leadership in maintaining high standards of professionalism in managing the City's finances.

Respectfully Submitted,



Ana Kwong – Administrative Services Director

CITY OFFICIALS

(as of the date of the Financial Statements)

City Council:

Patrick Slayter, Mayor
Una Glass, Vice Mayor
Michael Carnacchi
Sarah Glade Gurney
Neysa Hinton

City Staff:

City Manager | City AttorneyLawrence McLaughlin
Assistant City Manager | City ClerkMary Gourley
Administrative Services Director Ana Kwong
Building Official Vacant
Engineering Manager.....Henry Mikus
Fire Chief William Braga
Planning Director Kari Svanstrom
Police ChiefVacant
Public Works Superintendent Dante Del Prete

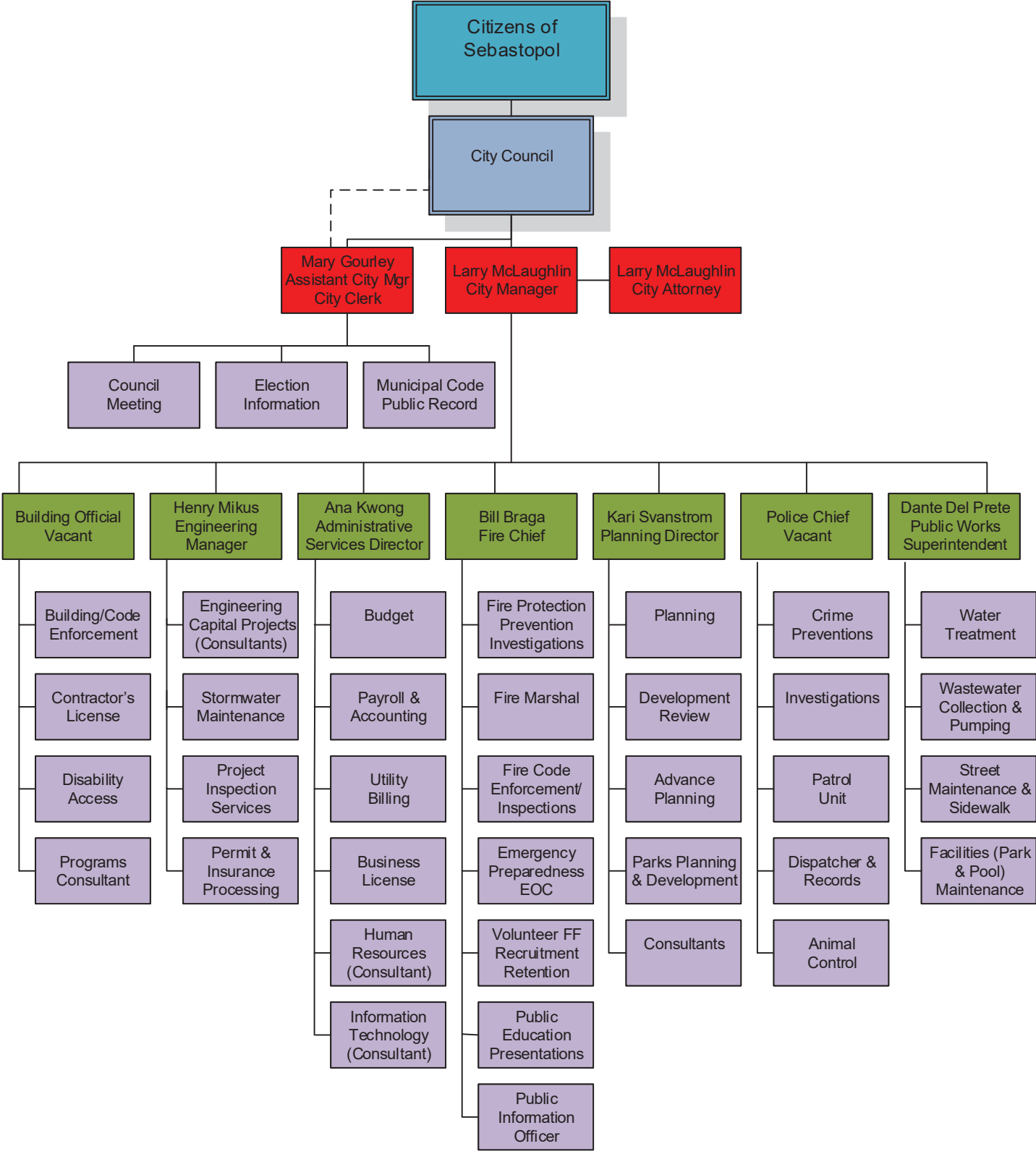
Advisory Commissions or Committees:

Planning Commission
Design Review Board
Public Arts Committee



City Organization

City Wide Organization Chart by Function





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sebastopol
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sebastopol, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 5-19 and 83-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 92 to 120 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

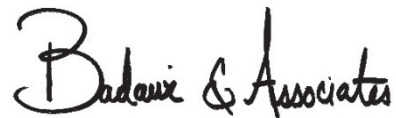
The combining and individual nonmajor fund financial statements, and budgetary comparison schedules on pages 92 to 120 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the budgetary comparison schedules on pages 92 to 120 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Sebastopol
Sebastopol, California
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The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Berkeley, California
December 23, 2020

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CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Rounded to the nearest \$1,000)

As management of the City of Sebastopol, California (City) we offer readers of the City's financial statements this overview and analysis of the City's financial activities for the fiscal year that began on July 1, 2019 and ended June 30, 2020 (FY19-20). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements, with related notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows by \$18,109,000 (net position) at June 30, 2020: Governmental activities' net position was \$9,310,000; and business-type activities' net position was \$8,799,000.
 - Total net position is categorized as follows:
 - \$15,089,000 is the net investment in capital assets;
 - \$ 2,827,000 is restricted for specific purposes (restricted net position); and,
 - \$192,000 is the unrestricted net position, the residual of total net position less the other categories of net position. Unrestricted net position, when positive, is used by the city to meet its ongoing obligations to citizens and creditors.
 - For the fiscal year, the net position of governmental activities increased by \$897,000, while business-type net position decreased by \$705,000; accounting for a government-wide increase in net position of \$192,000.
 - At June 30, 2020, the city's governmental funds reported a combined ending fund balance of \$12,251,000; an increase of \$1,876,000 from the June 30, 2019 fund balance.
 - The general fund reports fund balance of \$10,143,000 at June 30, 2020; and it is distributed in these categories:
 - 1) \$77,000 is categorized as non-spendable, representing prepaid items.
 - 2) \$1,186,000 is categorized as restricted, representing monies with external restrictions to be used for flood recovery.
 - 3) \$4,610,000 is reported as assigned fund balance, indicating the city's intention to use the financial resource for a particular purpose in the future, as follows:
 - Buildings, equipment and infrastructure, \$876,000;
 - Equipment, vehicle and technology replacement, \$994,000; and,
 - Pension and other post-employment liabilities rate stabilization, \$2,740,000.
 - 4) \$4,270,000 is unassigned fund balance, which represents the residual of total fund balance less other categories. It is available for consideration in the budget process.
- Proprietary funds, in which the city reports two enterprise funds, water and wastewater, reported a combined net position of \$8,799,000 at June 30, 2020; with \$4,350,000 reported as net position of the water fund; and \$4,449,000 reported in the wastewater fund. The city also reports an internal service fund for insurance benefits, and that fund has a balance of one thousand dollars.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Rounded to the nearest \$1,000)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a *management's discussion and analysis* (this section); the *basic financial statements, with related notes to the financial statements, required supplementary information*, and a *supplementary information* section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The *governmental fund's* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

Proprietary funds' statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and wastewater system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview explains the structure and content of each of the statements.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Rounded to the nearest \$1,000)**

**Figure A-1
Major Features of City of Sebastopol's Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
<u>Scope</u>	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks.	Activities the City operates similar to private businesses: the water and wastewater systems.
<u>Required financial statements</u>	Statement of net position	·Balance sheet	·Statement of net position
	Statement of activities	·Statement of revenues, expenditures, and changes in fund balances	·Statement of revenues expenses, and changes in net position · Statement of cash flows
<u>Accounting basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<u>Type of asset/liability information</u>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<u>Type of inflow/outflow information</u>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business. These financial statements provide both long-term and short-term information about the City's overall financial status.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF SEBASTOPOL
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The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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 result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). A description of the functions follows:

- **Governmental activities** – Most of the City's basic services are included here, such as the police, fire, public works, parks and community development departments and general administration. Property taxes, sales taxes, transient occupancy taxes, utility user taxes, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and wastewater system are included here.

Fund Financial Statements financial information for funds, which are groupings of related accounts 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 finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds' 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 determining what financial resources are available in the near future to finance the City's programs.

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

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The City maintains individual governmental funds organized according to their type (the general fund and special revenue, capital projects and debt service funds). Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the remaining governmental funds are combined into a single, aggregated presentation entitled "non-major governmental funds". The individual and combining fund data for each of these non-major governmental funds is provided as supplementary information in this report.

Proprietary funds are services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.

The City reports three proprietary funds: Two enterprise funds account for water and wastewater business-like activities; and one internal service fund accounts for some employee benefits, and insurance services as a governmental activity. Both enterprise funds are considered to be major funds, and as such are reported in separate columns within the proprietary funds' financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the government's own programs. The City uses one fiduciary fund to account for activities related to its former Redevelopment Agency.

**CITY OF SEBASTOPOL
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: The City's combined net position, including both governmental activities and business-type activities is reflected in Table A-1

**Table A-1
City of Sebastopol's Net Position
(rounded, nearest thousand dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 13,673,000	\$ 11,510,000	\$ 5,200,000	\$ 5,390,000	\$ 18,873,000	\$ 16,900,000
Capital assets	10,985,000	11,190,000	7,391,000	7,960,000	18,376,000	19,150,000
Total assets	24,658,000	22,700,000	12,591,000	13,350,000	37,249,000	36,050,000
Deferred outflows of Resources						
Deferred Outflows Pension and OPEB	2,603,000	2,641,000	559,000	532,000	3,162,000	3,173,000
Total deferred outflows of resources	2,603,000	2,641,000	559,000	532,000	3,162,000	3,173,000
Current Liabilities	1,679,000	1,368,000	303,000	318,000	1,982,000	1,686,000
Long-term Liabilities	15,333,000	15,040,000	3,882,000	3,951,000	19,215,000	18,991,000
Total liabilities	17,012,000	16,408,000	4,185,000	4,269,000	21,197,000	20,677,000
Deferred inflows of Resources						
Deferred inflows - Pension and OPEB	939,000	520,000	166,000	82,000	1,105,000	602,000
Total deferred inflows of resources	939,000	520,000	166,000	82,000	1,105,000	602,000
Net Position						
Invested in capital assets	9,495,000	9,449,000	5,595,000	5,967,000	15,090,000	15,416,000
Restricted	2,827,000	1,450,000	-	-	2,827,000	1,450,000
Unrestricted	(3,012,000)	(2,486,000)	3,204,000	3,564,000	192,000	1,078,000
Total net position	\$ 9,310,000	\$ 8,413,000	\$ 8,799,000	\$ 9,531,000	\$18,109,000	\$17,944,000

Total net position, (assets and deferred outflows, less liabilities and deferred inflows), was \$18,109,000 at June 30, 2020. Governmental activities net position was \$9,310,000; and business-type activities' net position was \$8,799,000.

The largest component of the City's net position is invested in capital assets; and is reported at \$15,090,000. This component represents 83% of total net position as of June 30, 2020. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used, with \$2,827,000 reported as restricted at June 30, 2020.

CITY OF SEBASTOPOL
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At June 30, 2020 the City reported negative unrestricted net position for its governmental activities of \$(3,012,000) and a positive net position for business-type activities of \$3,204,000. Government-wide total unrestricted net position is \$192,000. The negative unrestricted net position reported for governmental activities is due in large part to noncurrent liabilities related to retirement and retiree medical benefits (OPEB). Detailed information for these liabilities is provided in the notes section of this report.

Changes in Net Position: Table A-2 reflects comparative changes in net position, for both government and business-type activities for fiscal years ended June 30, 2020 and 2019.

Table A-2
Changes in City of Sebastopol's Net Position
(rounded to nearest thousand dollars)

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 839,000	\$ 740,000	\$ 5,191,000	\$ 5,334,000	\$ 6,030,000	\$ 6,074,000
Grants and contributions	1,856,000	240,000			1,856,000	240,000
Capital grants and contributions	478,000	381,000			478,000	381,000
General revenues:						
Property taxes	2,982,000	2,891,000			2,982,000	2,891,000
Sales Tax	3,698,000	3,958,000			3,698,000	3,958,000
Transient Occupancy Taxes	518,000	632,000			518,000	632,000
Other Taxes	1,100,000	1,153,000			1,100,000	1,153,000
Other income	947,000	824,000	92,000	107,000	1,039,000	931,000
Total revenues	12,418,000	10,819,000	5,283,000	5,441,000	17,701,000	16,260,000
Expenses						
General government	2,610,000	2,001,000			2,610,000	2,001,000
Public safety	6,263,000	5,814,000			6,263,000	5,814,000
Parks and recreation	1,160,000	976,000			1,160,000	976,000
Public works	1,449,000	1,220,000			1,449,000	1,220,000
Interest	70,000	73,000			70,000	73,000
Water			2,394,000	1,933,000	2,394,000	1,933,000
Wastewater			3,563,000	3,334,000	3,563,000	3,334,000
Total expenses	11,552,000	10,084,000	5,957,000	5,267,000	17,509,000	15,351,000
Increase in net position before transfers and special item	866,000	735,000	(674,000)	174,000	192,000	909,000
Transfers	31,000	31,000	(31,000)	(31,000)	-	-
Increase (decrease) in net position	897,000	766,000	(705,000)	143,000	192,000	909,000
Net position beginning, as restated	8,413,000	7,647,000	9,504,000	9,385,000	17,917,000	17,032,000
Net position, Ending	\$9,310,000	\$8,413,000	\$8,799,000	\$9,528,000	\$18,109,000	\$17,941,000

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities:

Table A-3 presents expenses for each of the City's functional areas, as well as the changes compared to the prior year:

**Table A-3
Cost of City Sebastopol's Governmental Activities
(in rounded nearest one hundred dollars)**

	Expenses by Function		Percentage Change
	2020	2019	2019-2020
General Government	2,610,000	2,001,000	30.43%
Public Safety	6,263,000	5,814,000	7.72%
Parks and recreation	1,160,000	976,000	18.85%
Public Works	1,449,000	1,220,000	18.77%
Interest on Long term Debt	70,000	73,000	-4.11%
Total	11,552,000	10,084,000	14.56%

The shifts between categories reflect changes in service delivery as well as the timing of deferred maintenance performed by the parks and recreation and public works functions. General government and public safety expense increases are primarily driven by changes in actuarial estimates of future funding requirements for pensions and post-employment medical benefits. Decreases in expenses for interest reflect the amortization of long term debt.

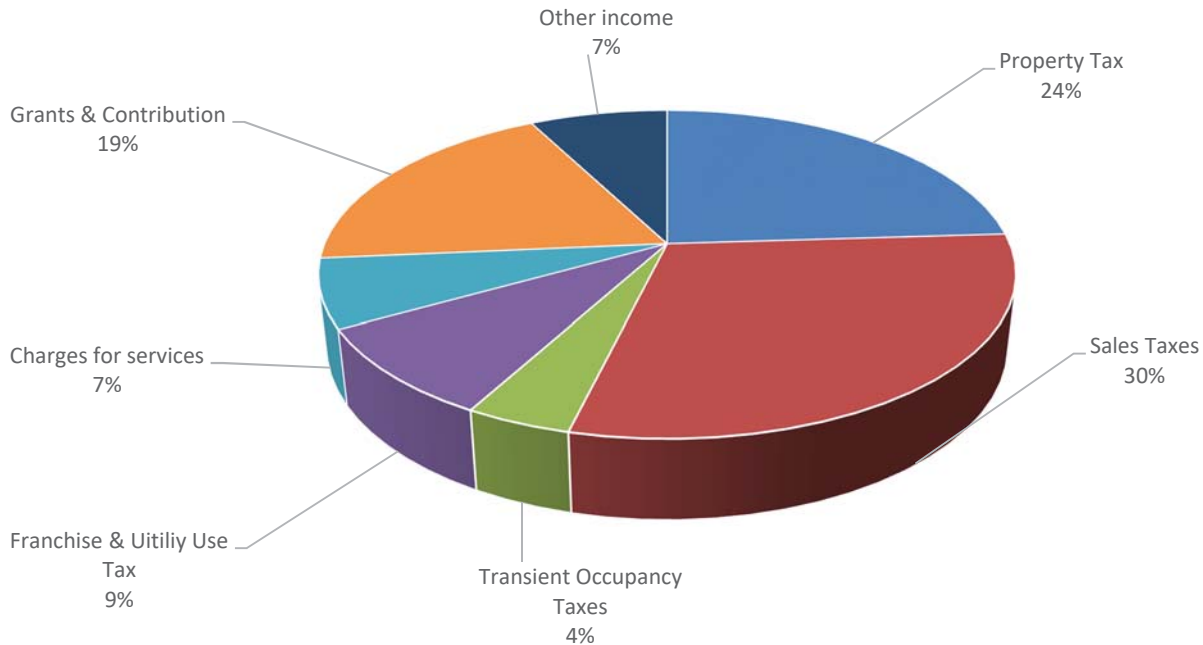
Governmental activities' services were financed as follows:

- Those who directly benefitted from the programs paid charges for service of \$839,000;
- Other governments and organizations that subsidized certain programs with operating grants of \$1,856,000 and capital grants of \$478,000; and,
- Tax revenues totaling \$8,298,000 were primarily comprised of support in the form of property, sales and transient occupancy taxes.
- Interest earnings, miscellaneous revenues and transfers from other funds totaled \$947,000.
- Sales taxes comprise approximately 30% of total governmental activities revenue, and transient occupancy taxes make up 4%. Those sources are considered to be more sensitive to short-term economic changes than property taxes, (24% of total revenue); and franchise fees and utility taxes, (9% of total revenue).

**CITY OF SEBASTOPOL
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A graphical representation of the relative weights of governmental activities revenues follows:

**Governmental Activities Revenue by Source
Fiscal Year 2019-2020**



The residual amount of governmental activities' revenues less expenses is \$866,000 for fiscal year 2019-20; and when combined with a transfer in from business-type activities of \$31,000, the net position attributed to governmental activities increased by \$897,000.

Total fiscal year 19-20 governmental activities revenues were \$12,418,000, and reflect a \$1,599,000 increase over the prior year's amount, indicating revenue growth of 15%. General revenues, primarily taxes, decreased by 2%, with \$9,245,000 collected in the current year reported, compared with \$9,458,000 collected in the prior year; a decrease of \$213,000.

The net change in governmental activities' revenue is attributed to an increase in intergovernmental grants that funded disaster recovery from prior years' flooding; and a decrease in general revenues, specifically transient occupancy taxes and sales taxes due to state and local governments' measures implemented to protect the public from the spread of Covid-19 virus. The "shelter in place" orders, and staged re-openings of businesses that served the city's residents and visitors has had a significant impact on local businesses' sales and related city revenue.

**CITY OF SEBASTOPOL
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Governmental Activities' expenses grew by \$1,468,000, from \$10,084,000 reported for FY 18-19 to \$11,552,000 reported for FY 19-20. This growth is due to increases in actuarial estimates for pension and post-employment medical expenses and disaster recovery responses; and partially offset by budgetary constraints and fiscally conservative spending within operating departments. The City Council has implemented long-term fiscal sustainability strategies that call for limiting program growth to create reserves that address long-term funding for pension and other post-employment liabilities.

As noted in our description of the differences between government-wide and fund financial statements, more detail of governmental activities is provided in the fund financial statements that focus on changes in financial resources.

Business-Type Activities:

The City's business-type activity is comprised of transactions that occur in the water and wastewater enterprise funds.

For FY 20 the net position of business-type activities decreased by \$705,000; with an \$81,000 decrease in the water fund and a \$624,000 decrease in the wastewater fund. The change in net position represents 7% of the combined funds' beginning net position.

The decreased net position is due, in large part, to cost increases for the operation of the sub-regional wastewater treatment plant that are passed on to the City; and decreased use by customers in relation to the Covid-19 pandemic that necessitated reduced business activities.

Net position of the water enterprise fund was \$4,350,000 and the net position of the wastewater fund was \$4,449,000, for a combined net position of \$8,799,000 for all business-type activity at June 30, 2020.

Investment in capital assets is the largest category of the business-type activities' net position, with \$5,595,000 and 64% of total net position. The unrestricted net position, total net position less net position invested in capital assets is \$3,204,000 and 36% of the total.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City'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 short-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party or the City itself.

The City's governmental funds include the general fund and all non-major funds which are reported in the aggregate in the financial statements. Detail for the individual non-major funds' information is provided in the supplementary information section of this report.

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At June 30, 2020, the City's governmental funds reported total fund balances of \$12,251,000, an increase of \$1,876,000 in comparison with the prior year. The total fund balance is reported within these categories:

- \$79,000 is "non-spendable" because the financial resources have been used to prepay expenditures.
- \$2,827,000 is "restricted," and is only available to spend in accordance with the external restrictions imposed by the funding sources themselves.
- \$475,000 is "committed," and is considered available only for particular purposes already approved by the City Council. Only the City Council can change the purposes for which fund balance was committed, by taking action similar to what is needed to approve budgets.
- \$4,611,000 is "assigned" for a particular future use.
- \$4,259,000 is "unassigned," and as such is considered available to finance future years' budgetary needs at the discretion of the City Council.

The aggregated non-major funds report a negative un-assigned fund balance of \$11,000. This is caused by expenditures that occur in advance of reimbursement revenues or transfers in from other funds.

General Fund:

The general fund is the chief operating fund of the City. During FY 19-20, the general fund balance increased by \$1,541,000; and is \$10,143,000 as of June 30, 2020. Fund balance is distributed in the following categories:

- \$77,000 is "non-spendable" because the financial resources were used for prepaid items.
- \$1,186,000 is "restricted," and is only available to spend for flood recovery purposes as required by funding sources.
- \$4,610,000 is "assigned" for these stated uses:
 - \$ 876,000 for buildings and infrastructure;
 - \$ 995,000 for equipment, technology and vehicle replacement; and,
 - \$2,740,000 for pension and post-employment medical benefits.
- \$4,270,000 is "unassigned," and as such is considered available to finance future years' budgetary needs at the discretion of the City Council.

As a measure of the general fund's liquidity, it may be useful to calculate fund balance as a percentage of annual expenditures: Unassigned general fund balance at June 30, 2020 represents approximately 57% of FY 19-20 general fund expenditures of \$9,599,000.

The general fund balance increase of \$1,541,000 was caused by one-time intergovernmental revenues received for disaster recovery of approximately \$1,600,000; and decreases in the general revenue categories of transient occupancy and sales tax revenues. The decreases in general revenue are related to State and local governments' efforts to protect the public from the spread of the Covid-19 virus that necessitated limiting business activity to what was considered "essential." Partial re-opening of business activity, above what was considered "essential," occurred late in the fiscal year.

General fund expenditures increased by \$955,000; from \$8,644,000 reported for FY 18-19 to \$9,599,000 for FY 19-20. Expenditure growth is the result of a combination of conservative budgetary practices for departmental operations and rising public pension contribution requirements. Details of public pension liabilities and related funding are provided in the notes to the financial statements.

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General Fund Budgetary Highlights

The general fund's original budget anticipated a decrease in fund balance of \$1,272,000; and that budget was amended during the year to anticipate a decrease in fund balance of \$574,000. The changes in budget estimates are reflective of the anticipated short-term impacts on general revenues from the Covid-19 pandemic. For FY 19-20, the City Council expanded the budget communication opportunities by adopting an early budget, as normal, and then holding and additional hearings after more information about the Covid-19 impact was known. This two-step process explains the significant budget amendments needed between the original and final budget.

Significant budget amendments include an increase in intergovernmental revenues of \$1,500,000 for the receipt of disaster recovery assistance and an increase in investment revenues of \$125,000 for favorable fair market value adjustments made in the Sonoma County Investment Pool, which is the primary depository for the City's cash.

A budgetary comparison schedule within the required supplementary information section of this report provides more detail on the original budget, final budget and actual results. The information includes a comparison between the final budget and actual results for each significant general fund revenue account and for each general fund functional area and operating department.

Non-major Governmental Funds:

Non-major governmental funds, in the aggregate reported June 30, 2020 fund balances of \$2,108,000. Aggregated information of the non-major funds is displayed in the financial statements that also include the major governmental funds. *The individual fund information for non-major governmental funds is reported in the combining statements that are found in the supplemental information section of this report.*

Overall, non-major funds' fund balance increased by \$335,000; and the increase is indicative of the timing differences between receipt of revenue from the various funding sources and the city's budget and expenditure process. The supplementary information includes a description of each fund, and its financial information.

In the aggregate, non-major funds reported a negative un-assigned fund balance of (\$11,000) at June 30, 2020. The deficit was caused by expenditures that occur in advance of the reimbursement revenues received from other parties.

Please see note 8 - A, "deficit balances," for more information about individual fund deficits.

Proprietary Funds – Water and Sewer Enterprise Funds:

Proprietary fund-type activity is comprised of the water and wastewater enterprise funds. The combined net position at June 30, 2020 is \$8,799,000; with \$5,595,000 representing investment in capital assets net of related debt and \$3,204,000 reported as unrestricted net position.

The changes in these enterprise funds' activities are described in the business-type activities' section of this management discussion and analysis.

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Internal Service Fund:

The city also reports the insurance and benefits internal service fund within the proprietary category. The fund takes in revenues in the form of charges paid to other funds of the city, and spends those revenues to deliver insurance and other benefits. Ending fund balance of \$1,000 at June 30, 2020 is unchanged for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 the City had invested \$18,376,000, (net of accumulated depreciation), in a broad range of capital assets, including equipment, vehicles, streets, buildings, park facilities, and water and wastewater systems. This amount represents a net decrease of \$774,000 for FY 20, which is caused primarily by depreciation in excess of new additions.

Governmental activities' capital asset additions totaled \$706,000; and depreciation on governmental activities' assets was \$905,000 for a net decrease of \$199,000. Business-type activities' capital asset additions totaled \$124,000; and depreciation on business-type capital assets was \$694,000 for a net decrease of \$570,000. Additions to assets were financed in large part by net position or fund balance (dependent on fund type) accumulated in prior years to the respective activity types (business-type or governmental).

Table A-4 provides a recap of capital asset activity, and detail is provided in the notes to the financial statements (Note 5 – A).

**Table A-4
City of Sebastopol's Capital Assets
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and CIP	2.55	2.42	0.14	0.17	2.69	2.59
Buildings & structures	7.40	7.33			7.40	7.33
Machinery and equipment	2.58	2.55	0.17		2.75	2.55
Reservoirs			3.92	3.94	3.92	3.94
Pipelines & water system			4.22	4.08	4.22	4.08
Pipelines & wastewater system			8.26	8.49	8.26	8.49
Vehicles	2.43	2.65	0.93	0.89	3.36	3.54
Infrastructure	8.71	8.39			8.71	8.39
Accumulated depreciation	(12.68)	(12.15)	(10.25)	(9.61)	(22.93)	(21.76)
Total	10.99	11.19	7.39	7.96	18.38	19.15

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Changes in Long-term Liabilities – Debt:

No new debt was issued during the fiscal year. Detailed information about the City's long-term obligations can be found in the “Notes to the Basic Financial Statements” under section 6 – A.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES:

The City is continuing to experience the impacts of the Covid-19 pandemic that began at the end of March 2020 when sheltering in place orders went into effect. The City continues to prepared conservative budgets in order to protect the resources needed for financial stability and remain responsive to changing needs as revenues fluctuate. The City regularly reviews its revenues and expenditures to keep a pulse on its current fiscal health and ensure the adequate protection of the City’s financial resources. The FY 1920-21 budget was adjusted in response to the unknown impact of Covid-19 by limiting capital expenditures and other expenditures that could be delayed until more is known about the magnitude and length to the pandemic’s impact on City revenues.

For the 2021 fiscal year, (starts July 1, 2020 and ends June 30, 2021) the following budgetary highlights are included in the adopted budget:

- Projected general fund revenue and transfers in of \$8,633,000 less appropriations for expenditures and transfers out of \$10,831,000 create a general fund use of fund balance of \$2,198,000 for FY 2020-2021. The baseline operating budget uses conservative estimates of revenue. The adopted budget’s general fund unassigned balance is estimated to be \$2,378,000 at June 30, 2021. The unassigned fund balance covers 22% of budget expenditures, which is above the policy benchmark of 20%.
- Water Fund: The unrestricted net position in the water fund is expected to decrease by \$475,000 during the FY 20-21 budget year; and is estimated to be \$1,614,000 at June 30, 2021. This unrestricted net position represents 57% of annual budget expenditures, and exceeds the policy benchmark of 25%.
- Wastewater Fund: The unrestricted net position in the wastewater fund is expected to decrease by \$227,000 during the FY 20-21 budget year; and is estimated to be \$1,455,000 at June 30, 2021. This unrestricted net position represents 43% of annual budget expenditures, and exceeds the policy benchmark of 25%.
- Special revenue funds are expected to use fund balances for their various purposes as anticipated by their respective funding sources.
- The City of Sebastopol invites interested readers to review the detailed operating budget by visiting the website:

<https://www.ci.sebastopol.ca.us/City-Government/Departments-Services/Finance/City-Audits>

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(Rounded to the nearest \$1,000)**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer/Administrative Services Director at the City of Sebastopol, 7120 Bodega Avenue, Sebastopol, CA 95472, (707) 823-7863.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Sebastopol
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 12,169,104	\$ 4,128,709	\$ 16,297,813
Receivables:			
Accounts receivable	132,079	1,012,137	1,144,216
Taxes receivable	941,733	-	941,733
Interest receivable	9,987	-	9,987
Assessment receivable	90,000	-	90,000
Prepaid items	79,180	34,525	113,705
Total current assets	13,422,083	5,175,371	18,597,454
Noncurrent assets:			
Restricted cash and investments with fiscal agents	37,634	25,175	62,809
Notes receivable	213,393	-	213,393
Capital assets:			
Non-depreciable	2,549,909	139,543	2,689,452
Depreciable, net	8,435,317	7,251,042	15,686,359
Total capital assets	10,985,226	7,390,585	18,375,811
Total noncurrent assets	11,236,253	7,415,760	18,652,013
Total assets	24,658,336	12,591,131	37,249,467
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	2,400,047	559,218	2,959,265
Deferred outflows of resources - OPEB	203,185	-	203,185
Total deferred outflows of resources	2,603,232	559,218	3,162,450
LIABILITIES			
Current liabilities:			
Accounts payable	410,459	3,056	413,515
Accrued interest payable	9,145	5,444	14,589
Accrued liabilities	546,733	-	546,733
Deposits payable	154,699	48,742	203,441
Unearned revenues	5,640	-	5,640
Compensated absences - due within one year	300,000	4,000	304,000
Long term debt - due within one year	252,230	242,329	494,559
Total current liabilities	1,678,906	303,571	1,982,477
Noncurrent liabilities:			
Compensated absences - due in more than one year	665,497	46,816	712,313
Long term debt - due in more than one year	1,238,164	1,553,711	2,791,875
Total OPEB liability	2,682,363	-	2,682,363
Net pension liability	10,747,088	2,281,453	13,028,541
Total noncurrent liabilities	15,333,112	3,881,980	19,215,092
Total liabilities	17,012,018	4,185,551	21,197,569
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	380,806	166,070	546,876
Deferred inflows of resources - OPEB	558,394	-	558,394
Total deferred inflows of resources	939,200	166,070	1,105,270
NET POSITION			
Net investment in capital assets	9,494,832	5,594,545	15,089,377
Restricted for:			
Flood recovery	1,186,330	-	1,186,330
Housing	223,109	-	223,109
Debt service	53,339	-	53,339
Streets	1,199,207	-	1,199,207
Other purposes	165,230	-	165,230
Total restricted	2,827,215	-	2,827,215
Unrestricted	(3,011,697)	3,204,183	192,486
Total net position	\$ 9,310,350	\$ 8,798,728	\$ 18,109,078

City of Sebastopol
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,609,862	\$ 214,999	\$ 1,720,651	\$ -	\$ 1,935,650
Public safety	6,263,272	152,232	135,573	-	287,805
Public works	1,448,514	421,397	-	477,809	899,206
Parks and recreation	1,159,950	50,605	-	-	50,605
Interest on long-term debt	70,118	-	-	-	-
Total governmental activities	11,551,716	839,233	1,856,224	477,809	3,173,266
Business-type activities:					
Water Services	2,393,602	2,295,614	-	-	2,295,614
Wastewater Services	3,562,838	2,895,155	-	-	2,895,155
Total business-type activities	5,956,440	5,190,769	-	-	5,190,769
Total primary government	\$ 17,508,156	\$ 6,030,002	\$ 1,856,224	\$ 477,809	\$ 8,364,035

General Revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (674,212)	\$ -	\$ (674,212)
(5,975,467)	-	(5,975,467)
(549,308)	-	(549,308)
(1,109,345)	-	(1,109,345)
(70,118)	-	(70,118)
(8,378,450)	-	(8,378,450)
-	(97,988)	(97,988)
-	(667,683)	(667,683)
-	(765,671)	(765,671)
(8,378,450)	(765,671)	(9,144,121)
2,981,745	-	2,981,745
3,697,726	-	3,697,726
518,175	-	518,175
1,100,380	-	1,100,380
8,298,026	-	8,298,026
343,753	91,655	435,408
602,464	-	602,464
31,024	(31,024)	-
9,275,267	60,631	9,335,898
896,817	(705,040)	191,777
8,413,533	9,503,768	17,917,301
<u>\$ 9,310,350</u>	<u>\$ 8,798,728</u>	<u>\$ 18,109,078</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

City of Sebastopol
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Major Funds</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 9,626,899	\$ 2,091,231	\$ 11,718,130
Restricted cash and investments	-	37,634	37,634
Accounts receivable	131,822	257	132,079
Taxes receivable	901,677	40,056	941,733
Accrued interest receivable	9,987	-	9,987
Assessment receivable	-	90,000	90,000
Notes receivable	-	213,393	213,393
Due from other funds	14,277	10,884	25,161
Prepaid items	76,529	2,651	79,180
Total assets	\$ 10,761,191	\$ 2,486,106	\$ 13,247,297
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 356,749	\$ 43,584	\$ 400,333
Accrued liabilities	106,936	-	106,936
Due to other funds	-	25,161	25,161
Unearned revenues	-	5,640	5,640
Deposits	154,699	-	154,699
Total liabilities	618,384	74,385	692,769
Deferred inflows of resources:			
Unavailable revenues	-	303,393	303,393
Fund Balances:			
Nonspendable	76,529	2,651	79,180
Restricted:			
Flood recovery	1,186,330	-	1,186,330
Highways and streets	-	1,199,207	1,199,207
Public safety	-	22,204	22,204
Community promotion	-	85	85
Debt service	-	53,339	53,339
Affordable housing	-	223,109	223,109
Parks and recreation	-	142,941	142,941
Total restricted	1,186,330	1,640,885	2,827,215
Committed:			
Street projects	-	475,327	475,327
Total committed	-	475,327	475,327
Assigned:			
Buildings, facilities, and infrastructure	875,900	-	875,900
Equipment, technology, and vehicle replacement	994,734	-	994,734
Pension and OPEB	2,739,801	-	2,739,801
Total assigned	4,610,435	-	4,610,435
Unassigned	4,269,513	(10,535)	4,258,978
Total fund balances	10,142,807	2,108,328	12,251,135
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,761,191	\$ 2,486,106	\$ 13,247,297

City of Sebastopol
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Total Fund Balances - Total Governmental Funds \$ 12,251,135

Amounts reported for governmental activities in the Statement of Net Position are 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	\$ 2,549,909
Depreciable, net	8,435,317
Total capital assets	10,985,226

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 303,393

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (9,145)

Internal service funds were used by management to charge the costs of certain activities, such as employee benefits, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position. 1,051

In the Government-Wide Financial Statements, employer contributions made for pension and OPEB subsequent to the measurement date, certain differences between actuarial amounts and actual results for pension are deferred and are applied to the net pension and OPEB liabilities or amortized in future periods, however these items do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	2,400,047
Deferred outflows of resources - OPEB	203,185
Deferred inflows of resources - pension	(380,806)
Deferred inflows of resources - OPEB	(558,394)

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 within one year	(300,000)
Long term debt - due within one year	(252,230)
Compensated absences - due in more than one year	(665,497)
Long term debt - due in more than one year	(1,238,164)
Net OPEB liability	(2,682,363)
Net pension liability	(10,747,088)
Total long-term liabilities	(15,885,342)

Net Position of Governmental Activities \$ 9,310,350

City of Sebastopol
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	<u>Major Funds</u>	Non-Major	Total
	General Fund	Governmental Funds	Governmental Funds
REVENUES:			
Property taxes	\$ 2,820,051	\$ 161,695	\$ 2,981,746
Sales and use taxes	4,455,128	154,251	4,609,379
Transient occupancy tax	518,175	-	518,175
Franchise fees	336,738	-	336,738
Licenses and permits	449,875	8,765	458,640
Fines and forfeitures	48,171	-	48,171
Intergovernmental	1,735,781	477,604	2,213,385
Interest and rents	355,035	35,731	390,766
Charges for services	191,187	102,733	293,920
Miscellaneous	574,131	28,340	602,471
Total revenues	<u>11,484,272</u>	<u>969,119</u>	<u>12,453,391</u>
EXPENDITURES:			
Current:			
General government	2,183,269	32,814	2,216,083
Public safety	5,302,629	146,289	5,448,918
Parks and recreation	970,013	-	970,013
Public works	777,737	284,457	1,062,194
Capital outlay	160,725	429,531	590,256
Debt service:			
Principal	153,500	97,016	250,516
Interest	51,170	18,948	70,118
Total expenditures	<u>9,599,043</u>	<u>1,009,055</u>	<u>10,608,098</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,885,229</u>	<u>(39,936)</u>	<u>1,845,293</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	4,493	628,043	632,536
Transfers out	<u>(348,702)</u>	<u>(252,810)</u>	<u>(601,512)</u>
Total other financing sources (uses)	<u>(344,209)</u>	<u>375,233</u>	<u>31,024</u>
Net change in fund balances	1,541,020	335,297	1,876,317
FUND BALANCES:			
Beginning of year	<u>8,601,787</u>	<u>1,773,031</u>	<u>10,374,818</u>
End of year	<u>\$ 10,142,807</u>	<u>\$ 2,108,328</u>	<u>\$ 12,251,135</u>

City of Sebastopol

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 1,876,317
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, 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.	705,764
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(905,438)
In the Government-Wide Statement of Activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increases financial resources. This amount represents the difference between proceeds and the loss on disposal of capital assets.	(4,782)
Employer contributions for pension and OPEB paid after the measurement date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.	1,345,159
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(90,997)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.	
- Principal repayments on long-term liabilities	250,516
Accruals of compensated absences are not recognized as expenditures in the governmental funds, as they do not require the use of current financial resources. Instead, governmental funds report the usage of accumulated compensated absences as expenditures. This amount represents the change in compensated absence leave balances during the year.	(268,142)
Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however, these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.	(35,884)
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense does not required the use of current financial resources, and is not recognized in the governmental funds.	(1,975,696)

Change in Net Position of Governmental Activities	\$ 896,817
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PROPRIETARY FUND FINANCIAL STATEMENTS

Water Service Fund accounts for the activities associated with providing water services.

Wastewater Fund accounts for the wastewater treatment plant and wastewater pumping stations and collection systems.

City of Sebastopol
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 2,176,801	\$ 1,951,908	\$ 4,128,709	\$ 450,974
Accounts receivable	451,113	561,024	1,012,137	-
Prepays	31,502	3,023	34,525	-
Total current assets	2,659,416	2,515,955	5,175,371	450,974
Noncurrent assets:				
Restricted cash and investments	25,175	-	25,175	-
Capital assets:				
Non-depreciable	119,650	19,893	139,543	-
Depreciable, net	4,011,437	3,239,605	7,251,042	-
Total capital assets	4,131,087	3,259,498	7,390,585	-
Total noncurrent assets	4,156,262	3,259,498	7,415,760	-
Total assets	6,815,678	5,775,453	12,591,131	450,974
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	286,779	272,439	559,218	-
Total deferred outflows of resources	286,779	272,439	559,218	-
LIABILITIES				
Current liabilities:				
Accounts payable	2,994	62	3,056	449,923
Accrued interest payable	2,879	2,565	5,444	-
Deposits payable	48,742	-	48,742	-
Compensated absences, due within one year	2,000	2,000	4,000	-
Long term debt, due within one year	171,016	71,313	242,329	-
Total current liabilities	227,631	75,940	303,571	449,923
Noncurrent liabilities:				
Compensated absences, due in more than one year	18,326	28,490	46,816	-
Long term debt, due in more than one year	1,251,266	302,445	1,553,711	-
Net pension liability	1,169,976	1,111,477	2,281,453	-
Total noncurrent liabilities	2,439,568	1,442,412	3,881,980	-
Total liabilities	2,667,199	1,518,352	4,185,551	449,923
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	85,164	80,906	166,070	-
Total deferred inflows of resources	85,164	80,906	166,070	-
NET POSITION				
Net investment in capital assets	2,708,805	2,885,740	5,594,545	-
Unrestricted	1,641,289	1,562,894	3,204,183	1,051
Total net position	\$ 4,350,094	\$ 4,448,634	\$ 8,798,728	\$ 1,051

City of Sebastopol
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2020

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,292,012	\$ 2,892,902	\$ 5,184,914	\$ 995,150
Other revenues	3,602	2,253	5,855	-
Total operating revenues	2,295,614	2,895,155	5,190,769	995,150
OPERATING EXPENSES:				
Personnel services	522,936	364,322	887,258	-
Interfund charges for services	1,004,772	830,851	1,835,623	-
Contractual and other services	169,848	125,438	295,286	-
Intergovernmental treatment costs	-	1,620,981	1,620,981	-
Utilities	199,440	42,735	242,175	-
Supplies	128,463	61,174	189,637	-
Insurance, claims, and expenses	62,620	35,850	98,470	995,150
Depreciation	233,703	459,933	693,636	-
Total operating expenses	2,321,782	3,541,284	5,863,066	995,150
OPERATING INCOME	(26,168)	(646,129)	(672,297)	-
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(71,820)	(21,554)	(93,374)	-
Interest and investment revenue	47,748	43,907	91,655	-
Total nonoperating revenues (expenses)	(24,072)	22,353	(1,719)	-
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	(50,240)	(623,776)	(674,016)	-
Transfers out	(31,024)	-	(31,024)	-
Total transfers	(31,024)	-	(31,024)	-
Change in net position	(81,264)	(623,776)	(705,040)	-
NET POSITION				
Beginning of year, as restated	4,431,358	5,072,410	9,503,768	1,051
End of year	<u>\$ 4,350,094</u>	<u>\$ 4,448,634</u>	<u>\$ 8,798,728</u>	<u>\$ 1,051</u>

City of Sebastopol
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2020

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,280,364	\$ 2,921,215	\$ 5,201,579	\$ -
Cash payments from other funds	-	-	-	995,150
Cash received from others	3,602	2,253	5,855	-
Cash payments to suppliers for goods and services	(585,288)	(1,897,676)	(2,482,964)	(544,176)
Cash payments to other funds for services	(1,004,772)	(830,851)	(1,835,623)	-
Cash paid to employees	(426,532)	(268,806)	(695,338)	-
Net cash provided by operating activities	<u>267,374</u>	<u>(73,865)</u>	<u>193,509</u>	<u>450,974</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(87,797)	(35,992)	(123,789)	-
Long-term debt repayment	(156,990)	(67,578)	(224,568)	-
Interest paid and fiscal charges	(71,820)	(21,554)	(93,374)	-
Net cash (used in) capital and related financing activities	<u>(316,607)</u>	<u>(125,124)</u>	<u>(441,731)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	47,748	43,907	91,655	-
Net cash provided by investing activities	<u>47,748</u>	<u>43,907</u>	<u>91,655</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,509)	(155,082)	(187,591)	450,974
CASH AND CASH EQUIVALENTS - Beginning of year	2,234,485	2,106,990	4,341,475	-
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,201,976</u>	<u>\$ 1,951,908</u>	<u>\$ 4,153,884</u>	<u>\$ 450,974</u>
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 2,176,801	\$ 1,951,908	4,128,709	\$ 450,974
Restricted cash and investments	25,175	-	25,175	-
Total	<u>\$ 2,201,976</u>	<u>\$ 1,951,908</u>	<u>\$ 4,153,884</u>	<u>\$ 450,974</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ (26,168)	\$ (646,129)	\$ (672,297)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	233,703	459,933	693,636	-
Changes in assets and liabilities:				
Accounts receivable	(19,864)	27,166	7,302	-
Prepays	(5,069)	(3,023)	(8,092)	77,721
Notes receivable	1,326	1,147	2,473	-
Deferred outflows - pension	(13,953)	(13,511)	(27,464)	-
Accounts payable	(19,848)	(8,475)	(28,323)	373,253
Deposits payable	6,890	-	6,890	-
Compensated absences	5,645	8,468	14,113	-
Net pension liability	61,752	59,707	121,459	-
Deferred inflows - pension	42,960	40,852	83,812	-
Total adjustments	<u>293,542</u>	<u>572,264</u>	<u>865,806</u>	<u>450,974</u>
Net cash provided by operating activities	<u>\$ 267,374</u>	<u>\$ (73,865)</u>	<u>\$ 193,509</u>	<u>\$ 450,974</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund

Successor Agency Trust Fund accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

City of Sebastopol
Statement of Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Fund
June 30, 2020

	Successor Agency Trust Fund
ASSETS	
Cash and investments	\$ 413,311
Total assets	<u>413,311</u>
LIABILITIES	
Interest payable	6,823
Bonds payable, due within one year	415,000
Total liabilities	<u>421,823</u>
NET POSITION	
Held in trust for successor agency	<u>(8,512)</u>
Total net position	<u><u>\$ (8,512)</u></u>

City of Sebastopol
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Fund
For the year ended June 30, 2020

	Successor Agency Trust Fund
ADDITIONS:	
Property tax	\$ 656,366
Interest	11,120
Total additions	<u>667,486</u>
DEDUCTIONS:	
Bond interest	46,243
County housing costs	1,975
Administrative costs	250,000
Total Deductions	<u>298,218</u>
Change in net position	369,268
NET POSITION:	
Beginning of year	<u>(377,780)</u>
End of year	<u><u>\$ (8,512)</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sebastopol, 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. Financial Reporting Entity

The City of Sebastopol is a municipal corporation governed by an elected five member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The City of Sebastopol has no component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The City reports the following major governmental funds:

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government.

The City reports the following proprietary funds as major:

The Water Fund accounts for the operations of the City's water treatment and distribution system.

The Wastewater Fund accounts for the operations of the City's wastewater treatment and distribution system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers for services, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City reports a private-purpose trust fund. Private-purpose trust fund account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Fiduciary funds are accounted for using the accrual basis of accounting. A fiduciary fund is used to account for the non-housing successor agency activities of the former redevelopment agency.

D. Cash, Cash Equivalents, and Investments

The City is authorized to invest in the State of California Local Agency Investment Fund, the Sonoma County Treasurer's Pool, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, bankers acceptances, repurchase agreements, certain money market and mutual funds, time deposits and savings and demand accounts. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Measurements - The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs. The City has no significant separately held investments and its funds are invested primarily in the Sonoma County Treasurer's Investment Pool.

For the purpose of the statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. *Receivables and Payables*

All trade and property tax receivables are not shown net of an allowance for uncollectable.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of fair value, be levied by only the County, and be shared by applicable jurisdictions. The County of Sonoma collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter -approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

F. *Interfund Balances/Internal Balances*

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a non-spendable fund balance classification in the applicable governmental funds to indicate that they are not available financial resources.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

G. *Inventories and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method of accounting for prepaid items.

H. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000 (\$50,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at acquisition value at the date of donation. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2003 at the date these new financial reporting standards were implemented; and the City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided on a straight-line basis over the following useful lives:

	Years
Public domain infrastructure	50
Buildings and structures	40
System infrastructure	15-40
Vehicles and equipment	5-15

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

J. Compensated Absences

It is the government policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has typically been used to liquidate the liability for compensated absences.

K. Unearned Revenue

In the Government-Wide Financial Statements, unearned revenue is recorded for transactions for which revenues have not been earned. In the Fund Financial Statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Long-Term Liabilities

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, long-term debt and other financed obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

M. Net Position and Fund Equity

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

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

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements

In the Fund Financial Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance - This includes amounts with constraints placed on their use by those external to the City, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - This includes amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - This includes amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Equity, Continued

Unassigned fund balance – This is the residual classification that includes amounts not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds other than the General Fund, if expenditures are incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by action, which includes passage of a resolution adopting the budget and appropriating revenue for the fiscal year.

N. Net Position and Fund Equity Flow Assumptions

Government-Wide Financial Statements

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

Fund Financial Statements

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to apply restricted funds first. Committed, assigned, and unassigned fund balances are considered unrestricted. When an expenditure is incurred, if committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

O. Use of Estimates

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

P. Pension

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

Q. Other Post Employment Health Care Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Other Post Employment Health Care Benefits (OPEB), Continued

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

R. New Accounting Pronouncements

The City did not adopt any new pronouncements in fiscal year 2020.

2. CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 12,169,104	\$ 4,128,709	\$ 413,311	\$ 16,711,124
Restricted cash and investments	37,634	25,175	-	62,809
Total cash and investments	\$ 12,206,738	\$ 4,153,884	\$ 413,311	\$ 16,773,933

A. Summary of Cash and Investments

Cash and investments as of June 30, 2020 consist of the following:

Deposits:	
Cash on hand	\$ 1,075
Deposits with financial institution	2,158,230
Total cash on hand and deposits	<u>2,159,305</u>
Investments	
County of Sonoma Investment Pool	10,230,812
Investments	4,321,007
Total investments	<u>14,551,819</u>
Total City Treasury	<u>16,711,124</u>
Restricted cash and investments:	
Cash with fiscal agent	62,809
Total Restricted cash and investments	<u>62,809</u>
Total cash and investments	<u>\$ 16,773,933</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

B. Cash Deposits

At June 30, 2020, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account, which had a book balance of \$2,158,230 and petty cash of \$1,075. The bank balance in the City's general checking was \$2,454,282, fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair 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's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

C. Investments

The City is authorized by State statutes to invest in the following:

- * U.S. Treasury and U.S. Agency Issues
- * Certificates of Deposit
- * California Local Agency Investment Fund (LAIF)
- * Government Bonds and Notes
- * Passbook Savings
- * Bankers Acceptances
- * Commercial Paper (Corporations)
- * Medium-Term Corporate Notes
- * Repurchase Agreements
- * Mutual Funds

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date has a greater sensitivity of its fair value to be subject to changes in market interest rates. In accordance with the City’s investment policy, exposure to interest rate risk is mitigated by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2020 are shown below:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1 year	More than 1 year less than 5 years
Investments:			
County of Sonoma Investment Pool	\$ 10,230,812	\$ 10,230,812	\$ -
Money Market	1,471,930	1,471,930	-
Certificates of deposits	2,317,550	1,003,363	1,314,187
Government Bonds	531,527	-	531,527
Total	\$ 14,551,819	\$ 12,706,105	\$ 1,845,714

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the June 30, 2020 rating which meets the minimum rating required by (where applicable) the California Government Code, the City’s Investment Policy, or debt agreements:

Investment Type	Fair Value	Aaa
Investments:		
Government Bonds	\$ 531,527	531,527
Total Investment subject to ratings	531,527	\$ 531,527
Assets not subject to fair value ratings:		
County of Sonoma - Investment Pool	10,230,812	
Money Market	1,471,930	
Certificates of Deposits	2,317,550	
Total investments	\$ 14,551,819	

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Concentration of Credit Risk: The investment policy of the City of Sebastopol contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2020 the City did not have investments (other than in external investment pools) that represented 5% or more of the City's total investments.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the City). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair value instead of cost. If material, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year.

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Inputs are assumptions that market participants use when pricing an asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, such as bond valued by a pricing service that uses matrix pricing, pay-fixed receive-variable interest rate swap based on the London Interbank Offered Rate (LIBOR) swap rate, three-year option on exchange-traded shares, or valuation multiple; Level 3 inputs are significant unobservable inputs. The City's investment in Sonoma County's investment pool was not subject to the levelling disclosure.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

E. Fair Value of Investments, Continued

Investment fair value measurements at June 30, 2020 are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of Deposits	\$ 2,317,550	\$ -	\$ 2,317,550	\$ -
Government Bonds	531,527	-	531,527	-
Total investments subject to levelling	2,849,077	\$ -	\$ 2,849,077	\$ -
Assets not subject to fair value levelling:				
Money Market	1,471,930			
County of Sonoma Investment Pool	10,230,812			
Total investments	<u>\$14,551,819</u>			

F. Cash and Investments with Fiscal Agents

Funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated "AA-" or better by Moody's, and money market mutual funds which are rated in the highest category by Moody's. At June 30, 2020, cash and investments with fiscal agents totaled \$62,809.

G. County of Sonoma Investment Pool

The City is a voluntary participant in the County of Sonoma Investment Pool (County Pool) regulated by the County's Investment Policy under the oversight of the Treasury of the County. The County does provide the City with a fair value factor, and the City's fair value of its position in the pool is the same as the value of the pool shares.

3. LOANS AND NOTES RECEIVABLE

At June 30, 2020, the City had the following loans and notes receivable:

Party to Loan	Purpose of Loan	Amount
Governmental Activities:		
Individual home buyers	Solar power equipment installation loans	\$ 213,393

The \$213,393 solar equipment installation loans are repayable in equal bi-monthly installments over a period of about 33 years by the homeowners, and repayments are made through the City's enterprise utility billing and collection system.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

4. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To and Due From

At June 30, 2020, the City had the following short-term interfund receivables and payables:

<u>Due to non-major funds</u>	<u>Due From Other Funds</u>
Non-major funds:	\$ 25,161
Total Non-major Funds	<u>\$ 25,161</u>

Amounts shown as due to and from other funds represent interfund balances that arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		
	<u>General</u>	<u>Non-Major Govt Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 348,702	\$ 348,702
Non-major govtl Funds	4,493	248,317	252,810
Total Governmental	<u>4,493</u>	<u>597,019</u>	<u>601,512</u>
Water	-	31,024	31,024
Total Enterprise	<u>-</u>	<u>31,024</u>	<u>31,024</u>
Total Transfers out	<u>\$ 4,493</u>	<u>\$ 628,043</u>	<u>\$ 632,536</u>

Transfers represent funding of various City operations, funding for capital projects, lease payments or debt service, and intrafund transfers of specific departmental operations.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2020, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land and improvements	\$ 2,151,948	\$ 86,440	\$ 2,238,388
Construction in progress	397,961	53,103	451,064
Total non-depreciable assets	<u>2,549,909</u>	<u>139,543</u>	<u>2,689,452</u>
Depreciable assets:			
Buildings and structures	7,397,568	-	7,397,568
Machinery and equipment	2,576,089	170,054	2,746,143
Reservoirs	-	3,917,184	3,917,184
Pipelines and water distribution system	-	4,224,172	4,224,172
Pipelines and wastewater collection system	-	8,263,624	8,263,624
Vehicles	2,429,398	924,885	3,354,283
Infrastructure	8,708,932	-	8,708,932
Total depreciable assets	21,111,987	17,499,919	38,611,906
Total accumulated Depreciation	<u>(12,676,670)</u>	<u>(10,248,877)</u>	<u>(22,925,547)</u>
Total depreciable assets, net	<u>8,435,317</u>	<u>7,251,042</u>	<u>15,686,359</u>
Total	<u><u>\$ 10,985,226</u></u>	<u><u>\$ 7,390,585</u></u>	<u><u>\$ 18,375,811</u></u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in governmental activity capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Adjustment/ Reclassification	Balance June 30, 2020
Non-depreciable assets:					
Land and improvements	\$ 2,151,948	\$ -	\$ -	\$ -	\$ 2,151,948
Construction in progress	268,041	418,844	-	(288,924)	397,961
Total non-depreciable assets	<u>2,419,989</u>	<u>418,844</u>	<u>-</u>	<u>(288,924)</u>	<u>2,549,909</u>
Depreciable assets:					
Buildings and structures	7,333,668	63,900	-	-	7,397,568
Machinery and equipment	2,549,168	62,822	(35,901)	-	2,576,089
Vehicles	2,648,882	130,873	(350,357)	-	2,429,398
Infrastructure	8,390,683	29,325	-	288,924	8,708,932
Total depreciable assets	<u>20,922,401</u>	<u>286,920</u>	<u>(386,258)</u>	<u>288,924</u>	<u>21,111,987</u>
Less accumulated depreciation:					
Buildings and structures	(5,325,335)	(196,468)	-	-	(5,521,803)
Machinery and equipment	(2,130,384)	(122,315)	34,476	-	(2,218,223)
Vehicles	(1,621,366)	(154,563)	347,000	-	(1,428,929)
Infrastructure	(3,075,623)	(432,092)	-	-	(3,507,715)
Total Accumulated depreciation	<u>(12,152,708)</u>	<u>(905,438)</u>	<u>381,476</u>	<u>-</u>	<u>(12,676,670)</u>
Total depreciable assets, net	<u>8,769,693</u>	<u>(618,518)</u>	<u>(4,782)</u>	<u>288,924</u>	<u>8,435,317</u>
Total governmental activities, net	<u>\$ 11,189,682</u>	<u>\$ (199,674)</u>	<u>\$ (4,782)</u>	<u>\$ -</u>	<u>\$ 10,985,226</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

General government	\$ 163,744
Public safety	237,219
Public works	364,414
Parks and recreation	140,061
Total depreciation expense	<u>\$ 905,438</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in business-type activity capital assets for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Adjustment/ Reclassification	Balance June 30, 2020
Non-depreciable assets:					
Land	\$ 86,440	\$ -	\$ -	\$ -	\$ 86,440
Construction in progress	82,103	-	-	(29,000)	53,103
Total non-depreciable assets	168,543	-	-	(29,000)	139,543
Depreciable assets:					
Reservoirs	3,936,358	-	-	(19,174)	3,917,184
Pipelines and water distribution system	4,082,061	-	-	142,111	4,224,172
Pipelines and wastewater collection system	8,486,244	-	(500)	(222,120)	8,263,624
Machinery and equipment	-	51,804	(8,116)	126,366	170,054
Vehicles	892,538	71,985	(41,455)	1,817	924,885
Total depreciable assets	17,397,201	123,789	(50,071)	29,000	17,499,919
Less accumulated depreciation:					
Reservoirs	(1,062,674)	(136,987)	-	(127,697)	(1,327,358)
Pipelines and water distribution system	(3,219,437)	(73,177)	-	127,698	(3,164,916)
Pipelines and wastewater collection system	(4,936,574)	(416,041)	500	3,141	(5,348,974)
Machinery and equipment	-	(8,292)	8,116	-	(176)
Vehicles	(386,627)	(59,139)	41,455	(3,142)	(407,453)
Total accumulated depreciation	(9,605,312)	(693,636)	50,071	-	(10,248,877)
Total depreciable assets, net	7,791,889	(569,847)	-	29,000	7,251,042
Total capital assets	\$ 7,960,432	\$ (569,847)	\$ -	\$ -	\$ 7,390,585

Business-type activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

Water	\$ 233,703
Wastewater	459,933
Total depreciation expense	\$ 693,636

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT

A. Government-Wide Financial Statements

Governmental Activities

The following is a summary of governmental activity long-term debt transactions during the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Special assessment bonds	\$ 115,000	\$ -	\$ (25,000)	\$ 90,000	\$ 25,000	\$ 65,000
Capital lease-capital projects	547,893	-	(61,038)	486,855	70,473	416,382
Capital lease-renewable energy	585,536	-	(97,590)	487,946	97,590	390,356
Capital lease-mobile home park	440,609	-	(36,085)	404,524	45,472	359,052
Capital lease 911 system	17,707	-	(17,707)	-	-	-
Capital lease-vactor truck	34,166	-	(13,096)	21,070	13,695	7,375
Total	\$1,740,911	\$ -	\$ (250,516)	\$ 1,490,395	\$ 252,230	\$ 1,238,165

Special Assessment Bonds

The special assessment bonds were issued in an original amount of \$732,475 for the purpose of facilitating improvements to the Woodstone Center. The bonds are secured by assessments levied against property owners within the assessment district and from monies on deposit in a reserve fund. The bonds consist of 4.25 to 6.7 percent serial bonds maturing through September 2, 2023.

The annual debt service requirements on the special assessment bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 25,000	\$ 5,338	\$ 30,338
2022	30,000	3,721	33,721
2023	35,000	1,941	36,941
Total	\$90,000	\$11,000	\$101,000

Capital Lease Obligation - Capital Projects

In the 2006 fiscal year, the city entered into a financing arrangement to obtain \$2,880,000 in funds for future capital projects. The general fund will be responsible for paying debt service on the governmental activities portion of the lease obligation, which is about 41 percent of the total obligation. The water and wastewater enterprises are responsible for paying the other 59 percent of the obligation. The obligation is repayable from any source of legally available funds.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

The annual debt service requirements for the capital lease obligation are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2021	\$ 92,825	\$ 133,744	\$ 226,569
2022	92,825	133,744	226,569
2023	92,825	133,744	226,569
2024	92,825	133,744	226,569
2025	92,825	133,744	226,569
2026	92,825	133,744	226,569
Total minimum lease payments	556,950	802,464	1,359,414
Less amounts representing interest	(70,095)	(129,717)	(199,812)
Present value of net minimum lease payments	\$ 486,855	\$ 672,747	\$ 1,159,602

Other Capital Lease Obligations

Clean Renewable Energy - The City entered into a capital lease arrangement with Municipal Finance Corporation pursuant to approval from the Internal Revenue Service for the issuance of Clean Renewable Energy Bonds in the principal amount of \$2,074,000 for the purpose of obtaining zero interest financing for renewable energy projects of the City. The arrangement provides for the lease of the projects to Municipal Finance Corporation by the City and the sublease of the projects back to the City by Municipal Finance Corporation in exchange for the rental payments by the City. The City's lease payments to Municipal Finance Corporation are payable from any source of legally available funds.

Mobile Home Park - The City also entered into a similar lease financing arrangement with the Municipal Finance Corporation for the purpose of obtaining partial financing for the purchase of an existing mobile home park as part of an open space program of the City. The capital lease was for \$817,500 and it also is payable from any source of legally available funds.

Vactor Truck - The City entered into a capital lease arrangement with Holman Capital Corporation for the purpose of financing the acquisition of a sewer cleaning truck in the original lease amount of \$265,000. The lease is payable in annual payments \$14,084 through 2027 and bears interest at 2.25 percent.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

As of June 30, 2020, future minimum lease payments under these capital leases are as follows:

Year Ending June 30,	Renewable Energy Lease	Mobile Home Park Lease	Vactor Truck Lease	Total
2021	\$ 97,589	\$ 64,584	\$ 14,084	\$ 176,257
2022	97,589	64,584	7,042	169,215
2023	97,589	64,584	-	162,173
2024	97,589	64,584	-	162,173
2025	97,590	64,584	-	162,174
2026-2028	-	161,464	-	161,464
Total minimum lease payments	487,946	484,384	21,126	993,456
Less amounts representing interest	-	(79,860)	(56)	(79,916)
Present value of net minimum lease payments	\$ 487,946	\$ 404,524	\$ 21,070	\$ 913,540

Business-Type Activities

	Balance July 1, 2019 (as restated)	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Installment agreement	\$ 1,030,391	\$ -	\$ (46,836)	\$ 983,555	\$ 46,835	\$ 936,720
Capital lease-capital projects	760,689	-	(87,942)	672,747	101,540	571,207
Capital lease-vactor truck	103,544	-	(39,288)	64,256	41,087	23,169
State Drinking Water loan	125,983	-	(50,502)	75,481	52,867	22,614
Total	\$ 2,020,607	\$ -	\$ (224,568)	\$ 1,796,039	\$ 242,329	\$ 1,553,710

Installment Sale Agreement

The City in fiscal 2015 entered into an installment sale agreement with Municipal Finance Corporation for obtaining financing to assist in the removal of arsenic from water well seven and its treatment system. The agreement was for \$1,200,000, bears interest at 4.10 percent on the basis of a 360 day year, is repayable in annual installments of \$89,082, and matures in 20 years. The installment agreement is a special obligation of the City repayable solely from the net revenues of its water system; and the City has pledged its water system net revenues for this purpose and for any other parity obligations.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

The annual debt service requirements for the installment sale agreement are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 46,835	\$ 40,327	\$ 87,162
2022	50,755	38,327	89,082
2023	52,836	36,246	89,082
2024	55,002	34,080	89,082
2025	57,257	31,824	89,082
2025-2030	323,486	121,924	445,410
2031-2035	397,384	49,944	447,328
Total	\$ 983,555	\$ 352,672	\$ 1,336,228

Capital Lease Obligations

Capital Projects - In the 2006 fiscal year, the city entered into a financing arrangement to obtain \$2,880,000 in funds for future capital projects. The general fund will be responsible for paying debt service on the governmental activities portion of the lease obligation, which is about 41 percent of the total obligation. The water and wastewater enterprises are responsible for paying the other 59 percent of the obligation. The obligation is repayable from any source of legally available funds. Future minimum lease payment requirements are on page 65.

Vactor Truck - The City entered into a capital lease arrangement with Holman Capital Corporation for the purpose of financing the acquisition of a sewer cleaning truck in the original lease amount of \$265,000. The lease is payable in annual payments \$14,084 through 2027 and bears interest at 2.25 percent.

As of June 30, 2020, future minimum lease payments under these capital leases are as follows:

Year Ending June 30,	Vactor Truck Lease
2021	\$ 42,252
2022	28,167
Total minimum lease payments	70,419
Less amounts representing interest	(6,163)
Present value of net minimum lease payments	<u>\$ 64,256</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

State Revolving Fund Loan

The City in fiscal 2015 entered into a \$411,000 loan agreement for a Safe Drinking Water State Revolving Fund Loan. The loan bears interest at 2.085 percent and matures in five years. As of June 30, 2020, the city had drawn down only \$249,339 of the \$411,000 loan commitment.

The annual debt service requirements for the Safe Drinking Water Revolving Fund Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 52,867	\$ 1,307	\$ 54,174
2022	22,614	249	22,863
Total	\$ 75,481	\$ 1,556	\$ 77,037

7. COMPENSATED ABSENCES

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City.

A summary of changes in compensated absences for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Governmental activities	\$ 697,355	\$ 568,142	\$ (300,000)	\$ 965,497	\$ 300,000	\$ 665,497
Business-type activities	36,703	20,113	(6,000)	50,816	4,000	46,816
Total	\$ 734,058	\$ 588,255	\$ (306,000)	\$ 1,016,313	\$ 304,000	\$ 712,313

8. OTHER FUND DISCLOSURES

A. Deficit Balances

At June 30, 2020, the funds below had the following deficit fund balance or net position:

Non-major governmental Funds:

Park in Lieu Special Revenue Fund \$ 10,535

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City, due to the costs of available coverage, participates as a member of the Redwood Empire Municipal Insurance Fund (REMIF). REMIF provides joint protection programs for public entities covering automobile, general liability, errors and omissions, property and workers compensation claims. Under the program, the City has a \$5,000 retention limit similar to a deductible with the REMIF being responsible for losses above that amount up to \$500,000 for liability losses, \$1,000,000 for workers compensation claims, and \$25,000 for property damage. The Fund carries purchased excess commercial liability insurance of \$39.5 million in excess of its \$500,000 limit, and a commercial property policy for \$300 million. Financial information pertaining to REMIF can be obtained from its administrative offices at 414 W. Napa Street, Sonoma, California 95476.

Liabilities of the City are reported in the statement of net position when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The City's only exposure to claim liabilities would be for losses, if any, not covered by REMIF.

There have been no significant changes in insurance coverages in fiscal 2020. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no significant uninsured claim liabilities at June 30, 2020.

10. PENSION PLANS

A. *Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two miscellaneous rate plans and three safety rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. PENSION PLANS, Continued

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee’s Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous	
	Miscellaneous	PEPRA Miscellaneous
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%
Required employee contribution rates	6.886%	6.250%
Required employer contribution rates	10.221%	6.985%
Required unfunded liability payment	\$ 459,790	\$ 1,924

	Safety		
	Safety Fire	Safety Police	PEPRA Safety
Hire date - Fire	Prior to January 1 2013	Prior to January 1 2013	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0% to 2.7%
Required employee contribution rates	8.987%	8.987%	N/A
Required employer contribution rates	20.707%	20.707%	13.034%
Required unfunded liability payment	\$ 55,718	\$ 517,551	\$ 3,082

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. PENSION PLANS, Continued

B. Benefits Provided, Continued

Contributions - Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The General Fund has typically been used to liquidate pension liabilities for governmental funds.

The City’s contributions to the Plan for the measurement period ended June 30, 2019 were \$1,343,860.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$13,028,541.

The City’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City’s proportionate share of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City’s proportionate share of the net pension liability for each Plan as of measurement dates June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.12736%
Proportion - June 30, 2019	<u>0.12714%</u>
Change - Increase (Decrease)	-0.00022%

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. PENSION PLANS, Continued

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

For the year ended June 30, 2020, the City recognized pension expense of \$2,427,967. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,530,553	\$ -
Changes of assumptions	573,190	156,306
Differences between expected and actual experience	854,712	11,191
Changes in employer's proportion	810	107,542
Differences between the employer's contribution and the employer's proportionate share of contributions	-	70,808
Net differences between projected and actual earnings on plan investments	-	201,029
Total	\$ 2,959,265	\$ 546,876

\$1,530,553 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	
Ending June 30:	
2021	\$ 866,154
2022	(139,935)
2023	115,736
2024	39,881

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. PENSION PLANS, Continued

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

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality	Derived by CalPERS membership data for all funds

⁽¹⁾ Net of pension plan investment expenses.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. Further details of the December 2017 Experience Study can be found on the CalPERS website www.calpers.ca.gov.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. PENSION PLANS, Continued

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

^(a) An expected inflation of 2.0% used for this period.

^(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 19,253,361
Current Discount Rate	7.15%
Net Pension Liability	\$ 13,028,541
1% Increase	8.15%
Net Pension Liability	\$ 7,907,646

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

11. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

A. Plan Description

The City administers the City's retired employees' healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. City resolutions and agreements assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust account has not been established by the City for the Plan.

B. Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Health Plan:

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	<u>30</u>
Total	49

C. Contribution

The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits determined annually by the City Council. For the measurement period ended June 30, 2019, the City contributed \$99,403 of current year premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts to the total premiums. The General Fund has typically been used to liquidate OPEB liabilities for governmental funds.

D. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation dated June 30, 2019 actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	2.79%
Inflation	2.75%
Salary Increases	3.00%
Mortality ⁽¹⁾	Derived by CalPERS membership data for all funds
Healthcare cost trend rates:	5.00%

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2015 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

11. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds, as of the valuation date.

F. Changes in the Total OPEB Liability

The changes in the total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 3,052,521</u>
Changes in the year:	
Service cost	56,412
Interest on the total OPEB liability	89,484
Differences between actual and expected experience	(492,345)
Changes in assumptions	75,694
Benefits paid to retirees	<u>(99,403)</u>
Net changes	<u>(370,158)</u>
Balance at June 30, 2019	<u><u>\$ 2,682,363</u></u>

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

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

1% Decrease - 1.79%	
Total OPEB liability	\$ 3,070,456
Current Discount Rate - 2.79%	
Total OPEB liability	\$ 2,682,363
1% Increase - 3.79%	
Total OPEB liability	\$ 2,365,041

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

11. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

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

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

1% Decrease - 4%	
Total OPEB liability	\$ 2,577,090
Current Rate - 5%	
Total OPEB liability	\$ 2,682,363
1% Increase - 6%	
Total OPEB liability	\$ 2,808,400

I. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$90,997. For the fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 89,070	\$ -
Differences between expected and actual experience	-	440,519
Changes of assumptions	114,115	117,875
Total	<u>\$ 203,185</u>	<u>\$ 558,394</u>

The \$89,070 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	
2021	\$ (54,899)
2022	(54,899)
2023	(54,899)
2024	(54,899)
2025	(54,899)
Thereafter	(169,784)

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

12. JOINTLY GOVERNED ORGANIZATIONS AND OPERATING AGREEMENTS

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations other than the insurance authority described in the preceding notes. The City is a party to the following agreement:

Santa Rosa Subregional Wastewater System - The City has an agreement with System for the treatment of wastewater as the City does not own or operate its own wastewater treatment plant. The City's obligations under the agreement are to pay to the System its share of the costs of operating the system and treatment of wastewater. The City records these payments as operating expenses in its wastewater enterprise fund.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the financial reporting entity of the City of Sebastopol that previously reported a redevelopment agency within the financial reporting entity of the City as a blended component unit. The bill provides that upon dissolution of the redevelopment agency, either the City or another unit of government will agree to serve as the successor agency to hold assets until they are distributed to other units of State and Local government. The City Council of the City of Sebastopol elected to have the City become the Successor Agency for the former redevelopment agency non-housing activities and elected to not be the Successor Agency for housing activities of the former agency. Accordingly, all housing related assets and liabilities of the former agency were, effective February 1, 2012, transferred by operation of law to the County of Sonoma.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight Board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future years, successor agencies will only be allocated revenues in the amount that is necessary to pay annual estimated installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the former agency have been paid in full and all assets have been liquidated. The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between the redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the encumbrance or expenditure of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY,
Continued

Prior to that date, the final seven months of the financial activity of the redevelopment agency continued to be reported in the governmental fund types of the City of Sebastopol. After the date of dissolution, the assets and financial activities of the dissolved redevelopment agency (except for those of the former agency's housing activities that were transferred to the County) are reported in a fiduciary fund (the private-purpose trust fund) in the financial statements of the City of Sebastopol. The assets and liabilities of the private purpose trust are excluded from the government wide statement of net position of the City and the Statement of Activities of the City because fiduciary fund assets are not available in any fashion for use by the City of Sebastopol.

A. Long-Term Obligations

Changes in the bonds during the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year	Due in More than One Year
Tax allocation refunding bonds	\$ 810,000	\$ -	\$ (395,000)	\$ 415,000	\$ 415,000	\$ -
Original issue discount	(17,965)	-	17,965	-	-	-
Total	\$ 792,035	\$ -	\$ (377,035)	\$ 415,000	\$ 415,000	\$ -

Tax Allocation Refunding Bonds 2007 Series - Original Issue

On November 6, 2007, The City's former Development Agency issued \$4,575,000 in subordinate tax allocation bonds, series 2007 to advance refund and retire the Agency's 1997 bond issues. The tax allocation bonds consist of \$4,575,000 in serial bonds bearing interest at rates from 3.3 percent to 4.0 percent. The bonds were secured by a pledge of the former Agency's tax increment revenues.

The annual debt service requirements for the Tax Allocation Refunding Bonds 2007 Series are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 415,000	\$ 12,500	\$ 427,500
Total	\$ 415,000	\$ 12,500	\$ 427,500

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2020

14. COVID-19 PANDEMIC

During December 2019, the Novel Corona Virus Disease (COVID-19) was discovered. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization on March 11, 2020. On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency as a result of the threat of the COVID-19 in the State of California, leading to the County of Sonoma Health Officer issuing a stay-at-home directive on March 18, 2020. This halted all business within the County of Sonoma, including the City of Sebastopol outside of essential activities.

COVID-19 had an immediate and severe impact on the City of Sebastopol’s tax revenues. While 2019-20 property tax revenues were inoculated from COVID-19 due to the lien date (and change in California Consumer Price Index) of January 1, 2019, preceding the onset of COVID-19 in March 2020, as clearly evident in the City’s basic financial statements, sales tax, transient occupancy tax (TOT), and property transfer tax were susceptible to the economic impact of COVID-19. The reduction in sales tax revenue reflects the loss of retail and hospitality sales due to the shelter in place orders.

In response to the economic impact and the resultant structural imbalance of the City’s General Fund brought on by COVID-19, the City Council approved a use of unassigned general fund balance of \$2,198,000 for the FY 2020-2021 adopted budget. The adopted budget’s general fund unassigned balance is estimated to be \$2,378,000 at June 30, 2021. The projected unassigned fund balance covers 22% of the adopted budget’s expenditures, which is above the policy benchmark of 20%.

15. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustment to account for an adjustment made to loans payable.

	Net Position, as Previously Reported at June 30, 2019	<u>Prior Period Adjustments</u> Long term debt	Net Position, as Restated at June 30, 2019
Government-Wide Statements			
Business-type Activities	\$ 9,530,889	\$ (27,121)	\$ 9,503,768
Fund Statements			
Water Enterprise Fund	\$ 4,458,479	\$ (27,121)	\$ 4,431,358

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. Appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function and department. The City manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

The following are the budget comparison schedule for the General Fund

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 2,475,380	\$ 2,661,205	\$ 2,781,985	\$ 120,780
Real property transfer	39,000	39,000	38,066	(934)
Transient occupancy tax	650,000	650,000	518,175	(131,825)
Sales and use	4,849,300	4,794,700	4,455,128	(339,572)
Franchises	324,500	353,000	336,738	(16,262)
Subtotal	8,338,180	8,497,905	8,130,092	(367,813)
Licenses, permits and fees:				
Business licenses	105,000	105,000	151,321	46,321
Animal licenses	14,500	14,500	14,840	340
Building permits	150,000	150,000	283,714	133,714
Subtotal	269,500	269,500	449,875	180,375
Fines, forfeitures and penalties:				
Vehicle code	48,000	35,000	28,822	(6,178)
Parking fines	22,000	21,000	19,349	(1,651)
Subtotal	70,000	56,000	48,171	(7,829)
Interest and rentals:				
Investment earnings	40,000	165,000	308,021	143,021
Rent - Cell Tower	44,496	39,900	40,298	398
Rent - other	6,000	5,500	6,716	1,216
Subtotal	90,496	210,400	355,035	144,635
Intergovernmental:				
State motor vehicle in-lieu tax	3,500	3,500	6,241	2,741
Reimbursements	21,500	27,000	13,234	(13,766)
Other	-	1,500,000	1,716,306	216,306
Subtotal	25,000	1,530,500	1,735,781	205,281
Charges for current services:				
Sales of publications	800	-	368	368
Planning fees	40,000	40,000	27,720	(12,280)
Building inspection	15,300	1,000	785	(215)
Encroachment Permits	27,000	31,000	32,135	1,135
Public Works Services	6,000	6,000	2,774	(3,226)
Public Safety Services	51,500	36,000	34,412	(1,588)
Fire Inspection Fees	27,000	30,000	52,842	22,842
Other charges	9,500	14,100	40,151	26,051
Subtotal	177,100	158,100	191,187	33,087
Donations and miscellaneous:				
Redevelopment administration	250,000	250,000	250,300	300
Sale of Land/Building	1,500	-	10,870	10,870
Miscellaneous	72,300	163,300	312,961	149,661
Subtotal	323,800	413,300	574,131	160,831
Total revenues	9,294,076	11,135,705	11,484,272	348,567

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund, Continued

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
General Government:				
City Council	231,218	256,085	226,257	29,828
City Manager	181,380	225,232	254,351	(29,119)
City Attorney	135,700	137,347	153,522	(16,175)
City Clerk	282,061	290,676	285,486	5,190
Finance and accounting	257,206	275,110	241,745	33,365
Planning	549,002	584,196	477,036	107,160
Building inspection	238,136	292,411	234,538	57,873
General government non-departmental	291,635	354,433	310,334	44,099
Subtotal	<u>2,166,338</u>	<u>2,415,490</u>	<u>2,183,269</u>	<u>232,221</u>
Public safety:				
Police protection	4,231,475	4,296,875	4,324,877	(28,002)
Animal control	20,200	20,200	20,286	(86)
Fire protection	1,031,760	1,076,095	945,616	130,479
Fire emergency procedures	5,500	5,500	11,850	(6,350)
Subtotal	<u>5,288,935</u>	<u>5,398,670</u>	<u>5,302,629</u>	<u>96,041</u>
Public works:				
Corporation Yard	73,853	86,516	96,531	(10,015)
Streets Maintenance	458,243	476,176	380,318	95,858
Parking Lots Maintenance	110,975	120,035	107,731	12,304
Engineering	230,036	236,572	193,157	43,415
Subtotal	<u>873,107</u>	<u>919,299</u>	<u>777,737</u>	<u>141,562</u>
Parks and recreation:				
Parks & Landscaping Maintenance	418,380	424,950	401,390	23,560
Ives Pool	126,390	132,690	123,500	9,190
Recreation administration and programs	330,840	511,270	445,123	66,147
Subtotal	<u>875,610</u>	<u>1,068,910</u>	<u>970,013</u>	<u>98,897</u>
Capital outlay	50,032	50,032	160,725	(110,693)
Debt service:				
Principal	164,484	164,484	153,500	10,984
Interest	39,229	39,229	51,170	(11,941)
Subtotal	<u>203,713</u>	<u>203,713</u>	<u>204,670</u>	<u>(957)</u>
Total expenditures	<u>9,457,735</u>	<u>10,056,114</u>	<u>9,599,043</u>	<u>457,071</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(163,659)</u>	<u>1,079,591</u>	<u>1,885,229</u>	<u>805,638</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	4,493	4,493
Transfers out	(1,108,300)	(1,654,000)	(348,702)	1,305,298
Total other financing sources (uses)	<u>(1,108,300)</u>	<u>(1,654,000)</u>	<u>(344,209)</u>	<u>1,309,791</u>
Net change in fund balances	<u>\$ (1,271,959)</u>	<u>\$ (574,409)</u>	<u>1,541,020</u>	<u>\$ 2,115,429</u>
FUND BALANCES:				
Beginning of year			<u>8,601,787</u>	
End of year			<u>\$ 10,142,807</u>	

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2020

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal year:	2020	2019	2018	2017	2016
Measurement date:	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Proportion of the net pension liability	\$ 13,028,541	\$ 12,272,694	\$ 12,460,116	\$ 11,055,177	\$ 8,978,404
Proportionate share of the net pension liability	0.127140%	0.127360%	0.125641%	0.127760%	0.130805%
Covered payroll	\$ 4,277,495	\$ 4,075,272	\$ 3,959,602	\$ 3,816,625	\$ 3,636,221
Proportionate share of the net pension liability as a percentage of covered payroll	304.58%	301.15%	314.68%	289.66%	246.92%
Plan's share of fiduciary net position as a percentage of total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%

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

B. Schedule of Contributions - Last 10 Years*

	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16
Contractually required contribution(actuarially determined)	\$ 1,530,553	\$ 1,343,860	\$ 1,187,535	\$ 1,099,458	\$ 920,324
Contribution in relation to the actuarially determined contributions	(1,530,553)	(1,343,860)	(1,187,535)	(1,099,458)	(920,324)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,407,536	\$ 4,277,495	\$ 4,075,272	\$ 3,959,602	\$ 3,816,628
Contributions as a percentage of covered payroll	34.73%	31.42%	29.14%	27.77%	24.11%

* Historical information is required only for measurement periods for which GASB 68 is applicable

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2020

3. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

*A. Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

Total OPEB Liability	2019	2018	2017
Changes in the year:			
Service cost	\$ 56,412	\$ 54,769	\$ 58,870
Interest on the total OPEB liability	89,484	90,545	81,308
Differences between actual and expected experience	(492,345)	-	-
Changes in assumptions	75,694	57,987	(168,395)
Benefits paid to retirees	(99,403)	(87,182)	(71,368)
Net changes	(370,158)	116,119	(99,585)
Total OPEB Liability beginning of the year	3,052,521	2,936,402	3,035,987
Total OPEB Liability end of the year	\$ 2,682,363	\$ 3,052,521	\$ 2,936,402
Covered-employee payroll	\$ 4,137,211	\$ 3,956,662	\$ 3,982,276
City's total OPEB liability as a percentage of covered-employee payroll	64.84%	77.15%	77.15%

* Historical information is required only for measurement periods for which GASB 75 is applicable

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Police Grant Fund accounts for accounts for the revenues and expenditures of State and Federal grants such as State SLESF (Supplemental Law Enforcement Services Fund).

Gas Tax Fund accounts for funds from the State of California under the Street and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5. The use of funds is restricted to street related projects, which can include related public facilities for non-motorized traffic, e.g. bike and pedestrian paths.

Park in Lieu receives revenue from new residential and hotel development, to mitigate the impact of such new development on City park and recreation facilities. The use of revenues from the Fund is restricted to park and recreation capital improvements.

Traffic Impact was established to reduce the traffic impacts caused by new development within the City limits and certain public improvements (transportation system infrastructure) and revenue collected from these fees shall be used solely to pay for the City's future construction of facilities or services or reimburse the City for facilities constructed by the City with funds advanced by the City from other sources.

Street Lighting Assessment is established to receive special assessment district monies used for maintenance and or servicing of existing and future public lighting facilities, and the installation or construction of public lighting for the maintenance of servicing thereof, including grading, clearing, removal of debris, the installation of curbs and gutters, walls, sidewalks or paving or water, irrigation, drainage or electrical facilities.

Asset Forfeiture is used for specified police activities (excluding regular salary) from confiscated assets of convicted drug felons.

Downtown Association is used to account for revenues and expenditures for the Downtown Association District.

Art in Lieu accounts for developer contributions in lieu of installation of public art on project sites and income received from art programs and events to fund public artwork, cultural programs, maintenance/conservation, and administrative costs relating to the Art in Public Places Program.

Measure M receives funding from the County for construction of eligible transportation projects that improve the quality of roads, sidewalks and bike lanes.

Housing General Plan identifies the City's housing conditions and needs, establishes the goals, objectives, and policies that are the foundation of the City's housing and growth strategy.

Street Reserve accounts for the tax reserved for local streets and roads.

Vehicle Abatement accounts for monies for inspection, mark, or tow the vehicles that appear to be abandoned, non-operable, or not registered.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, CONTINUED

Inclusionary and Linkage Housing accounts for revenue receives from fee payment to be used for the exclusive purpose of providing housing affordable to low and moderate income households in the City for construction of three or more new dwelling units, or for the division or subdivision of land into three or more lots for residential use.

Building Permit Incremental Fund accounts for revenue receives from construction inspection and plan checks to fund training, certification exams and courses.

Community Development Block Grant accounts for revenue and expenditures of CDBG funds awarded by the Department of Housing and Urban Development.

BSCC 1:4:1 Youth Fund accounts for monies for the Youth Offender Block Grant.

SB1 Road and Maintenance Fund accounts for revenue and expenditures of SB1 monies.

CAPITAL PROJECTS FUNDS

General Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Undergrounding is an in-lieu fee paid by development projects, where the City Engineer has determined physical undergrounding of overhead utilities is not practical. The Fund is used for general City utility undergrounding projects.

DEBT SERVICE FUNDS

Woodstone Assessment District is the bonds which were issued to finance construction including street improvements, drainage, streets lights and signalization to the Fairfield Inn (formerly Holiday Inn), and acquisition of certain public improvements specically benefitting properties located within the boundaries of City Assesment District 1992-1 (Woodstone Center).

Clean Renewable Energy Bonds is used for projects include solar panels to generate electricity at the City Hall/Library complex, the Police station and at the sewer lift station, and funds to implement projects for pedestrian safety contained in the Street Smart Study.

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
ASSETS				
Cash and investments	\$ 7,697	\$ -	\$ 349	\$ 367,337
Restricted cash and investments	-	-	-	-
Accounts receivable	90	-	-	-
Taxes receivable	-	-	-	-
Assessment receivable	-	-	-	-
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	2,430	-	-
Total assets	\$ 7,787	\$ 2,430	\$ 349	\$ 367,337
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES				
Liabilities:				
Accounts payable	-	(36)	-	-
Due to other funds	-	-	10,884	-
Unearned revenues	-	-	-	-
Total liabilities	-	(36)	10,884	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund Balances:				
Nonspendable for prepaid items	-	2,430	-	-
Restricted for :				
Highways and streets	-	-	-	367,337
Public safety	7,787	36	-	-
Community promotion	-	-	-	-
Debt service	-	-	-	-
Affordable housing	-	-	-	-
Parks and recreation	-	-	-	-
Committed for street projects	-	-	-	-
Unassigned	-	-	(10,535)	-
Total fund balances	7,787	2,466	(10,535)	367,337
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,787	\$ 2,430	\$ 349	\$ 367,337

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve
\$ 30,254	\$ 7,764	\$ 85	\$ 149,941	\$ 220,603	\$ 90,504	\$ 440,280
-	-	-	-	-	-	-
167	-	-	-	-	-	-
-	-	-	-	30,223	-	-
-	-	-	-	-	-	-
-	-	-	-	10,884	-	-
221	-	-	-	-	-	-
<u>\$ 30,642</u>	<u>\$ 7,764</u>	<u>\$ 85</u>	<u>\$ 149,941</u>	<u>\$ 261,710</u>	<u>\$ 90,504</u>	<u>\$ 440,280</u>
-	-	-	7,000	-	-	-
-	-	-	-	-	-	-
-	5,640	-	-	-	-	-
-	5,640	-	7,000	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
221	-	-	-	-	-	-
30,421	-	-	-	261,710	-	-
-	2,124	-	-	-	-	-
-	-	85	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	90,504	-
-	-	-	142,941	-	-	-
-	-	-	-	-	-	440,280
-	-	-	-	-	-	-
<u>30,642</u>	<u>2,124</u>	<u>85</u>	<u>142,941</u>	<u>261,710</u>	<u>90,504</u>	<u>440,280</u>
<u>\$ 30,642</u>	<u>\$ 7,764</u>	<u>\$ 85</u>	<u>\$ 149,941</u>	<u>\$ 261,710</u>	<u>\$ 90,504</u>	<u>\$ 440,280</u>

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue			
	Vehicle Abatement	Inclusionary and Linkage Housing	Building Permit Incremental Fund	Community Development Block Grant
ASSETS				
Cash and investments	\$ 4,918	\$ 132,605	\$ 35,047	\$ -
Restricted cash and investments	-	-	-	-
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Assessment receivable	-	-	-	-
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 4,918	\$ 132,605	\$ 35,047	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund Balances:				
Nonspendable for prepaid items	-	-	-	-
Restricted for :				
Highways and streets	-	-	-	-
Public safety	4,918	-	-	-
Community promotion	-	-	-	-
Debt service	-	-	-	-
Affordable housing	-	132,605	-	-
Parks and recreation	-	-	-	-
Committed for street projects	-	-	35,047	-
Unassigned	-	-	-	-
Total fund balances	4,918	132,605	35,047	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,918	\$ 132,605	\$ 35,047	\$ -

Special Revenue		Capital Project		Debt Service		Total Non-Major Governmental Funds
BSCC 1:4:1 Youth	SB1 Road and Maintenance	Undergrounding	General Capital Project	Woodstone Assessment District	Clean Renewable Energy Bonds	
\$ 7,339	\$ 286,916	\$ 242,990	\$ 36,620	\$ -	\$ 29,982	\$ 2,091,231
-	-	-	-	37,634	-	37,634
-	-	-	-	-	-	257
-	9,833	-	-	-	-	40,056
-	-	-	-	90,000	-	90,000
-	-	-	-	-	213,393	213,393
-	-	-	-	-	-	10,884
-	-	-	-	-	-	2,651
<u>\$ 7,339</u>	<u>\$ 296,749</u>	<u>\$ 242,990</u>	<u>\$ 36,620</u>	<u>\$ 127,634</u>	<u>\$ 243,375</u>	<u>\$ 2,486,106</u>
-	-	-	36,620	-	-	\$ 43,584
-	-	-	-	14,277	-	25,161
-	-	-	-	-	-	5,640
-	-	-	36,620	14,277	-	74,385
-	-	-	-	90,000	213,393	303,393
-	-	-	-	-	-	2,651
-	296,749	242,990	-	-	-	1,199,207
7,339	-	-	-	-	-	22,204
-	-	-	-	-	-	85
-	-	-	-	23,357	29,982	53,339
-	-	-	-	-	-	223,109
-	-	-	-	-	-	142,941
-	-	-	-	-	-	475,327
-	-	-	-	-	-	(10,535)
<u>7,339</u>	<u>296,749</u>	<u>242,990</u>	<u>-</u>	<u>23,357</u>	<u>29,982</u>	<u>2,108,328</u>
<u>\$ 7,339</u>	<u>\$ 296,749</u>	<u>\$ 242,990</u>	<u>\$ 36,620</u>	<u>\$ 127,634</u>	<u>\$ 243,375</u>	<u>\$ 2,486,106</u>

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2020

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	115,573	177,050	-	20,000
Interest and rents	158	-	2,422	8,339
Charges for services	-	-	18,885	25,083
Miscellaneous	810	-	30,000	-
Total revenues	116,541	177,050	51,307	53,422
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public safety	146,289	-	-	-
Public works	-	188,008	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	20,693	-
Interest	-	-	10,777	-
Total expenditures	146,289	188,008	31,470	-
REVENUES OVER (UNDER) EXPENDITURES	(29,748)	(10,958)	19,837	53,422
OTHER FINANCING SOURCES (USES):				
Transfers in	34,601	13,622	-	-
Transfers out	-	-	(171,677)	(52,652)
Total other financing sources (uses)	34,601	13,622	(171,677)	(52,652)
Net change in fund balances	4,853	2,664	(151,840)	770
FUND BALANCES:				
Beginning of the year	2,934	(198)	141,305	366,567
End of year	\$ 7,787	\$ 2,466	\$ (10,535)	\$ 367,337

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve
\$ 129,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	154,251	-	-
-	-	8,765	-	-	-	-
-	-	-	-	-	-	18,474
191	-	57	3,200	487	1,897	9,293
-	-	-	15,545	-	12,248	-
-	358	-	-	-	-	-
<u>130,174</u>	<u>358</u>	<u>8,822</u>	<u>18,745</u>	<u>154,738</u>	<u>14,145</u>	<u>27,767</u>
12,946	-	8,766	7,000	-	-	-
-	-	-	-	-	-	-
96,449	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>109,395</u>	<u>-</u>	<u>8,766</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
20,779	358	56	11,745	154,738	14,145	27,767
-	-	-	-	-	-	-
-	-	-	-	(11,733)	-	-
-	-	-	-	(11,733)	-	-
20,779	358	56	11,745	143,005	14,145	27,767
9,863	1,766	29	131,196	118,705	76,359	412,513
<u>\$ 30,642</u>	<u>\$ 2,124</u>	<u>\$ 85</u>	<u>\$ 142,941</u>	<u>\$ 261,710</u>	<u>\$ 90,504</u>	<u>\$ 440,280</u>

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2020

	Special Revenue			
	Vehicle Abatement	Inclusionary and Linkage Housing	Building Permit Incremental Fund	Community Development Block Grant
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Interest and rents	-	2,870	678	-
Charges for services	42	10,498	11,912	-
Miscellaneous	-	-	-	-
Total revenues	42	13,368	12,590	-
EXPENDITURES:				
Current:				
General Government	-	-	1,507	1,035
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	1,507	1,035
REVENUES OVER (UNDER) EXPENDITURES	42	13,368	11,083	(1,035)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	1,225
Transfers out	-	(12,065)	-	(190)
Total other financing sources (uses)	-	(12,065)	-	1,035
Net change in fund balances	42	1,303	11,083	-
FUND BALANCES:				
Beginning of the year	4,876	131,302	23,964	-
End of year	\$ 4,918	\$ 132,605	\$ 35,047	\$ -

Special Revenue		Capital Project			Debt Service		Total Non-Major Governmental Funds
BSCC 1:4:1 Youth	SB1 Road and Maintenance	Undergrounding	General Capital Project	Woodstone Assessment District	Clean Renewable Energy Bonds		
\$ -	\$ -	\$ -	\$ -	\$ 31,712	\$ -		\$ 161,695
-	-	-	-	-	-		154,251
-	-	-	-	-	-		8,765
-	146,507	-	-	-	-		477,604
-	-	5,236	-	459	444		35,731
-	-	-	-	-	8,520		102,733
-	-	-	-	-	(2,828)		28,340
-	146,507	5,236	-	32,171	6,136		969,119
-	-	-	-	1,560	-		32,814
-	-	-	-	-	-		146,289
-	-	-	-	-	-		284,457
-	-	-	429,531	-	-		429,531
-	-	-	-	25,000	51,323		97,016
-	-	-	-	8,171	-		18,948
-	-	-	429,531	34,731	51,323		1,009,055
-	146,507	5,236	(429,531)	(2,560)	(45,187)		(39,936)
-	-	-	547,571	-	31,024		628,043
-	-	-	(4,493)	-	-		(252,810)
-	-	-	543,078	-	31,024		375,233
-	146,507	5,236	113,547	(2,560)	(14,163)		335,297
7,339	150,242	237,754	(113,547)	25,917	44,145		1,773,031
\$ 7,339	\$ 296,749	\$ 242,990	\$ -	\$ 23,357	\$ 29,982		\$ 2,108,328

City of Sebastopol

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

Police Grants

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,000	\$ 100,000	\$ 115,573	\$ 15,573
Interest and rents	-	-	158	158
Miscellaneous	855	855	810	(45)
Total revenues	110,855	100,855	116,541	15,686
EXPENDITURES:				
Current:				
Public safety	118,300	128,300	146,289	(17,989)
Total expenditures	118,300	128,300	146,289	(17,989)
REVENUES OVER (UNDER) EXPENDITURES	(7,445)	(27,445)	(29,748)	(2,303)
OTHER FINANCING SOURCES (USES):				
Transfers in	8,300	41,300	34,601	(6,699)
Total other financing sources (uses)	8,300	41,300	34,601	(6,699)
Net change in fund balances	\$ 855	\$ 13,855	4,853	\$ (9,002)
FUND BALANCES:				
Beginning of the year			2,934	
End of year			<u>\$ 7,787</u>	

City of Sebastopol

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

Gas Tax

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 200,800	\$ 200,800	\$ 177,050	\$ (23,750)
Total revenues	<u>200,800</u>	<u>200,800</u>	<u>177,050</u>	<u>(23,750)</u>
EXPENDITURES:				
Current:				
Public works	177,500	182,200	188,008	(5,808)
Total expenditures	<u>177,500</u>	<u>182,200</u>	<u>188,008</u>	<u>(5,808)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>23,300</u>	<u>18,600</u>	<u>(10,958)</u>	<u>(29,558)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	13,622	13,622
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>13,622</u>	<u>13,622</u>
Net change in fund balances	<u>\$ 23,300</u>	<u>\$ 18,600</u>	2,664	<u>\$ (15,936)</u>
FUND BALANCES:				
Beginning of the year			<u>(198)</u>	
End of year			<u>\$ 2,466</u>	

City of Sebastopol

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

Park in Lieu

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 326,943	\$ 326,943	\$ -	\$ (326,943)
Interest and rents	1,500	1,500	2,422	922
Charges for services	33,000	33,000	18,885	(14,115)
Miscellaneous	58,000	58,000	30,000	(28,000)
Total revenues	419,443	419,443	51,307	(368,136)
EXPENDITURES:				
Debt service:				
Principal	22,775	22,775	20,693	2,082
Interest	8,695	8,695	10,777	(2,082)
Total expenditures	31,470	31,470	31,470	-
REVENUES OVER (UNDER) EXPENDITURES	387,973	387,973	19,837	(368,136)
OTHER FINANCING SOURCES (USES):				
Transfers out	(540,397)	(540,397)	(171,677)	368,720
Total other financing sources (uses)	(540,397)	(540,397)	(171,677)	368,720
Net change in fund balances	\$ (152,424)	\$ (152,424)	(151,840)	\$ 584
FUND BALANCES:				
Beginning of the year			141,305	
End of year			<u>\$ (10,535)</u>	

City of Sebastopol

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

Traffic Impact

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 20,000	\$ 20,000
Interest and rents	3,700	3,700	8,339	4,639
Charges for services	24,000	24,000	25,083	1,083
Total revenues	27,700	27,700	53,422	25,722
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	27,700	27,700	53,422	25,722
OTHER FINANCING SOURCES (USES):				
Transfers out	(227,335)	(227,335)	(52,652)	174,683
Total other financing sources (uses)	(227,335)	(227,335)	(52,652)	174,683
Net change in fund balances	\$ (199,635)	\$ (199,635)	770	\$ 200,405
FUND BALANCES:				
Beginning of the year			366,567	
End of year			<u>\$ 367,337</u>	

City of Sebastopol

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

Street Lighting Assessment

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 131,317	\$ 131,317	\$ 129,983	\$ (1,334)
Interest and rents	100	100	191	91
Total revenues	131,417	131,417	130,174	(1,243)
EXPENDITURES:				
Current:				
General Government	102,000	12,000	12,946	(946)
Public works	117,440	117,440	96,449	20,991
Total expenditures	219,440	129,440	109,395	20,045
REVENUES OVER (UNDER) EXPENDITURES	(88,023)	1,977	20,779	18,802
Net change in fund balances	\$ (88,023)	\$ 1,977	20,779	\$ 18,802
FUND BALANCES:				
Beginning of the year			9,863	
End of year			<u>\$ 30,642</u>	

City of Sebastopol

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

Asset Forfeiture

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ 358	\$ 358
Total revenues	-	-	358	358
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	358	358
Net change in fund balances	\$ -	\$ -	358	\$ 358
FUND BALANCES:				
Beginning of the year			1,766	
End of year			<u>\$ 2,124</u>	

City of Sebastopol

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

Downtown Association

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 8,000	\$ 8,000	\$ 8,765	\$ 765
Interest and rents	-	-	57	57
Total revenues	8,000	8,000	8,822	822
EXPENDITURES:				
Current:				
General Government	8,000	8,000	8,766	(766)
Total expenditures	8,000	8,000	8,766	(766)
REVENUES OVER (UNDER) EXPENDITURES	-	-	56	56
Net change in fund balances	\$ -	\$ -	56	\$ 56
FUND BALANCES:				
Beginning of the year			29	
End of year			<u>\$ 85</u>	

City of Sebastopol

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

Art in Lieu

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 3,200	\$ 3,200
Charges for services	5,000	5,000	15,545	10,545
Total revenues	5,000	5,000	18,745	13,745
EXPENDITURES:				
Current:				
General Government	93,000	93,000	7,000	86,000
Total expenditures	93,000	93,000	7,000	86,000
REVENUES OVER (UNDER) EXPENDITURES	(88,000)	(88,000)	11,745	99,745
Net change in fund balances	\$ (88,000)	\$ (88,000)	11,745	\$ 99,745
FUND BALANCES:				
Beginning of the year			131,196	
End of year			<u>\$ 142,941</u>	

City of Sebastopol

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

Measure M

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 135,000	\$ 135,000	\$ 154,251	\$ 19,251
Interest and rents	2,000	2,000	487	(1,513)
Total revenues	137,000	137,000	154,738	17,738
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	137,000	137,000	154,738	17,738
OTHER FINANCING SOURCES (USES):				
Transfers out	(315,000)	(315,000)	(11,733)	303,267
Total other financing sources (uses)	(315,000)	(315,000)	(11,733)	303,267
Net change in fund balances	\$ (178,000)	\$ (178,000)	143,005	\$ 321,005
FUND BALANCES:				
Beginning of the year			118,705	
End of year			<u>\$ 261,710</u>	

City of Sebastopol

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

Housing General Plan

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 500	\$ 500	\$ 1,897	\$ 1,397
Charges for services	5,000	5,000	12,248	7,248
Total revenues	<u>5,500</u>	<u>5,500</u>	<u>14,145</u>	<u>8,645</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,500</u>	<u>5,500</u>	<u>14,145</u>	<u>8,645</u>
OTHER FINANCING SOURCES (USES):				
Net change in fund balances	<u>\$ 5,500</u>	<u>\$ 5,500</u>	14,145	<u>\$ 8,645</u>
FUND BALANCES:				
Beginning of the year			<u>76,359</u>	
End of year			<u>\$ 90,504</u>	

City of Sebastopol

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

Street Reserve

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 18,474	\$ 18,474
Interest and rents	1,500	1,500	9,293	7,793
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>27,767</u>	<u>26,267</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>27,767</u>	<u>\$ 26,267</u>
FUND BALANCES:				
Beginning of the year			<u>412,513</u>	
End of year			<u>\$ 440,280</u>	

City of Sebastopol

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

Vehicle Abatement

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,000	\$ 1,000	\$ 42	\$ (958)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>42</u>	<u>(958)</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>42</u>	<u>\$ (958)</u>
FUND BALANCES:				
Beginning of the year			<u>4,876</u>	
End of year			<u>\$ 4,918</u>	

City of Sebastopol

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

Inclusionary and Linkage Housing

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 142,700	\$ 142,700	\$ -	\$ (142,700)
Interest and rents	1,500	1,500	2,870	1,370
Charges for services	16,000	16,000	10,498	(5,502)
Total revenues	160,200	160,200	13,368	(146,832)
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	160,200	160,200	13,368	(146,832)
OTHER FINANCING SOURCES (USES):				
Transfers out	(142,700)	(142,700)	(12,065)	130,635
Total other financing sources (uses)	(142,700)	(142,700)	(12,065)	130,635
Net change in fund balances	\$ 17,500	\$ 17,500	1,303	\$ (16,197)
FUND BALANCES:				
Beginning of the year			131,302	
End of year			<u>\$ 132,605</u>	

City of Sebastopol

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

Building Permit Incremental Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 678	\$ 678
Charges for services	6,000	6,000	11,912	5,912
Total revenues	6,000	6,000	12,590	6,590
EXPENDITURES:				
Current:				
General Government	6,500	6,500	1,507	4,993
Total expenditures	6,500	6,500	1,507	4,993
REVENUES OVER (UNDER) EXPENDITURES	(500)	(500)	11,083	11,583
Net change in fund balances	\$ (500)	\$ (500)	11,083	\$ 11,583
FUND BALANCES:				
Beginning of the year			23,964	
End of year			\$ 35,047	

City of Sebastopol

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

Community Development Block Grant

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 326,500	\$ 326,500	\$ -	\$ (326,500)
Total revenues	<u>326,500</u>	<u>326,500</u>	<u>-</u>	<u>(326,500)</u>
EXPENDITURES:				
Current:				
General Government	-	-	1,035	(1,035)
Total expenditures	<u>-</u>	<u>-</u>	<u>1,035</u>	<u>(1,035)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>326,500</u>	<u>326,500</u>	<u>(1,035)</u>	<u>(327,535)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,225	1,225
Transfers out	(281,500)	(281,500)	(190)	281,310
Total other financing sources (uses)	<u>(281,500)</u>	<u>(281,500)</u>	<u>1,035</u>	<u>282,535</u>
Net change in fund balances	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>-</u>	<u>\$ (45,000)</u>
FUND BALANCES:				
Beginning of the year			-	
End of year			<u>\$ -</u>	

City of Sebastopol

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

BSCC 1:4:1 Youth

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and rents	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Beginning of the year			7,339	
End of year			<u>\$ 7,339</u>	

City of Sebastopol

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

SB1 Road and Maintenance

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 137,500	\$ 137,500	\$ 146,507	\$ 9,007
Total revenues	<u>137,500</u>	<u>137,500</u>	<u>146,507</u>	<u>9,007</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>137,500</u>	<u>137,500</u>	<u>146,507</u>	<u>9,007</u>
Net change in fund balances	<u>\$ (112,500)</u>	<u>\$ (112,500)</u>	<u>146,507</u>	<u>\$ 259,007</u>
FUND BALANCES:				
Beginning of the year			<u>150,242</u>	
End of year			<u>\$ 296,749</u>	

City of Sebastopol

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

Undergrounding

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 1,000	\$ 1,000	\$ 5,236	\$ 4,236
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>5,236</u>	<u>4,236</u>
EXPENDITURES:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,000</u>	<u>1,000</u>	<u>5,236</u>	<u>4,236</u>
OTHER FINANCING SOURCES (USES):				
Net change in fund balances	<u>\$ 1,000</u>	<u>\$ 1,000</u>	5,236	<u>\$ 4,236</u>
FUND BALANCES:				
Beginning of the year			<u>237,754</u>	
End of year			<u>\$ 242,990</u>	

City of Sebastopol

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

General Capital Projects

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Capital outlay	1,756,932	1,756,932	429,531	(1,327,401)
Total expenditures	<u>1,756,932</u>	<u>1,756,932</u>	<u>429,531</u>	<u>(1,327,401)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,756,932)</u>	<u>(1,756,932)</u>	<u>(429,531)</u>	<u>1,327,401</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,856,932	1,856,932	547,571	(1,309,361)
Transfers out	-	-	(4,493)	(4,493)
Total other financing sources (uses)	<u>1,856,932</u>	<u>1,856,932</u>	<u>543,078</u>	<u>(1,313,854)</u>
Net change in fund balances	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>113,547</u>	<u>\$ 13,547</u>
FUND BALANCES:				
Beginning of the year			<u>(113,547)</u>	
End of year			<u>\$ -</u>	

City of Sebastopol

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

Woodstone Assessment District

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 33,400	\$ 33,400	\$ 31,712	\$ (1,688)
Interest and rents	-	-	459	459
Total revenues	33,400	33,400	32,171	(1,229)
EXPENDITURES:				
Current:				
General Government	-	-	1,560	(1,560)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	11,868	11,868	8,171	3,697
Total expenditures	36,868	36,868	34,731	2,137
Net change in fund balances	\$ (3,468)	\$ (3,468)	(2,560)	\$ 908
FUND BALANCES:				
Beginning of the year			25,917	
End of year			\$ 23,357	

City of Sebastopol

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

Clean Renewable Energy Bonds

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 444	\$ 444
Charges for services	-	-	8,520	8,520
Miscellaneous	-	-	(2,828)	(2,828)
Total revenues	-	-	6,136	6,136
EXPENDITURES:				
Debt service:				
Principal	\$ 20,299	20,299	51,323	(31,024)
Total expenditures	20,299	20,299	51,323	(31,024)
REVENUES OVER (UNDER) EXPENDITURES	(20,299)	(20,299)	(45,187)	(24,888)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31,024	31,024
Total other financing sources (uses)	-	-	31,024	31,024
Net change in fund balances	\$ (20,299)	\$ (20,299)	(14,163)	\$ 6,136
FUND BALANCES:				
Beginning of the year			44,145	
End of year			\$ 29,982	

STATISTICAL SECTION

This part of the City of Sebastopol'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.

Index

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

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 issues additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF SEBASTOPOL
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities				
Net Investment In Capital Assets	\$ 3,598,601	\$ 7,555,847	\$ 7,351,269	\$ 7,657,875
Restricted	10,715,129	6,152,199	7,314,525	7,398,898
Unrestricted	(146,947)	1,002,469	1,512,494	1,926,598
Total Governmental Activities Net Position	\$ 14,166,783	\$ 14,710,515	\$ 16,178,288	\$ 16,983,371
Business-Type Activities				
Net Investment In Capital Assets	\$ 5,668,887	\$ 5,620,805	\$ 5,237,342	\$ 5,232,877
Restricted	435,861	298,317	576,831	523,783
Unrestricted	1,027,213	1,306,809	1,786,572	2,413,672
Total Business-Type Activities Net Position	\$ 7,131,961	\$ 7,225,931	\$ 7,600,745	\$ 8,170,332
Primary Government				
Net Investment In Capital Assets	\$ 9,267,488	\$ 13,176,652	\$ 12,588,611	\$ 12,890,752
Restricted	11,150,990	6,450,516	7,891,356	7,922,681
Unrestricted	880,266	2,309,278	3,299,066	4,340,270
Total Primary Government Net Position	\$ 21,298,744	\$ 21,936,446	\$ 23,779,033	\$ 25,153,703

Note: The City implemented GASB Statement No. 68 in FY 2015, which required the City to record their net pension liability in the statement of net position.

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 8,085,194	\$ 8,017,313	\$ 8,461,885	\$ 9,242,243	\$ 9,448,772	\$ 9,494,832
4,128,962	4,314,008	2,279,908	1,660,668	1,450,299	2,827,215
(4,937,921)	(3,524,869)	(847,289)	(3,254,719)	(2,485,538)	(3,011,697)
<u>\$ 7,276,235</u>	<u>\$ 8,806,452</u>	<u>\$ 9,894,504</u>	<u>\$ 7,648,192</u>	<u>\$ 8,413,533</u>	<u>\$ 9,310,350</u>
\$ 4,566,315	\$ 4,799,099	\$ 4,705,054	\$ 5,956,258	\$ 5,966,945	\$ 5,594,545
1,544,038	1,404,798	1,468,204	-	-	-
1,051,968	1,691,465	2,900,417	3,430,964	3,563,944	3,204,183
<u>\$ 7,162,321</u>	<u>\$ 7,895,362</u>	<u>\$ 9,073,675</u>	<u>\$ 9,387,222</u>	<u>\$ 9,530,889</u>	<u>\$ 8,798,728</u>
\$ 12,651,509	\$ 12,816,412	\$ 13,166,939	\$ 15,198,501	\$ 15,415,717	\$ 15,089,377
5,673,000	5,718,806	3,748,112	1,660,668	1,450,299	2,827,215
(3,885,953)	(1,833,404)	2,053,128	176,245	1,078,406	192,486
<u>\$ 14,438,556</u>	<u>\$ 16,701,814</u>	<u>\$ 18,968,179</u>	<u>\$ 17,035,414</u>	<u>\$ 17,944,422</u>	<u>\$ 18,109,078</u>

CITY OF SEBASTOPOL
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Expenses				
Governmental Activities				
General government	\$ 693,583	\$ 620,298	\$ 907,290	\$ 1,327,123
Public safety	4,077,632	4,076,568	4,002,741	4,154,787
Community development	933,449	640,286	89,926	141,771
Education SERAF	164,289	-	-	-
Public works	1,343,813	1,059,870	962,578	1,207,688
Parks and recreation	475,111	485,332	684,115	771,708
Interest on long-term debt	397,315	201,026	113,226	103,767
Total Governmental Activities Expenses	8,085,192	7,083,380	6,759,876	7,706,844
Business-Type Activities				
Water	1,181,086	1,166,923	1,320,990	1,298,601
Wastewater	2,538,474	2,195,805	2,335,916	2,605,752
Total Business-Type Activities Expenses	3,719,560	3,362,728	3,656,906	3,904,353
Total Primary Government Net Expenses	\$ 11,804,752	\$ 10,446,108	\$ 10,416,782	\$ 11,611,197
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 415,118	\$ 430,935	\$ 476,923	\$ 435,632
Public safety	347,576	327,309	274,025	248,479
Community development	154,344	313,521	41,325	19,942
Public works	561,378	220,180	107,687	193,334
Parks and recreation	52,032	36,958	114,637	130,691
Operating Contributions and Grants	696,077	598,351	813,943	553,751
Capital Contributions and Grants	361,150	1,623,332	7,331	288,575
Total Governmental Activities Program Revenues	2,587,675	3,550,586	1,835,871	1,870,404
Business-Type Activities				
Charges for services				
Water	1,108,006	1,128,182	1,427,249	1,709,463
Wastewater	2,075,731	2,099,751	2,374,980	2,688,194
Capital Contributions and Grants	475,435	259,789	260,514	107,307
Total Business-Type Activities Program Revenues	3,659,172	3,487,722	4,062,743	4,504,964
Total Primary Government Program Revenues	\$ 6,246,847	\$ 7,038,308	\$ 5,898,614	\$ 6,375,368

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 1,451,524	\$ 1,761,437	\$ 2,055,024	\$ 2,278,030	\$ 2,000,974	\$ 2,609,862
4,397,921	4,193,457	5,260,822	5,397,701	5,813,782	6,263,272
34,936	9,155	-	-	-	-
-	-	-	-	-	-
1,331,944	1,376,165	938,036	1,301,865	1,220,155	1,448,514
644,813	1,066,267	749,005	801,006	976,489	1,159,950
91,304	83,446	80,566	72,765	72,530	70,118
7,952,442	8,489,927	9,083,453	9,851,367	10,083,930	11,551,716
1,368,427	1,669,223	1,716,237	1,893,951	1,933,059	2,393,602
2,795,925	2,887,638	2,889,787	3,090,686	3,333,798	3,562,838
4,164,352	4,556,861	4,606,024	4,984,637	5,266,857	5,956,440
\$ 12,116,794	\$ 13,046,788	\$ 13,689,477	\$ 14,836,004	\$ 15,350,787	\$ 17,508,156

\$ 342,911	\$ 915,735	\$ 180,139	\$ 208,574	\$ 188,613	\$ 214,999
278,638	240,886	190,018	171,292	179,531	152,232
14,390	162,652	-	-	-	-
182,878	305,614	539,617	324,193	345,425	421,397
89,971	100,630	66,739	44,247	26,588	50,605
579,188	484,480	209,472	348,082	239,765	1,856,224
742,670	446,248	525,005	473,052	380,700	477,809
2,230,646	2,656,245	1,710,990	1,569,440	1,360,622	3,173,266
1,933,720	2,061,253	2,457,698	2,270,224	2,229,367	2,295,614
2,959,002	3,116,767	3,324,934	3,028,330	3,104,920	2,895,155
30,356	142,905	-	-	-	-
4,923,078	5,320,925	5,782,632	5,298,554	5,334,287	5,190,769
\$ 7,153,724	\$ 7,977,170	\$ 7,493,622	\$ 6,867,994	\$ 6,694,909	\$ 8,364,035

CITY OF SEBASTOPOL
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year		
	2011	2012	2013
Net (Expense)/Revenue			
Governmental Activities	\$ (5,497,517)	\$ (3,532,794)	\$ (4,924,005)
Business-Type Activities	(60,388)	124,994	405,837
Total Primary Government Net Expense	(5,557,905)	(3,407,800)	(4,518,168)
General Revenues and Other Changes in Net Position			
Governmental Activities			
Taxes			
Property taxes	1,001,252	1,292,711	1,602,494
Sales and use taxes	1,379,949	1,392,916	1,673,360
Motor vehicle in lieu taxes	596,548	565,094	566,513
Transient lodging taxes	269,984	300,937	329,577
Other taxes	1,393,950	1,358,326	1,924,257
Incremental property taxes	1,889,318	922,557	-
Investment Earnings	-	-	-
Unrestricted interest and rents	157,632	81,145	(5,330)
Miscellaneous	6,994	20,555	269,884
Transfers	-	31,024	31,023
Special item: Dissolution of redevelopment agency	-	(4,909,339)	-
Special item: Contribution of long-term loans to Sonoma County	-	-	-
Total Governmental Activities	6,695,627	1,055,926	6,391,778
Business-Type Activities			
Investment Earnings	-	-	-
Transfers	-	(31,024)	(31,023)
Total Business-Type Activities	-	(31,024)	(31,023)
Total Primary Government	6,695,627	1,024,902	6,360,755
Change in Net Position			
Governmental Activities	1,198,110	(2,476,868)	1,467,773
Business-Type Activities	(60,388)	93,970	374,814
Total Primary Government	\$ 1,137,722	\$ (2,382,898)	\$ 1,842,587

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2014	2015	2016	2017	2018	2019	2020
\$ (5,836,440)	\$ (5,721,796)	\$ (5,833,682)	\$ (7,372,463)	\$ (8,281,927)	\$ (8,723,308)	\$ (8,378,450)
600,611	758,726	764,064	1,176,608	313,917	67,430	(765,671)
(5,235,829)	(4,963,070)	(5,069,618)	(6,195,855)	(7,968,010)	(8,655,878)	(9,144,121)
1,392,443	1,393,021	2,459,296	2,478,979	2,618,913	2,891,222	2,981,745
1,713,697	1,748,368	2,069,199	3,923,850	3,714,794	3,958,244	3,697,726
591,353	621,440	-	-	-	-	-
359,892	482,164	483,738	514,225	529,810	631,742	518,175
2,273,971	2,761,809	2,246,817	1,134,089	1,097,589	1,153,243	1,100,380
-	-	-	-	-	-	-
-	-	-	67,458	57,812	259,216	343,753
22,017	10,492	73,826	-	-	-	-
257,126	327,178	-	260,341	523,614	563,958	602,464
31,024	31,024	31,023	31,023	32,259	31,024	31,024
-	-	-	-	-	-	-
-	(3,602,937)	-	-	-	-	-
6,641,523	3,772,559	7,363,899	8,409,965	8,574,791	9,488,649	9,275,267
-	-	-	32,728	31,889	107,261	91,655
(31,024)	(31,024)	(31,023)	(31,023)	(32,259)	(31,024)	(31,024)
(31,024)	(31,024)	(31,023)	1,705	(370)	76,237	60,631
6,610,499	3,741,535	7,332,876	8,411,670	8,574,421	9,564,886	9,335,898
805,083	(1,949,237)	1,530,217	1,037,502	292,864	765,341	896,817
569,587	727,702	733,041	1,178,313	313,547	143,667	(705,040)
\$ 1,374,670	\$ (1,221,535)	\$ 2,263,258	\$ 2,215,815	\$ 606,411	\$ 909,008	\$ 191,777

CITY OF SEBASTOPOL
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2011	2012	2013
General Fund			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	-	-	1,195,000
Assigned	-	-	-
Unassigned	286,698	789,029	697,762
Total General Fund	\$ 286,698	\$ 789,029	\$ 1,892,762
All Other Governmental Funds			
Nonspendable	\$ 783,000	\$ -	\$ -
Restricted	6,093,900	2,547,599	3,025,676
Committed	215,339	213,100	364,291
Assigned	-	-	-
Unassigned	(547,826)	-	-
Total All Other Governmental Funds	6,544,413	2,760,699	3,389,967
Total Governmental Funds	<u>\$6,831,111</u>	<u>\$3,549,728</u>	<u>\$5,282,729</u>

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2014	2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ 11,127	\$ 46,392	\$ 28,818	\$ 76,529
-	-	-	-	-	-	1,186,330
458,000	1,015,000	1,015,000	185,000	185,000	-	-
-	-	-	2,785,000	3,335,000	3,579,535	4,610,435
1,113,028	2,077,523	3,265,624	3,669,067	3,882,742	4,993,434	4,269,513
<u>\$ 1,571,028</u>	<u>\$ 3,092,523</u>	<u>\$ 4,280,624</u>	<u>\$ 6,650,194</u>	<u>\$ 7,449,134</u>	<u>\$ 8,601,787</u>	<u>\$ 10,142,807</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,651
3,169,424	3,573,382	3,827,777	2,279,908	1,660,668	1,450,299	1,640,885
471,226	595,718	464,800	154,351	279,229	436,477	475,327
-	-	-	-	-	-	-
-	-	-	(79,673)	(48,819)	(113,745)	(10,535)
<u>3,640,650</u>	<u>4,169,100</u>	<u>4,292,577</u>	<u>2,354,586</u>	<u>1,891,078</u>	<u>1,773,031</u>	<u>2,108,328</u>
<u>\$5,211,678</u>	<u>\$7,261,623</u>	<u>\$8,573,201</u>	<u>\$9,004,780</u>	<u>\$9,340,212</u>	<u>\$10,374,818</u>	<u>\$12,251,135</u>

CITY OF SEBASTOPOL
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Property taxes	\$ 2,890,570	\$ 2,215,268	\$ 1,602,494	\$ 1,392,443
Sales and use taxes	1,896,802	1,977,528	2,812,420	3,214,480
Other taxes	1,038,819	966,989	1,010,312	1,070,444
Transient occupancy taxes	-	-	-	-
Franchise fees	-	-	-	-
Licenses and permits	370,070	321,351	364,654	290,026
Fines and forfeits	97,597	174,613	124,941	117,358
Intergovernmental	1,610,033	2,990,419	1,337,164	1,412,805
Interest and rents	307,151	92,583	12,529	76,670
Charges for services	1,052,554	648,309	676,416	922,178
Miscellaneous	2,424,131	690,618	79,048	54,189
Total Revenues	11,687,727	10,077,678	8,019,978	8,550,593
Expenditures				
Current				
General Government	763,251	763,950	876,686	1,308,096
Public Safety	3,831,707	3,727,294	3,746,490	3,950,740
Community development	1,782,172	893,424	88,735	140,258
Parks and recreation	333,275	277,746	374,110	679,488
Public works	894,648	761,911	809,017	1,124,226
Education SERAF	164,289	-	-	-
Capital Outlay	2,054,271	1,610,157	228,939	240,332
Intergovernmental	-	329,888	-	-
Debt Service:				
Principal	3,541,529	1,299,299	349,214	357,250
Interest	523,626	211,532	114,692	105,278
Cost of debt issuance	-	-	-	-
Total Expenditures	13,888,768	9,875,201	6,587,883	7,905,668
Excess of Revenues Over (Under) Expenditures	(2,201,041)	202,477	1,432,095	644,925
Other Financing Sources (Uses)				
Capital lease financing	-	-	-	-
Sale of property	-	-	269,883	-
Loans and capital leases issued	1,484,190	-	-	-
Sales of capital assets	-	-	-	-
Transfers In	951,526	565,248	265,144	256,529
Transfers Out	(951,526)	(534,224)	(234,121)	(225,505)
Total Other Financing Sources (Uses)	1,484,190	31,024	300,906	31,024
Extraordinary/Special Items	-	(3,514,884)	-	-
Net Change In Fund Balances	(\$716,851)	(\$3,281,383)	\$1,733,001	\$675,949
Debt Service as a percentage of non-capital expenditures	34.4%	19.0%	7.3%	6.0%

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 1,393,024	\$ 2,459,296	\$ 2,681,062	\$ 2,618,914	\$ 2,891,222	\$ 2,981,746
3,652,138	3,940,169	4,454,450	4,686,751	4,907,892	4,609,379
1,218,306	-	-	-	-	-
-	483,738	514,225	529,810	631,742	518,175
-	351,568	359,466	323,496	358,299	336,738
314,693	488,234	412,678	304,268	324,928	458,640
158,380	122,235	88,747	82,605	55,501	48,171
1,443,193	979,119	676,542	765,572	540,760	2,213,385
43,433	92,985	112,795	106,357	309,812	390,766
843,764	717,270	428,703	320,219	318,062	293,920
67,948	434,506	294,146	523,223	563,549	602,471
9,134,879	10,069,120	10,022,814	10,261,215	10,901,767	12,453,391
1,501,999	1,628,362	2,272,637	1,879,155	1,933,038	2,216,083
4,175,290	4,329,264	4,429,352	4,780,975	4,998,720	5,448,918
35,436	9,600	-	-	-	-
544,596	524,035	605,061	639,930	826,945	970,013
1,073,855	1,443,331	930,256	868,491	1,051,102	1,062,194
-	-	-	-	-	-
80,472	554,243	1,188,516	1,471,598	766,230	590,256
-	-	-	-	-	-
358,175	302,357	233,469	245,128	249,619	250,516
93,135	82,796	80,566	72,766	72,531	70,118
-	-	-	-	-	-
7,862,958	8,873,988	9,739,857	9,958,043	9,898,185	10,608,098
1,271,921	1,195,132	282,957	303,172	1,003,582	1,845,293
-	85,423	66,250	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	799	-	-	-
256,301	417,645	198,741	1,396,214	2,912,182	632,536
(225,277)	(386,622)	(167,718)	(1,363,955)	(2,881,158)	(601,512)
31,024	116,446	98,072	32,259	31,024	31,024
-	-	-	-	-	-
\$1,302,945	\$1,311,578	\$381,029	\$335,431	\$1,034,606	\$1,876,317
5.8%	4.6%	3.6%	3.7%	3.5%	3.2%

CITY OF SEBASTOPOL
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Taxable Assessed Value ¹	Total Direct Tax Rate
2011	\$ 921,301,455	\$ 41,224,537	\$ 20,260	\$ 962,505,732	1.1234%
2012	925,157,423	40,782,023	20,260	965,919,186	1.1325%
2013	936,099,537	32,978,628	20,260	969,057,905	1.1247%
2014	984,165,141	33,736,420	-	1,017,901,561	1.1247%
2015	1,030,201,370	33,857,950	-	1,064,059,320	1.1157%
2016	1,101,325,085	34,718,413	-	1,136,043,498	1.1152%
2017	1,159,102,311	36,169,711	-	1,195,272,022	1.1247%
2018	1,213,563,175	40,451,873	-	1,254,015,048	1.1322%
2019	1,293,160,893	41,422,754	-	1,334,583,647	1.1322%
2020	1,346,424,183	39,548,176	-	1,385,972,359	1.1570%

¹ Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value as it appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect:

- a) annual inflation up to 2 percent
- b) current market value at time of ownership change;
- c) market value for new construction

Note: Estimated actual value of taxable property cannot easily be determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

Source: Sonoma County Assessor 2007/08 - 2017/18 Combined Tax Rolls

CITY OF SEBASTOPOL
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Agency	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Palm Drive Health Care District	0.00540	0.00550	0.00550	0.00550	0.00520	0.00520	0.00520	0.00520	0.00520	0.00300
Sebastopol Elementary Bonds	0.03950	0.03950	0.03810	0.03810	0.03700	0.03500	0.03300	0.03550	0.03450	0.03350
Sonoma County Junior College	0.02500	0.02100	0.02100	0.02100	0.01800	0.01600	0.01500	0.01400	0.03600	0.01300
Sonoma County Junior College 2014	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02500	0.02300	0.00000	0.02400
Twin Hills Elementary	0.03500	0.04400	0.03700	0.03700	0.03300	0.03300	0.03200	0.03050	0.03000	0.03000
West Sonoma County Unified High	0.01150	0.01550	0.01610	0.01610	0.01550	0.01900	0.01750	0.01700	0.04850	0.04650
West Sonoma Russian River Project	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700
Total Direct & Overlapping Tax Rates ²	1.12340	1.13250	1.12470	1.12470	1.11570	1.11520	1.13470	1.13220	1.16120	1.15700
Voter Approved City Debt Rate										
Redevelopment Rate ⁴	1.01240	1.01250								

Note:

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

² Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³ City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

Source: Sonoma County Assessor 2007/08 - 2016/17 Tax Rate Table

CITY OF SEBASTOPOL
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Fiscal Year 2020		Fiscal Year 2011	
	Taxable Assessed Value	Percent Of Total Assessed Valuation	Taxable Assessed Value ¹	Percent Of Total Assessed Valuation
Barlow Star Llc	\$ 28,507,943	2.06%	N/A	N/A
H 1 Real Estate Llc	14,500,000	1.05%	N/A	N/A
Longs Drug Stores California L	9,615,024	0.69%	N/A	N/A
657 Mission Street Building	7,438,860	0.54%	N/A	N/A
Redwood Marketplace	7,084,785	0.51%	6,122,647	0.64%
Pendergast Charles R	5,777,242	0.42%	4,754,353	0.50%
Maxwell Myers Co Maxwell A Mye	5,624,402	0.41%	N/A	N/A
Lok Sebastopol Hotel Co Llc	5,602,398	0.40%	5,179,914	0.54%
Diajeff Llc	4,926,562	0.36%	4,257,493	0.45%
Southpoint Avenue Investors Ll	4,628,379	0.33%	4,001,713	0.42%
Total Top 10 Taxpayers	93,705,595	6.77%	\$ 24,316,120	2.55%
Total Taxable Value	\$ 1,385,972,359	100.00%	\$ 951,955,992	100.00%

Source: Sonoma County Assessor data, Avenu Insights & Analytics

CITY OF SEBASTOPOL
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS*

Fiscal Year	Taxes Levied for the Fiscal Year			Collections within the Fiscal Year of the Levy	
	City	RDA/Successor Agency	Total ¹	Amount	Percent of Levy
2017	\$ 2,523,397	\$ 825,365	\$ 3,348,762	\$ 3,348,762	100.00%
2018	2,433,418	827,985	3,261,403	3,261,403	100.00%
2019	2,714,491	743,087	3,457,578	3,457,578	100.00%
2020	2,781,985	656,366	3,438,351	3,438,351	100.00%

¹ Schedule excludes unitary tax.

² Sebastopol is part of Sonoma County which adopted the Teeter Plan.

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: Sonoma County Tax Collector/Treasurer

CITY OF SEBASTOPOL
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS (IN THOUSANDS OF DOLLARS)

City of Sebastopol - Bradley Burns

Category	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Eating and Drinking Places	\$ 325	\$ 425	\$ 397	\$ 364	\$ 321	\$ 307	\$ 290	\$ 261	\$ 248	\$ 226
Food Stores	344	400	460	411	405	391	350	292	232	229
Apparel Stores	79	80	82	83	81	80	77	76	76	70
Auto Dealers and Supplies	90	88	88	89	86	81	80	78	78	70
Service Stations	188	207	203	168	169	196	224	229	247	191
Other Retail Stores	344	367	346	308	298	279	279	317	311	302
All Other Outlets	205	208	190	181	193	187	168	150	166	173
Total	\$ 1,575	\$ 1,775	\$ 1,766	\$ 1,604	\$ 1,553	\$ 1,521	\$ 1,468	\$ 1,403	\$ 1,358	\$ 1,261

City of Sebastopol - Measure Y

Category	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other Retail Stores	\$ 139	\$ 133	\$ 130	\$ 119	\$ 112	\$ 108	\$ 99	\$ 106	\$ 104	\$ 96
Food Stores	97	92	102	116	114	109	101	86	77	75
Auto Dealers and Supplies	84	103	101	110	103	101	101	112	86	83
Eating and Drinking Places	83	103	99	92	82	79	74	66	64	56
Service Stations	48	51	53	43	43	50	57	61	65	49
Apparel Stores	10	12	12	13	12	12	10	8	6	6
All Other Outlets	175	164	161	154	150	142	138	135	129	132
Total	\$ 636	\$ 658	\$ 658	\$ 647	\$ 616	\$ 601	\$ 580	\$ 574	\$ 531	\$ 497

City of Sebastopol - Measure T

Category	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other Retail Stores	\$ 279	\$ 267	\$ 261	\$ 239	\$ 225	\$ 217	\$ 197	\$ 51	\$ -	\$ -
Food Stores	194	184	205	233	228	219	201	39	-	-
Auto Dealers and Supplies	168	206	203	220	206	203	202	52	-	-
Eating and Drinking Places	167	205	198	185	164	159	145	34	-	-
Service Stations	95	101	107	86	86	99	114	30	-	-
Apparel Stores	21	24	23	26	24	24	21	4	-	-
All Other Outlets	351	329	325	308	303	285	278	67	-	-
Total	\$ 1,275	\$ 1,316	\$ 1,322	\$ 1,297	\$ 1,236	\$ 1,206	\$ 1,158	\$ 277	\$ -	\$ -

City of Sebastopol - Total

Category	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Eating and Drinking Places	\$ 575	\$ 733	\$ 694	\$ 641	\$ 567	\$ 545	\$ 509	\$ 361	\$ 312	\$ 282
Food Stores	635	676	767	760	747	719	652	417	309	304
Apparel Stores	110	116	117	122	117	116	108	88	82	76
Auto Dealers and Supplies	342	397	392	419	395	385	383	242	164	153
Service Stations	331	359	363	297	298	345	395	320	312	240
Other Retail Stores	762	767	737	666	635	604	575	474	415	398
All Other Outlets	731	701	676	643	646	614	584	352	295	305
Total	\$ 3,486	\$ 3,749	\$ 3,746	\$ 3,548	\$ 3,405	\$ 3,328	\$ 3,206	\$ 2,254	\$ 1,889	\$ 1,758

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CITY OF SEBASTOPOL
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Total ²
	Special Assessment Bonds	Capital Lease Obligation	CEC Loan	2007 Tax Allocation Refunding Bond	Residential Development Loan	
2011	275,000	4,443,559	85,230	3,505,000	1,747,069	10,055,858
2012	255,000	3,367,736	62,193	-	-	3,684,929
2013	240,000	3,057,583	38,131	-	-	3,335,714
2014	225,000	3,001,169	12,974	-	-	3,239,143
2015	205,000	2,415,429	-	-	-	2,620,429
2016	185,000	2,273,334	-	-	-	2,458,334
2017	160,000	2,075,657	-	-	-	2,235,657
2018	140,000	1,850,529	-	-	-	1,990,529
2019	115,000	1,625,911	-	-	-	1,740,911
2020	90,000	1,400,395	-	-	-	1,490,395

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

¹ See Demographic and Economic Indicators schedule for personal income and population data.

² Totals do not include other post-employment benefits payable or compensated absences.

n/a: not available

Source: Basic Financial Statements - City of Sebastopol, California

Business-Type Activities

Installment Agreement	Capital Lease Obligation	State Drinking Water Loan	CEC Loan	Total ²	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
27,881	1,542,671	-	40,698	1,611,250	11,667,108	5.09%	1,469
-	1,448,181	-	29,651	1,477,832	5,162,761	2.17%	697
-	1,349,964	-	17,689	1,367,653	4,703,367	1.80%	632
-	1,244,969	-	6,193	1,251,162	4,490,305	1.82%	604
1,200,000	1,150,336	142,819	-	2,493,155	5,113,584	1.97%	686
1,160,118	1,130,420	170,415	-	2,460,953	3,761,788	1.42%	500
1,118,601	1,147,458	249,339	-	2,515,398	3,912,195	1.38%	516
1,075,382	990,710	148,328	-	2,214,420	3,353,458	1.10%	435
1,030,391	859,552	98,863	-	1,988,806	2,947,221	0.97%	382
983,555	737,003	75,481	-	1,796,039	2,608,523	0.84%	337

CITY OF SEBASTOPOL
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding	Percentage of Personal Income ¹	Percentage of Total Taxable Assessed Value ²	Per Capita ¹
	Total			
2011	-	0.00%	0.00%	-
2012	-	0.00%	0.00%	-
2013	-	0.00%	0.00%	-
2014	-	0.00%	0.00%	-
2015	-	0.00%	0.00%	-
2016	-	0.00%	0.00%	-
2017	-	0.00%	0.00%	-
2018	-	0.00%	0.00%	-
2019	-	N/A	N/A	-
2020	-	N/A	N/A	-

¹ See Demographic and Economic Indicators schedule for personal income and population data.

² See Assessed Value and Actual Value of Taxable Property schedule for property value data.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
DIRECT AND OVERLAPPING DEBT GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2020

	Total Debt June 30, 2020	Percent Applicable ¹	City's Share of Debt as of June 30, 2020
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College District	\$ 388,355,000	1.461%	\$ 5,673,867
West Sonoma County Union High School District	67,012,464	13.602%	9,115,035
Sebastopol Union School District	17,461,585	59.261%	10,347,910
Twin Hills Union Shool District	3,919,964	0.795%	31,164
Palm Drive Healthcare District	3,520,000	12.824%	451,405
Palm Drive Healthcare District Parcel Tax Obligations	13,825,000	12.824%	1,772,918
City of Sebastopol 1915 Act Bonds	90,000	100.000%	90,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	N/A	N/A	\$ 27,482,298
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County Certificates of Participation	\$ 13,171,000	1.473%	\$ 194,009
Sonoma County Pension Obligation Bonds	321,415,000	1.473%	4,734,443
Sonoma County Office of Education Certificates of Participation	3,792,921	1.473%	55,870
West Sonoma County Union High School District General Fund Obligations	904,470	13.602%	123,026
Sebastopol Union School District Certificates of Participation	154,322	59.261%	91,453
Twin Hills Union School District Certificates of Participation	130,816	0.795%	1,040
City of Sebastopol Capital Lease Obligations	1,400,395	100.000%	1,400,395
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	N/A	N/A	\$ 6,600,235
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):			
TOTAL OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	415,000	100%	\$ 810,000
COMBINED TOTAL DEBT			\$ 34,892,534
TOTAL DIRECT DEBT			\$ 1,400,395
TOTAL OVERLAPPING DEBT			33,097,140
COMBINED TOTAL DEBT			\$ 34,497,535 ²

¹ The information needed to complete the direct and overlapping debt schedule was currently unavailable, this information will be provided going forward.

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

RATIOS TO 2018-19 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.97%
Combined Direct Debt	0.10%
Combined Total Debt	2.47%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$395,326,472)

Total Overlapping Tax Increment Debt	0.10%
--------------------------------------	-------

CITY OF SEBASTOPOL
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal year			
	2011	2012	2013	2014
Total assessed value of all real and personal property	\$ 962,546,252	\$ 965,959,706	\$ 969,098,425	\$ 1,017,901,561
Debt limit percentage	3.75%	3.75%	3.75%	3.75%
Total debt limit	36,095,484	36,223,489	36,341,191	38,171,309
Amount applicable to debt limit	10,055,858	3,684,929	3,335,714	3,239,143
Legal debt margin	<u>\$ 26,039,626</u>	<u>\$ 32,538,560</u>	<u>\$ 33,005,477</u>	<u>\$ 34,932,166</u>
Total net debt applicable to the limit as a percentage of debt limit	27.86%	10.17%	9.18%	8.49%

Note: California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus the limit shown is 3.75% (1/4 of 15%).

Source: Basic Financial Statements - City of Sebastopol, California

Fiscal year

2015	2016	2017	2018	2019	2020
\$ 1,064,059,320	\$ 1,136,043,498	\$ 1,195,272,022	\$ 1,254,015,048	\$ 1,293,160,893	\$ 1,346,424,183
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
39,902,225	42,601,631	44,822,701	47,025,564	48,493,533	50,490,907
2,620,429	2,458,334	-	1,990,529	1,740,911	1,490,395
<u>\$ 37,281,796</u>	<u>\$ 40,143,297</u>	<u>\$ 44,822,701</u>	<u>\$ 45,035,035</u>	<u>\$ 46,752,622</u>	<u>\$ 49,000,512</u>
6.57%	5.77%	0.00%	4.23%	3.59%	2.95%

CITY OF SEBASTOPOL
PLEGDED REVENUE COVERAGE
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Tax Allocation Revenue Bonds

Fiscal Year	Property Tax Increment	Principal	Interest	Coverage
2011	\$ 1,889,318	\$ 2,907,750	\$ 399,907	0.57
2012	922,557	939,495	101,273	0.89
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-

Special Assessment Bonds

Fiscal Year	Special Assessments	Principal	Interest	Coverage
2011	\$ 32,351	\$ 10,000	\$ 22,276	1.00
2012	31,479	20,000	22,468	0.74
2013	30,602	15,000	21,302	0.84
2014	32,121	15,000	19,924	0.92
2015	31,082	20,000	17,004	0.84
2016	32,420	20,000	15,312	0.92
2017	31,194	25,000	11,455	0.86
2018	32,344	20,000	10,005	1.08
2019	33,315	25,000	9,686	0.96
2020	31,712	25,000	6,868	1.00

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Note: As of June 30, 2013, pledged revenue for tax allocation bonds was zero, due to transfer of liabilities to Successor Agency.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
PLEGGED REVENUE COVERAGE
PROPRIETARY FUNDS
LAST TEN FISCAL YEARS

Installment Sale Agreement and State Drinking Water Loan

Fiscal Year	Operating Revenue	Adjusted Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2011	n/a	n/a	n/a	-	-	n/a
2012	n/a	n/a	n/a	-	-	n/a
2013	n/a	n/a	n/a	-	-	n/a
2014	n/a	n/a	n/a	-	-	n/a
2015	1,933,720	(1,194,003)	739,717	-	-	n/a
2016	2,061,253	(1,493,267)	567,986	39,881	49,201	6.38
2017	2,467,685	(1,538,204)	929,481	41,517	47,565	10.43
2018	2,284,764	(1,763,844)	520,920	101,011	45,217	3.56
2019	2,280,988	(1,737,823)	543,165	93,902	48,047	3.83
2020	2,343,362	(2,159,899)	183,463	97,338	45,177	1.29

Note: There were no pledges of non-general obligation debt from 2008 to 2014.

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest, depreciation or amortization.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
DEMOGRAPHIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income		% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelors Degree	Unemployment Rate	Median Age
		Total (in thousands)	Per Capita				
2011	7,405	237,412	32,061	93.10%	38.60%	6.3%	47.20
2012	7,445	260,940	35,049	93.50%	38.90%	4.2%	48.70
2013	7,440	247,209	33,227	92.50%	35.50%	3.3%	48.90
2014	7,454	259,973	34,877	94.90%	39.20%	4.8%	48.70
2015	7,527	264,433	35,131	94.70%	42.90%	3.8%	49.70
2016	7,579	283,772	37,441	93.80%	41.20%	3.4%	51.30
2017	7,709	305,392	39,615	96.10%	48.30%	3.4%	51.30
2018	7,885	303,177	38,449	96.10%	48.30%	4.1%	47.90
2019	7,826	314,018	40,125	93.10%	38.60%	2.40%	47.20
2020	7,745	328,140	42,368	93.10%	38.60%	2.4%	47.20

Source:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department.

2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey
n/a: not available

CITY OF SEBASTOPOL
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2020			Fiscal Year 2010		
	Employees	Percent of Total Employment	Rank	Employees	Percent of Total Employment	Rank
O'Reilly Media Inc.	186	12%	N/A	N/A	N/A	N/A
Whole Foods Market	150	10%	N/A	N/A	N/A	N/A
Traditional Medicinals Inc	140	9%	N/A	N/A	N/A	N/A
TLC Child and Family Services	130	8%	N/A	N/A	N/A	N/A
Apple Valley Post Acute Rehab	120	8%	N/A	N/A	N/A	N/A
Manzana Products Company Inc	110	7%	N/A	N/A	N/A	N/A
Safeway Pharmacy	110	7%	N/A	N/A	N/A	N/A
Safeway	95	6%	N/A	N/A	N/A	N/A
Analy High School	90	6%	N/A	N/A	N/A	N/A
Antique Society	85	5%	N/A	N/A	N/A	N/A
Greenacres Homes & Food	82	5%	N/A	N/A	N/A	N/A
Lucky Supermarkets	80	5%	N/A	N/A	N/A	N/A
Pacific Market	75	5%	N/A	N/A	N/A	N/A
Gravenstein Union District	60	4%	N/A	N/A	N/A	N/A
Andy's Produce Markets	50	3%	N/A	N/A	N/A	N/A
	1,563	100.00%				

Source: Sonoma County Economic Development Board

CITY OF SEBASTOPOL
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS*

	Fiscal Year			
	2017	2018	2019	2020
Governmental Activities				
General Government				
City Council	6.00	6.00	6.00	5.00
City Manager	0.75	0.75	0.75	0.75
City Attorney	0.25	0.25	0.25	0.25
Finance	4.00	4.00	4.00	4.00
Building Inspection	1.50	1.50	1.50	0.50
Planning	3.00	3.00	3.00	3.00
Public Safety				
Police	34.75	34.75	34.75	24.75
Fire	33.50	33.50	35.50	34.50
Public Works and facilities				
Administration	2.75	2.75	2.75	2.75
Water	1.00	1.00	1.00	1.00
Laborer	4.00	4.00	4.00	3.00
Engineering	1.75	1.75	1.75	1.75
Maintenance	4.00	6.00	6.00	7.00
Total Full-Time Equivalent Employees	98.25	100.25	102.25	89.25

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department

**CITY OF SEBASTOPOL
OPERATING INDICATORS
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS***

	Fiscal Year							
	2013	2014	2015	2016	2017	2018	2019	2020
Building								
Residential Building Permits	n/a	n/a	302	432	393	278	300	290
Land use entitlement applications	n/a	n/a	54	32	25	25	25	25
Police								
Citations issued	n/a	n/a	n/a	n/a	872	1,156	906	2,121
Arrests made	n/a	n/a	823	623	669	581	519	468
Requests for services	n/a	n/a	7,801	7,830	7,703	7,845	8,276	8,251
Fire								
Fire responses	861	1,055	1,071	1,056	1,150	1,190	1,275	1,200
Fire Inspections	200	200	200	300	350	375	400	380
Area served (sq. miles)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Public Works								
Encroachment permits	83	93	117	98	59	65	74	86
Capital improvement projects	n/a	n/a	n/a	n/a	n/a	6	3	3
Park acres overseen		96.00	96.00	96.00	97.70	97.70	97.70	97.70
Street maintenance - crack seal (streets)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Street maintenance - traffic marking paint (gal.)	n/a	n/a	n/a	n/a	n/a	271	325	120
Street light repairs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Water/Waste Water								
Active Residential Accounts	n/a	n/a	2,550	2,470	2,682	2,503	2,451	2,686
Active Commerical Accounts	n/a	n/a	477	335	473	381	455	343
Average Daily Water Consumption	n/a	n/a	758,904	783,561	838,673	821,096	782,192	817,534
Ground Storage Capacity (gallons)	n/a	n/a	\$7.5m	\$7.5m	\$7.5m	\$7.5m	\$7.5m	7.5m
Elevated Storage Capacity (gallons)	n/a	n/a	0 - no elevated tanks	0 - no elevated tanks	0 - no elevated tanks	0 - no elevated tanks	0 - no elevated tanks	0 - no elevated tanks
Ground Water Production Capacity (gallons per day)	n/a	n/a	3,225,600	3,225,600	3,225,000	3,225,600	3,312,000	3,312,000
Pump Capacity (gallons per minute)	n/a	n/a	2,240	2,240	2,240	2,240	2,300	2,300
Waste Water Treatment Capacity (gallons per day)	n/a	n/a	840,000	840,000	840,000	840,000	840,000	840,000

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department

CITY OF SEBASTOPOL
CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS*

	Fiscal Year							
	2013	2014	2015	2016	2017	2018	2019	2020
Police								
Stations	1	1	1	1	1	1	1	1
Fire								
Stations	1	1	1	1	1	1	1	1
Public Works								
Streets (centerline miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Street lights	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Traffic signals	2	2	2	2	2	2	2	2
Parks and Recreation								
Office buildings	4	4	4	4	4	4	4	4
Park acreage	96	96	96	96	97.7	97.7	97.7	97.7
Playing fields/courts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Swimming pools	1	1	1	1	1	1	1	1
Water play features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Water								
Water mains (miles)	37	37	37	37	37	37	37	37
Fire hydrants	n/a	n/a	n/a	450	450	450	450	450
Storage capacity (million gallons)	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.5
Treatment capacity (million gallons)								
Wastewater								
Sewer mains (miles)	29	29	29	29	29	29	29	29
Treatment capacity (million gallons)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department

City of Sebastopol

Presentation to The City Council

January 19, 2021

Presented by: **Mitesh Desai, CPA**
Principal



Badawi & Associates

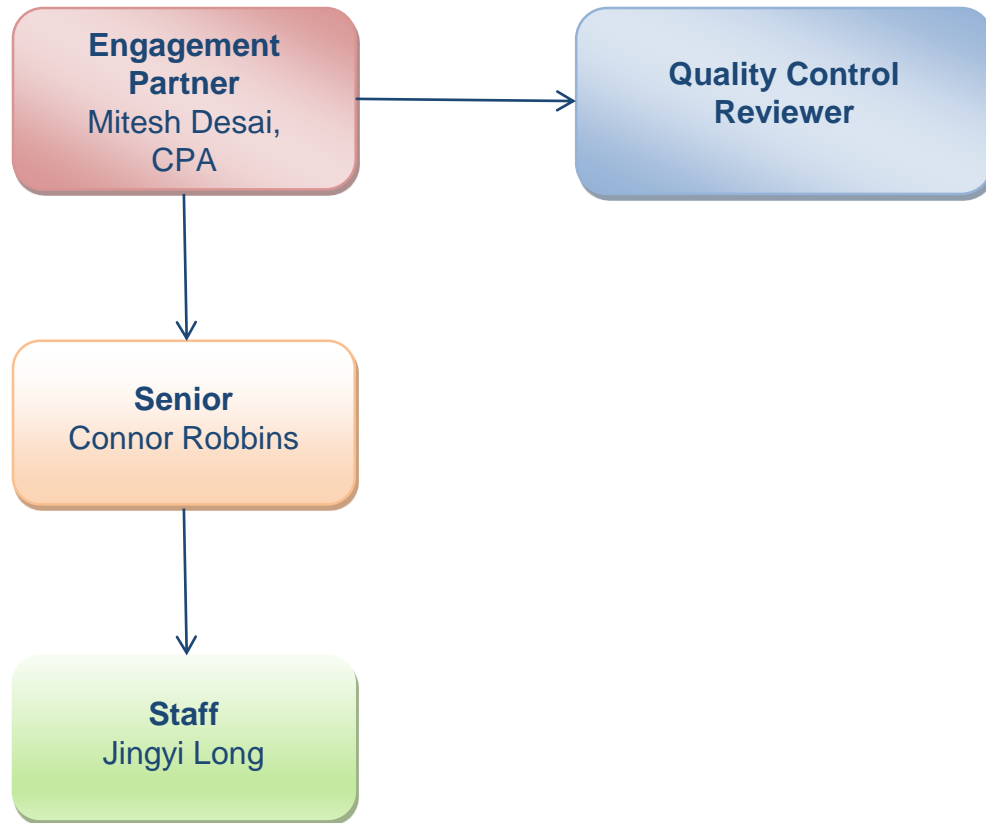
Audit of the

City of Sebastopol

Agenda

- Engagement Team
- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Auditors Report and Financial Statements
- Required Communications
- New Accounting Standards
- Conclusion & Discussion/Questions

Engagement Team



Deliverables and Scope of the Audit

- Report of Independent Auditors on City of Sebastopol Basic Financial Statements (BFS).
- State Controller's Annual Street Report.
- State Controller's Report of Financial Transactions.
- Agreed-Upon Procedures Reports on Appropriation Limit Schedule.
- Communications With Those Charged With Governance
 - Letter used to summarize communication of various significant matters to those charged with governance.

Areas of Primary Audit Emphasis

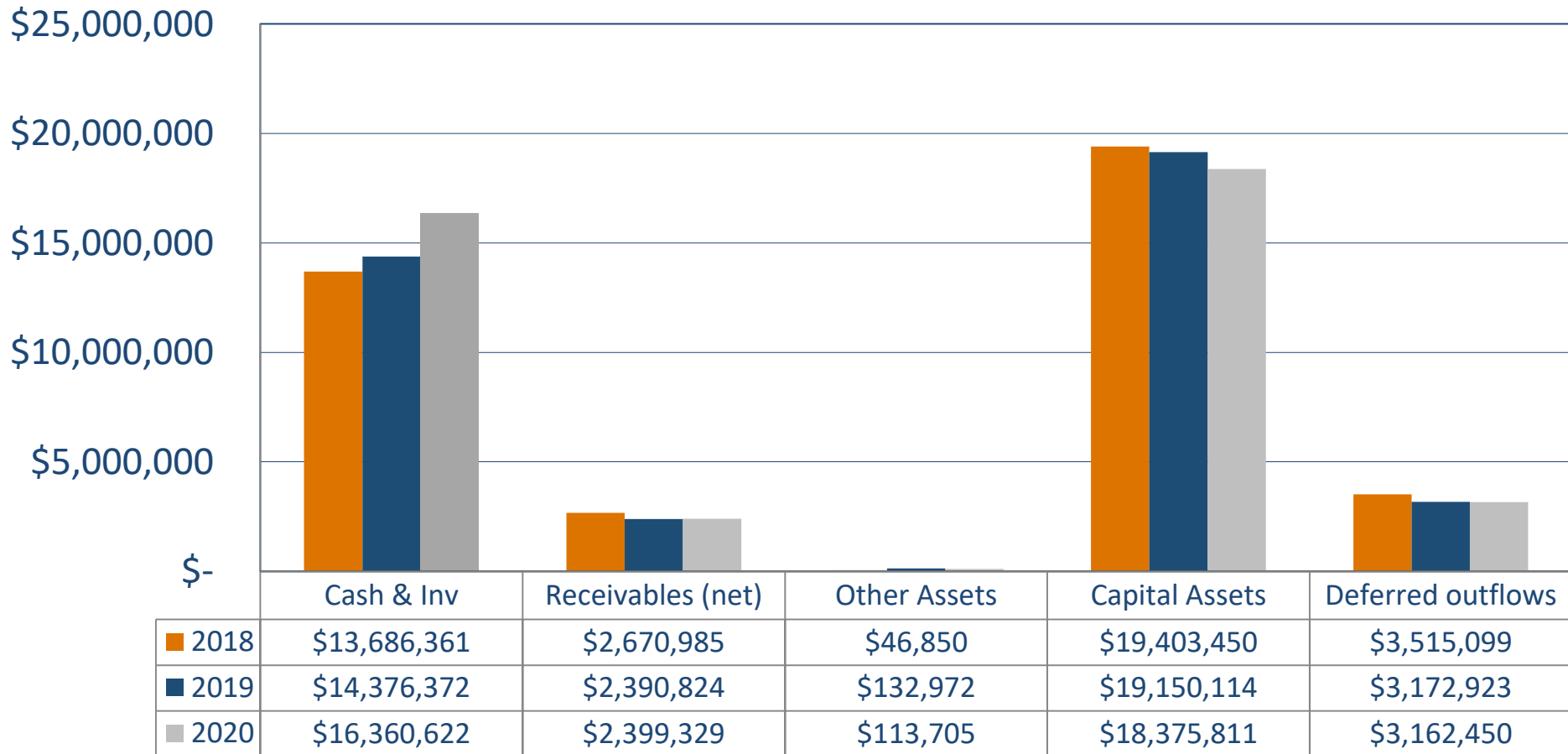
- The risk of management override of controls is addressed by the following procedures:
 - Assignment of audit staff based on consideration of audit risk.
 - Procedures to incorporate an element of unpredictability in the audit from period to period.
 - Consideration of the selection and application of significant accounting principles.
 - Examination of journal entries.
 - Review of accounting estimates for bias.
 - Evaluation of business rationale for unusual transactions.
 - Evaluation of the appropriateness of fraud-related inquiries performed
- Revenues & Receivables: Improper revenue recognitions
 - Governmental Funds: Confirm/validate property taxes, sales taxes, franchise taxes & other significant revenues/receivables.
 - Enterprise Funds: Analytical comparisons between current year and prior year revenues, receivables, and other ratios.
- Pension and OPEB:
 - Reconciled amounts recorded to reports provided by CalPERS and the City's Actuary.
 - Tested the census data used by CalPERS and the City's Actuary.
 - Obtained reports from CalPERS auditors regarding plan assets and census data.

Auditors Report

- Unmodified opinion
- Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards
- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements

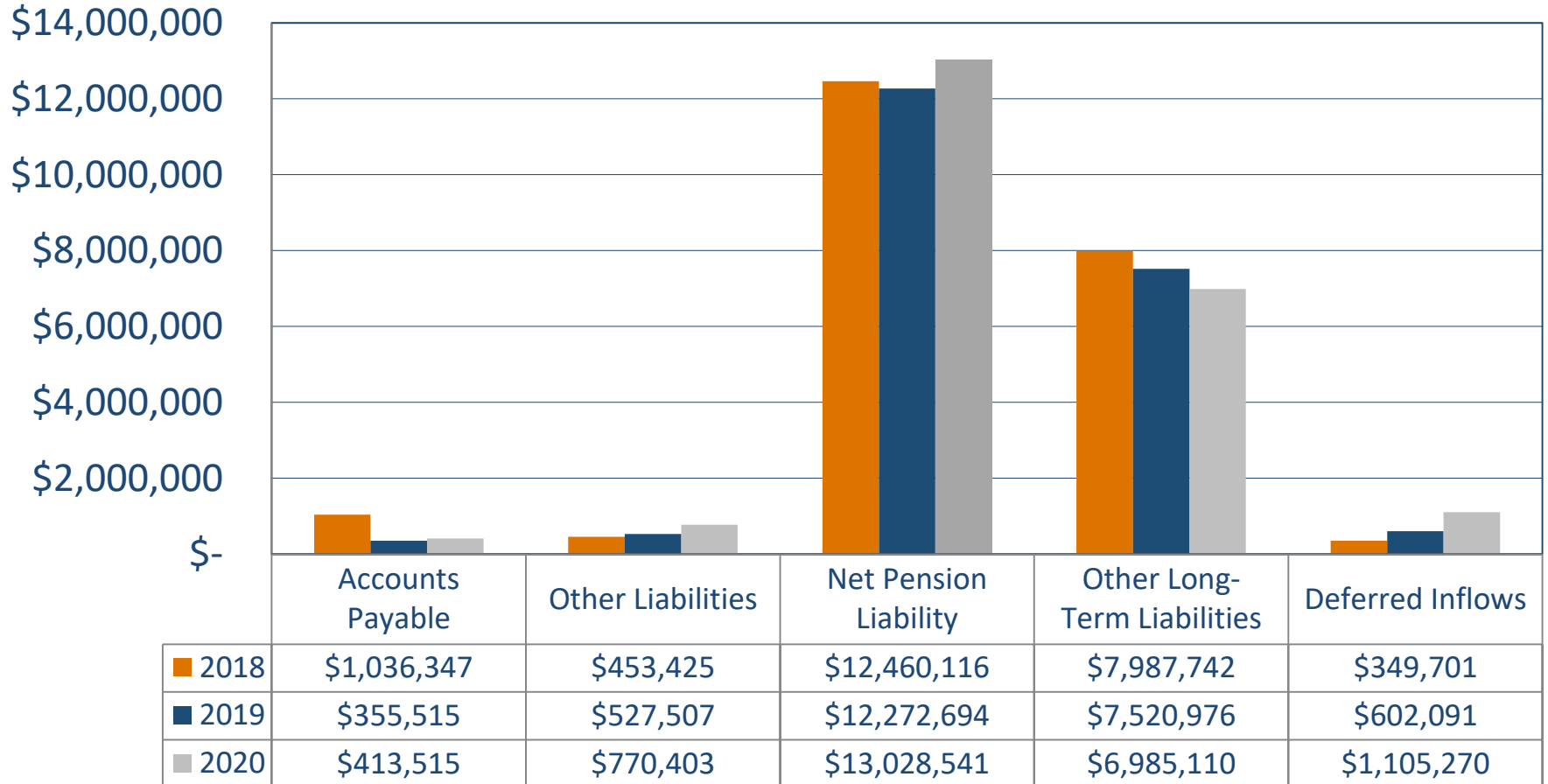
Government-Wide Financial Statements

Assets and Deferred Outflows of Resources



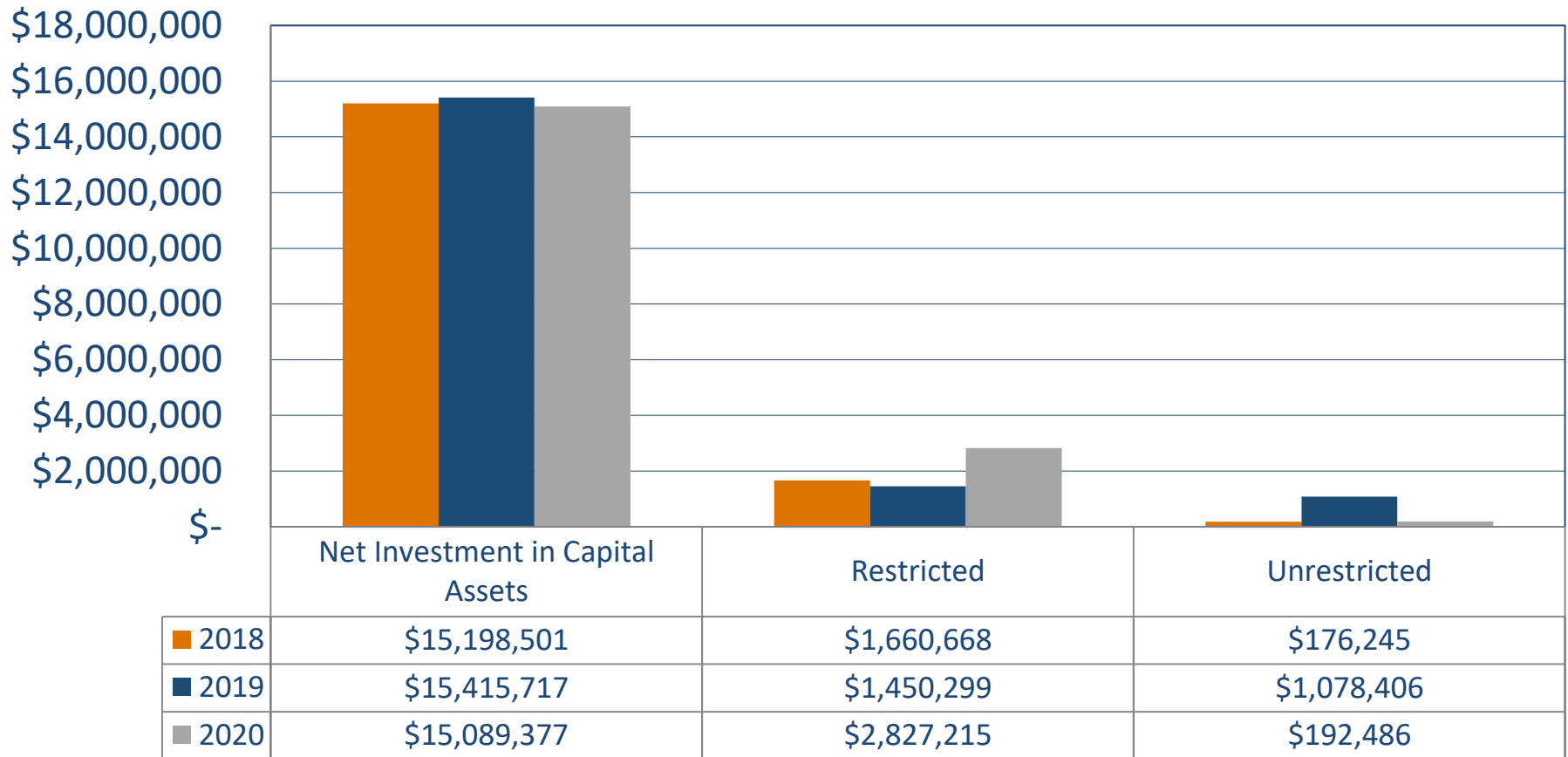
Government-Wide Financial Statements

Liabilities and Deferred Inflows of Resources



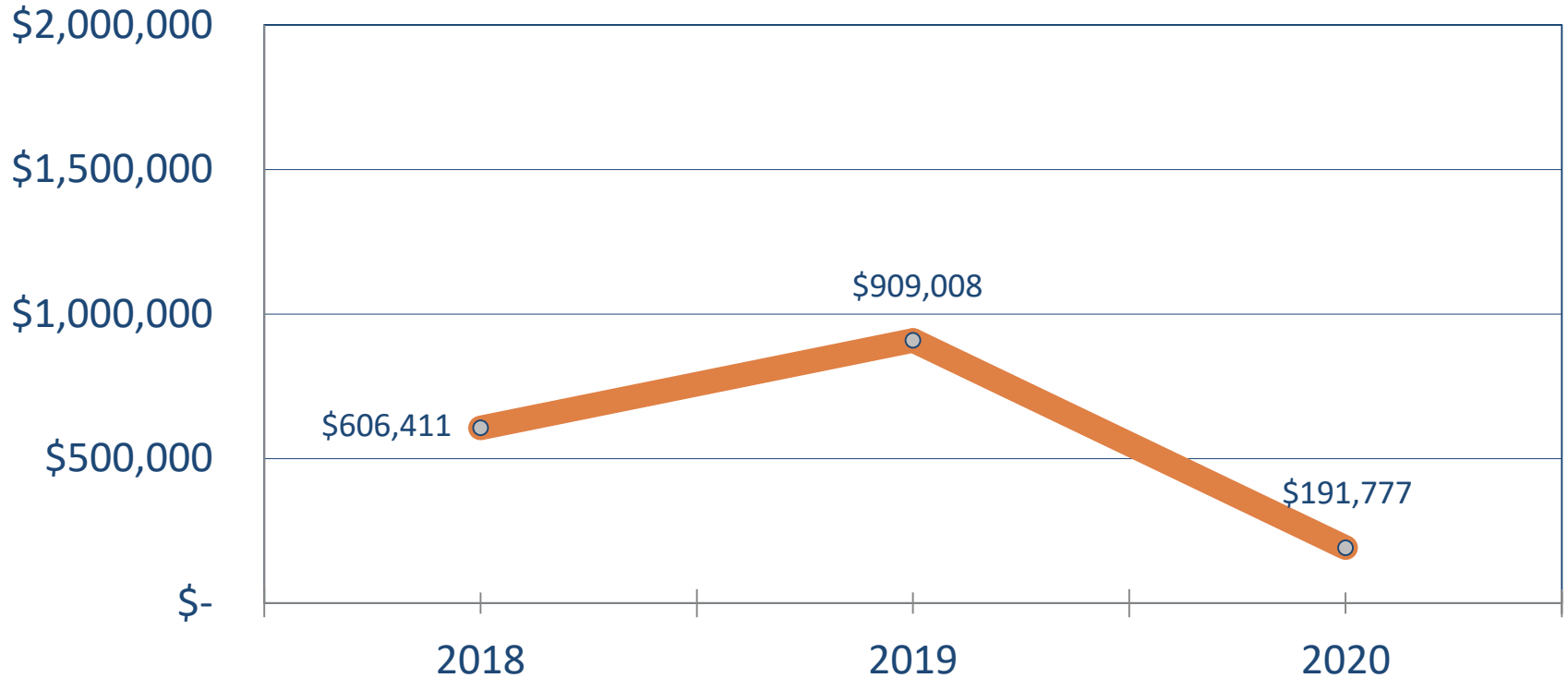
Government-Wide Financial Statements

Net Position



Government-Wide Financial Statements

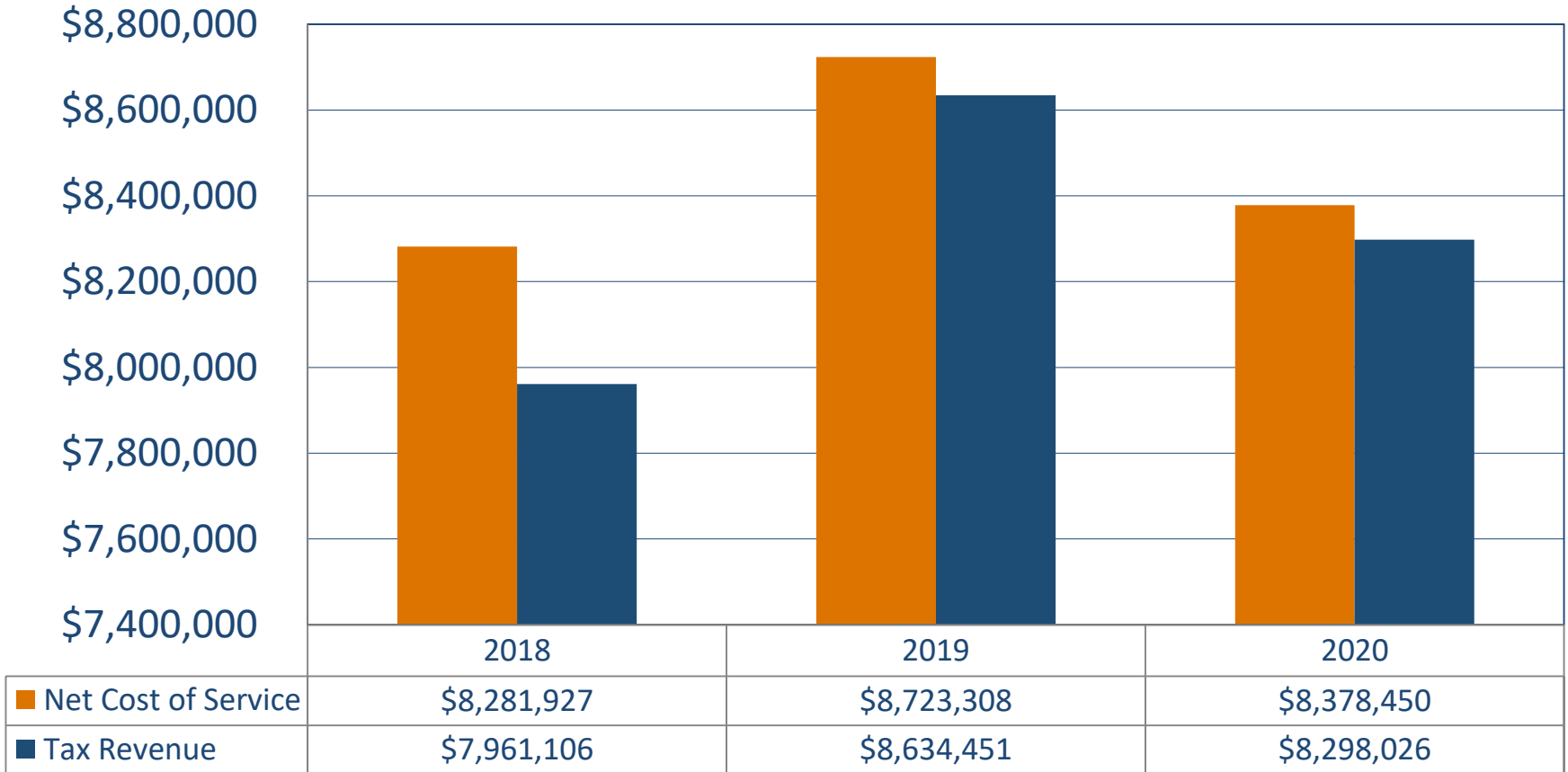
Changes in Net Position



Government-Wide Financial Statements

Net Cost of Service to Tax Revenue

*Net Cost of Service relates only to Governmental Activities



General Fund

Expenditure Coverage

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Unrestricted Fund Balance	\$ 7,402,742	\$ 8,572,969	\$ 8,879,948
Total Expenditures	<u>\$ 8,128,761</u>	<u>\$ 8,643,805</u>	<u>\$ 9,599,043</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>91.07%</u>	<u>99.18%</u>	<u>92.51%</u>
Number of months	11	12	11

*Includes Measure T and Measure Y General Purpose Sales Tax fund balances and expenditures.

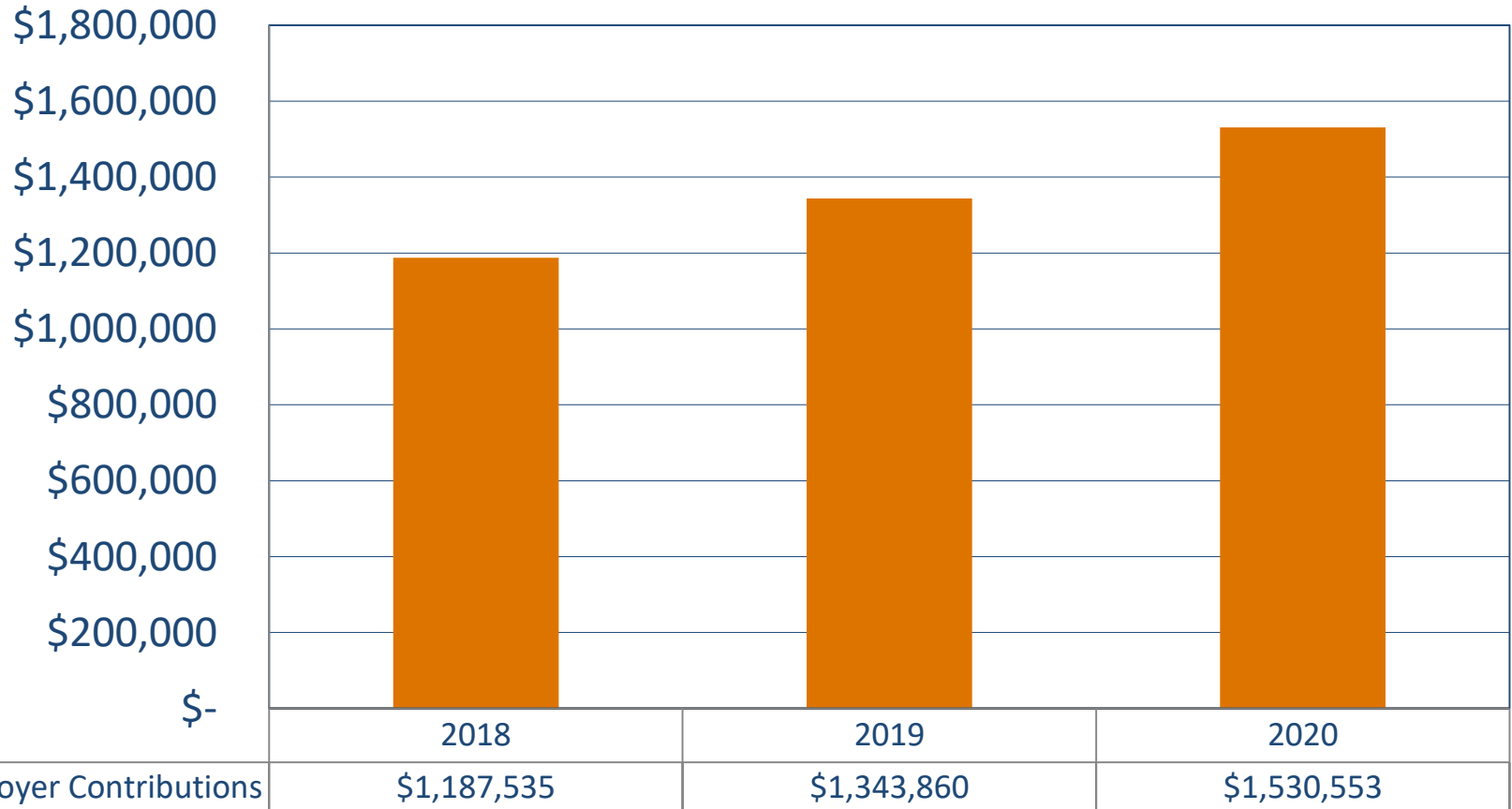
GFOA recommendation

No less than 2 months

Measure of City's ability to operate with no revenues using available fund balance.

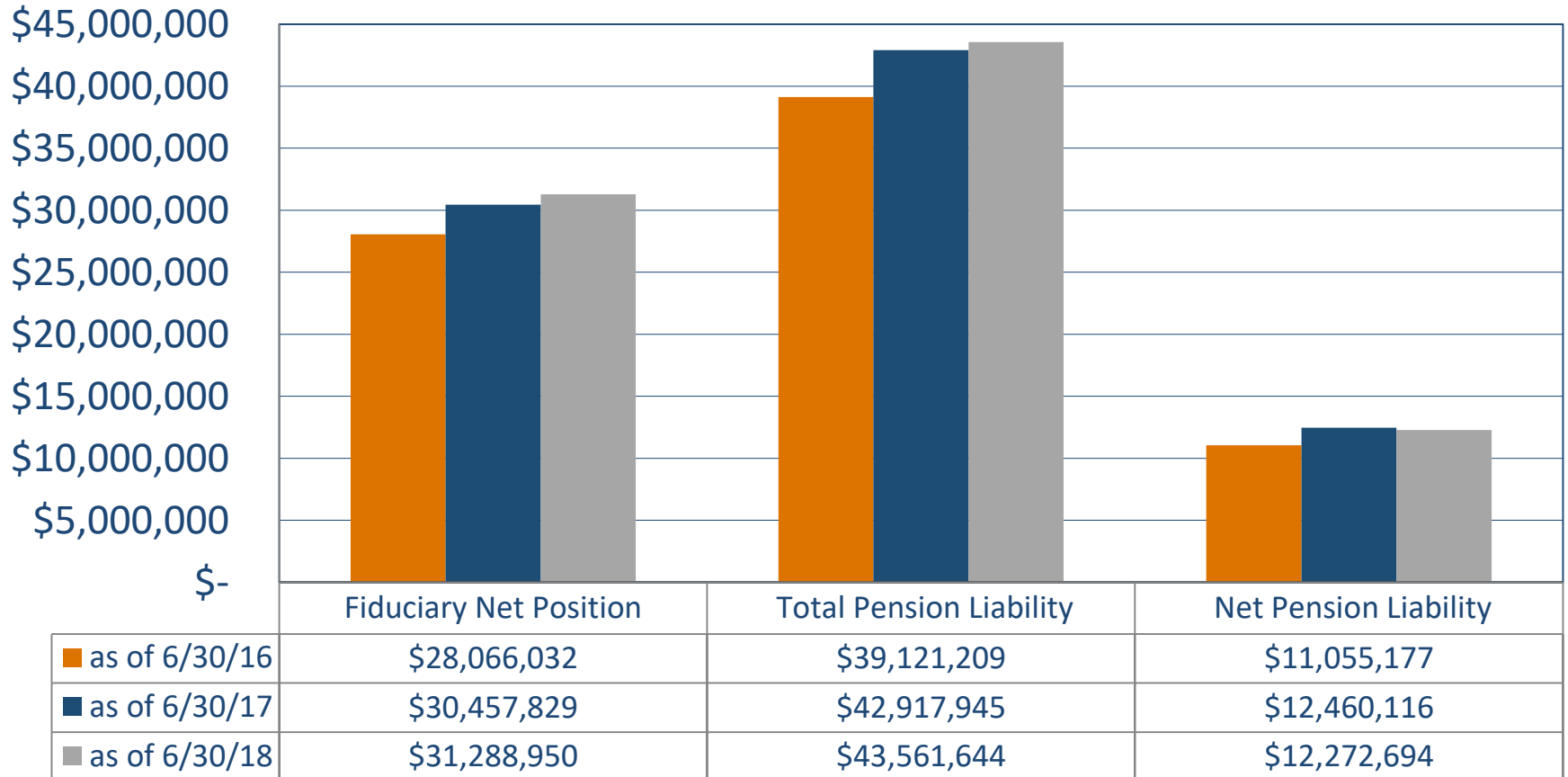
Pension Plan

City's Annual Pension Contributions



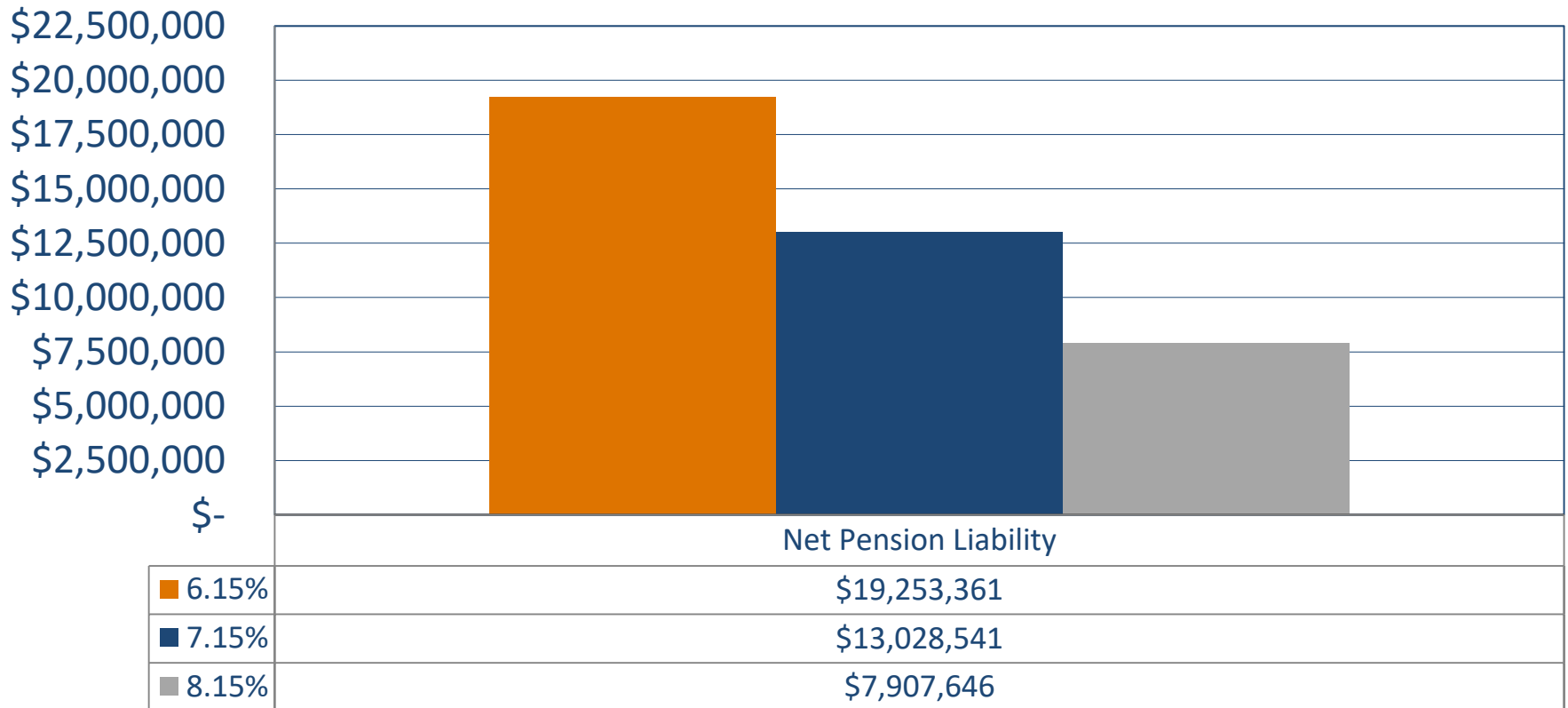
Pension Plan

City's Pension Funded Status



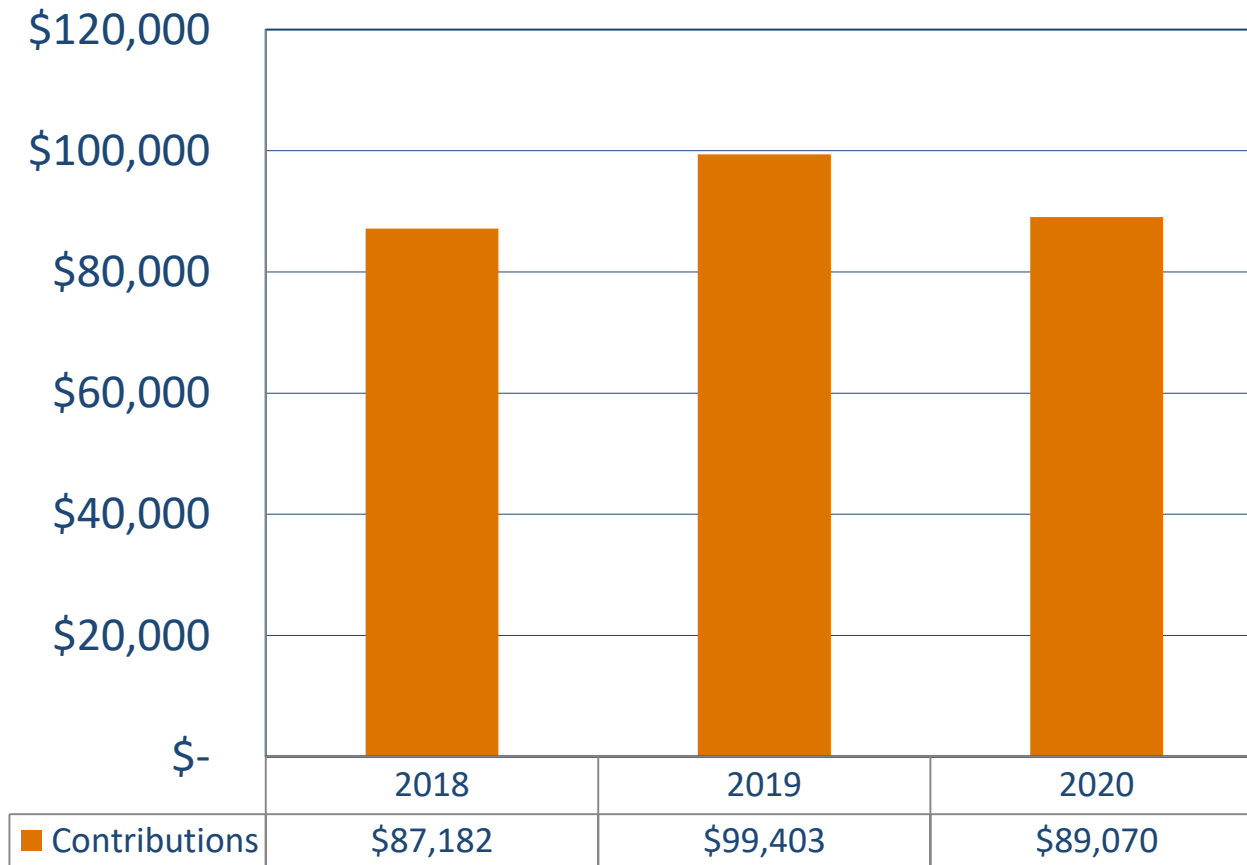
Pension Plan

City's CalPERS Pension Plan Sensitivity to Discount Rate (2019 Measurement Date)



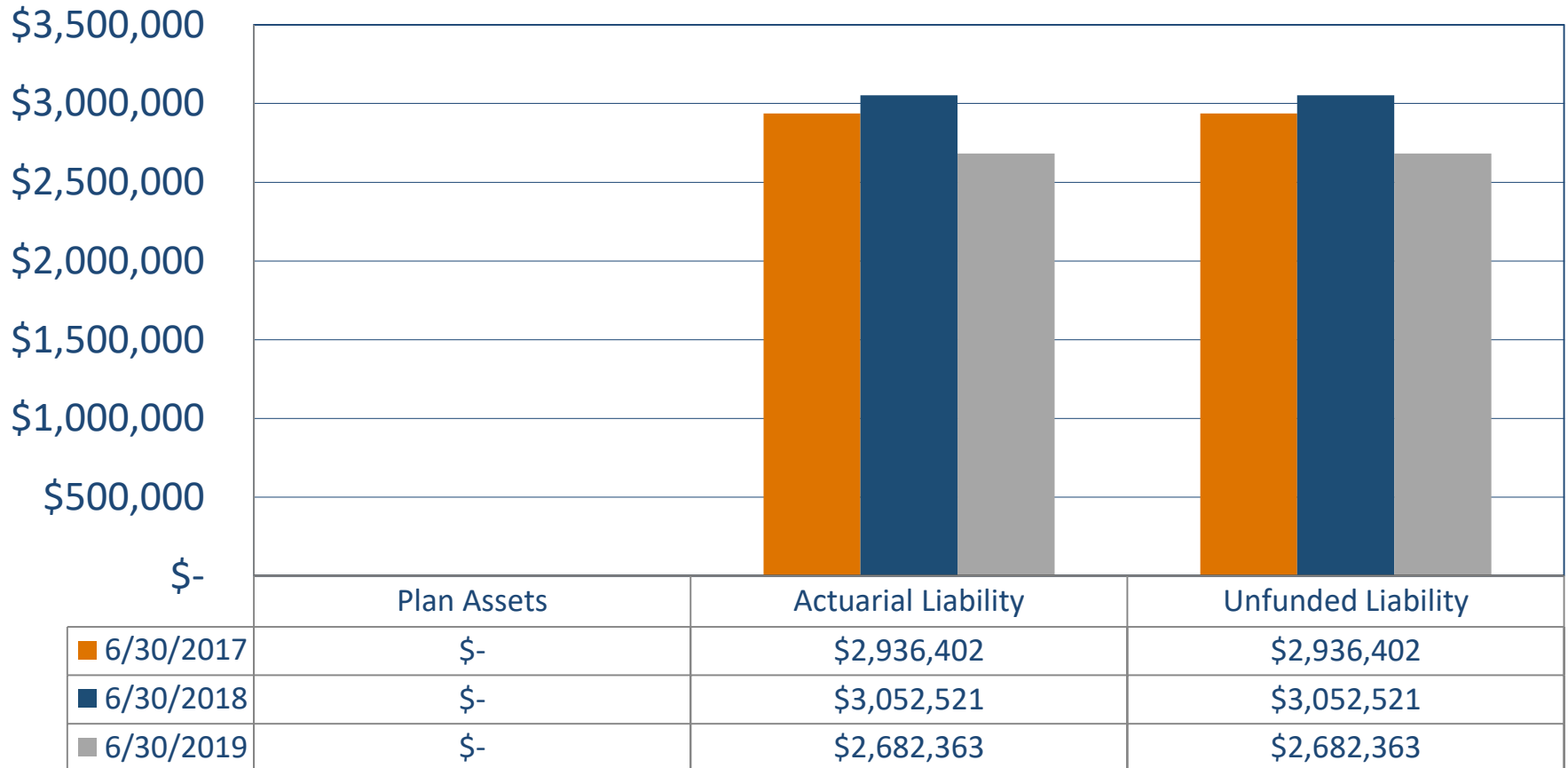
Other Financial Information

City's Annual OPEB Contributions



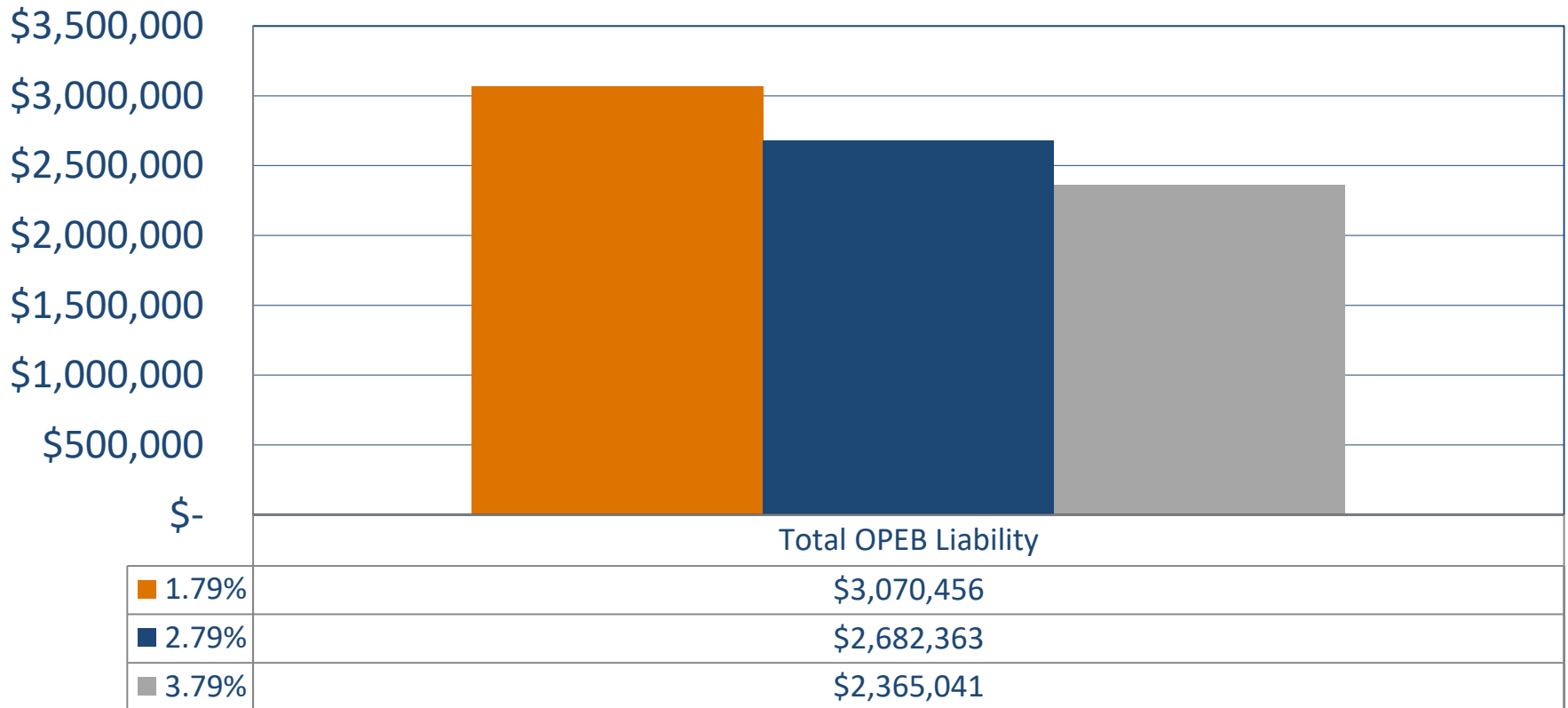
Other Financial Information

City's OPEB Funded Status



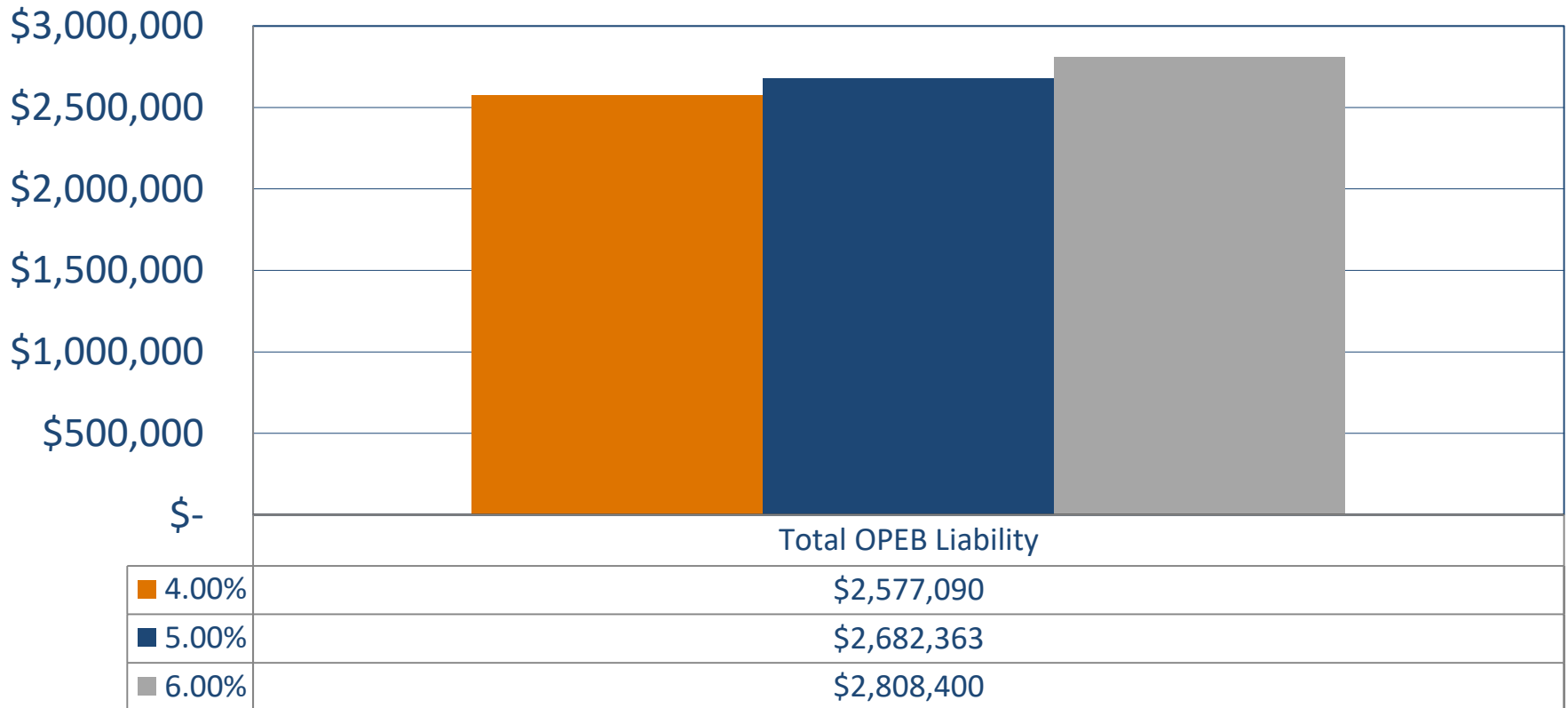
Other Financial Information

City's OPEB Plan Sensitivity to Discount Rate (2019 Measurement Date)




Other Financial Information

City's OPEB Plan Sensitivity to Healthcare Cost Trend Rate (2019 Measurement Date)



Required Communications

- Our Responsibility Under U.S GAAS 
 - Expression of an opinion on whether financial statements are fairly stated in accordance with U.S GAAP
 - Evaluate internal control over financial reporting
 - Evaluate compliance with laws, contract and grants
 - Evaluate the tone at the top
 - Ensure financial statements are clear and transparent
 - Communicate with the governing body

Required Communications

- Management Responsibility



- Management is responsible for the financial statements
- Establish and maintain internal control over financial reporting
- Making all financial records available to us
- Adjust the financial statements to correct material misstatements
- Establish internal control to prevent and detect fraud
- Inform us of all known and suspected fraud
- Comply with laws and regulations
- Take corrective action on audit findings

Required Communications

- Independence



- It is our responsibility to maintain independence
- We will maintain our independence by strict adherence to the AICPA and the Board of Accountancy rule
- Other than compiling the financial statements, no other services performed that could affect our independence

- Timing of the Audit



- Audit was performed in the time frame communicated to the City in our engagement letters

Required Communications

- Significant Accounting Policies and Unusual Transactions



The City did not adopt any new accounting pronouncements during the year.

- Management Judgment and Accounting Estimates



Significant management estimates impacting the financial statements include the following:

- Investment Valuation
- Allowance for uncollectable accounts
- Useful lives of Capital Assets
- Pension Plans
- OPEB Obligation

Required Communications

- Sensitive Disclosures



The most sensitive disclosures affecting the City's financial statements are as follow:

- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Long-term Debt
- Pension Plans
- Other Post Employment Health Care Benefits
- COVID-19 Pandemic

- Difficulties Encountered in Performing the Audit



No difficulties were encountered during our audits.

Required Communications

- Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial



There were adjustments and reclassifying entries during the course of the audit. Management has posted all proposed audit adjustments.

- Potential Effect on the Financial Statements of Any Significant Risks and Exposures



No significant risks or exposures were identified. Legal matters and potential liabilities are disclosed in the financial statements

Required Communications

- Disagreement with Management



We are pleased to report that there were no disagreements with management

- Deficiencies in Internal Control over Financial Reporting



No material weaknesses identified during our audits, however we considered the following control matter to be a significant deficiency:

- HR and Payroll Process

Required Communications

- Representations Requested of Management



We obtained representation letter from the City.

- Management Consultation with Other Accountants



We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

Required Communications

- Other Material Written Communications



Other than the engagement letters and management representation letters, there have been no other significant communications

- Material Uncertainties Related to Events and Conditions



There were no material uncertainties relating to events and conditions

- Fraud and Illegal Acts



We have not become aware of any instances of fraud or illegal acts, which was not disclosed by the City

New Accounting Standards

2021

- Statement 84 - Fiduciary Activities
- Statement 90 - Majority Equity Interests
- Statement 93 - Interbank offered rates (except LIBOR removal and lease modifications)

2022

- Statement 87 - Leases
- Statement 89 - Construction Period interest
- Statement 92 - Omnibus (multiple effective date)
- Statement 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

2023

- Statement 91 - Conduit debt
- Statement 93 - LIBOR removal and lease modifications
- Statement 94 - Public-private partnerships
- Statement 96 - Subscription-Based Information Technology Arrangements

Questions



Mitesh M. Desai
mdesai@b-acpa.com

**Thank You
For Allowing Us to Provide Audit Services
to the City of Sebastopol**

