

CITY OF SEBASTOPOL
CITY COUNCIL
AGENDA ITEM

Meeting Date: January 17, 2023
To: Honorable Mayor and City Councilmembers
From: Ana Kwong – Administrative Services Director
Subject: Receive and Accept of the City’s annual audit for the year-ended June 30, 2022
Recommendation That the City Council Accept the City’s Annual Audit for the year-ended June 30, 2022
Funding: Currently Budgeted: Yes _____ No X 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, 2022.

BACKGROUND:

The Annual Comprehensive Financial Report (ACFR) is an audited summary report of the financial transactions of the City for the Fiscal Year 2021-22 (ending June 30, 2022). 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, 2022 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 ACFR, Management has submitted the ACFR 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 ACFR 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 ACFR for current year information)

- Independent Auditors' Report – the City's report card on the content of the ACFR
- 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 ACFR, 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 ACFR.

The ACFR 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 ACFR 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. The City's General Fund ends with a \$11.84 million fund balance, of which \$3.55 million is unassigned and available for expenditure. The fund balance increase was primarily due to increase in general revenues.

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.

GOALS:

Goal 1: Maintain the long term financial stability and sustainability of the City of Sebastopol and Operate City government in a fiscally responsible and responsive manner.

1.1.1 Review the City Council Financial Polices to ensure they meet the needs of the City

ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378(b)(5), and does not meet CEQA's definition of a "project," because the action does not have the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. and is exempt pursuant to Section 15269(c) of the CEQA Guidelines, as specific actions necessary to prevent or mitigate an emergency.

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 accepting this report tonight.

RECOMMENDATION:

That the City Council adopt by motion and minute order to receive and accept the Fiscal Year 2021-22 audited Comprehensive Annual Financial Report (ACFR).

Attachments:

Audited Annual Comprehensive Financial Report (ACFR) as of June 30, 2022 – City of Sebastopol
Power Point Document



CITY OF SEBASTOPOL

Annual Comprehensive Financial Report

For The Fiscal Year July 1, 2021 Through June 30, 2022



City of Sebastopol

Sebastopol, California

Annual Comprehensive Financial Report

For the year ended June 30, 2022

Prepared by:
Administrative Services Department

City of Sebastopol
Annual Comprehensive Financial Report
For the year ended June 30, 2022

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City Council

Mayor Neysa Hinton

Vice Mayor Diana Gardner Rich

Councilmember Sandra Maurer

Councilmember Jill McLewis

Councilmember Stephen Zollman



City Manager

Larry McLaughlin

lmclaughlin@Cityofsebastopol.org

Assistant City Manager/City Clerk, MMC

Mary Gourley

mgourley@Cityofsebastopol.org

City of Sebastopol

December 23, 2022

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

City staff is pleased to present the annual comprehensive financial report for the City of Sebastopol for the fiscal year ended June 30, 2022. 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 annual comprehensive financial report 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 annual comprehensive financial report includes supplemental information and statistical information to enhance readers' understanding of the City's financial and economic information. The City issues the annual comprehensive financial report 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, 2022. 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 maintenance of City streets, storm drains, bridges, and similar infrastructure type assets; park maintenance; community recreation

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www.cityofsebastopol.org

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.

Meaningful public involvement is needed to balance goals of continuous service improvement and fiscal sustainability. Increased nonprofit grants and local marketing initiatives helped the City maintain services while meeting budgetary reserves goals during the Covid-19 pandemic.

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

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 lingering impact on the labor market. Sebastopol’s recent investments in initiatives to assist local businesses in attracting visitors to the City, coupled with targeted nonprofit grants above recent years’ baseline amounts, are made with the recognition that small business activity and local employment are linked.

The FY 22-23 budget includes relatively flat projections for sales and transient occupancy taxes, even though they made gains during FY 21-22 relative to their decline in FY 20-21 caused by restrictions on public gatherings. Property tax growth was impressive during FY21-22, with year-over-year gains attributed to above-normal real estate transactions activity.

Sales taxes have a stronger correlation with the local economy than property taxes; and have become a larger share of total revenues. For FY 22-23 sales taxes were 41.8% of the adopted budget's total revenues; while property taxes represented 27.5% of the total. A more conservative approach is warranted in response to changes in the revenue mix.

A detailed description of the City's budget policy goals and strategies, as well as historical and current budget amounts is included in the FY 22-23 adopted budget that is accessible on the Administrative Services Department's web site.

Future Challenges:

The Fiscal Year 2022-23 budget was challenging to the need to balance post-pandemic service restoration with the goals of maintaining and improving services. The City is continuing to identify issues that impact long-term fiscal stability, such as pension costs stabilization and capital asset funding. The City studied options for pension funding, overall revenue enhancement strategies and fiscal impact analysis during this current fiscal year, and will be considering the use of a Section 115 pension trust to gain increased investments stability and local control of pension funding.

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 22-23 budget with an appropriate use of reserves that provided for the continuation of essential services as we experience a "return to a more normal" economy as the impact of the pandemic decrease. The FY 22-23 adopted budget provides for the use of \$1,153,000 in reserves to fund essential programs, while meeting the budget reserve goal of 15% unassigned fund balance as a percentage of expenditures. The unassigned balance budgeted fund balance is projected to be 16.5% of expenditures at the end of FY 22-23.

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 22-23 adopted operating budget meets the City Council's fund balance policy goals when assigned and unassigned fund balance are combined; 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 22-23 operating budget provided \$87,000 in additional debt financing to fund essential programs.
- 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. 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 annual comprehensive financial report, with contents that conform to program standards. The annual comprehensive financial report 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 five consecutive years (fiscal years ended 2017 through 2021).

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
Neysa Hinton, Vice Mayor
Una Glass
Sarah Glade Gurney
Diana Gardner Rich

City Staff:

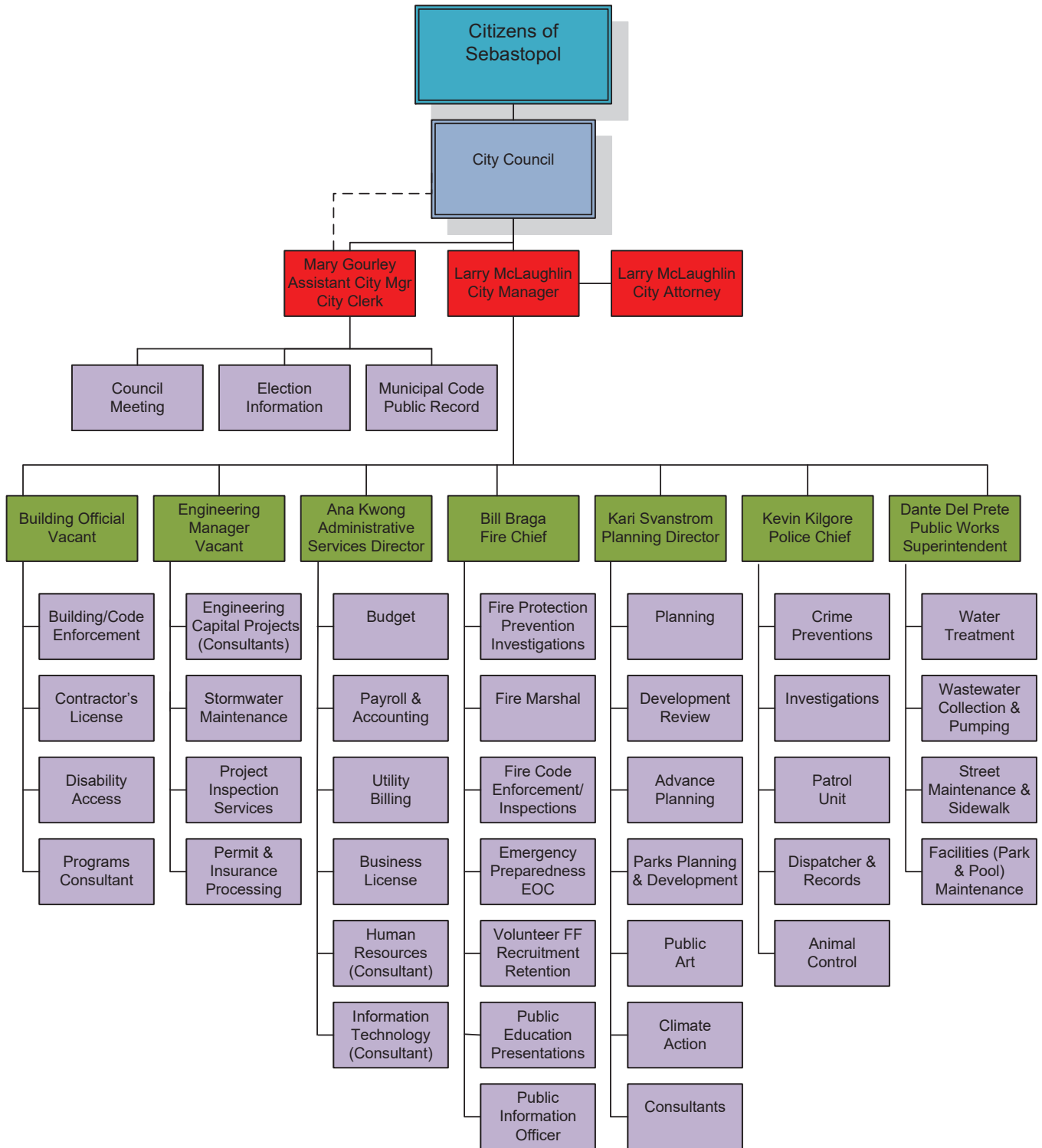
City Manager | City Attorney.....Lawrence McLaughlin
Assistant City Manager | City ClerkMary Gourley
Administrative Services DirectorAna Kwong
Building OfficialVacant
Engineering Manager.....Vacant
Fire Chief William Braga
Planning Director Kari Svanstrom
Police Chief (Interim)..... Ron Nelson
Public Works Superintendent Dante Del Prete

Advisory Commissions or Committees:

Planning Commission
Design Review Board
Public Arts Committee



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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

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 Audit of the Financial Statements

Opinions

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 (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-21 and 83-93 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and budgetary comparison information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

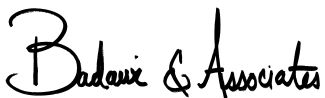
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Badawi & Associates, CPAs
Berkeley, California
December 23, 2022

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CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(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, 2021 and ended June 30, 2022 (FY21-22). 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 \$14,853,000 (net position) at June 30, 2022: Governmental activities' net position was \$7,811,000; and business-type activities' net position was \$7,042,000.
 - Total government-wide net position is categorized as follows:
 - \$14,961,000 is the net investment in capital assets;
 - \$ 3,599,000 is restricted for specific purposes (restricted net position); and,
 - (\$3,707,000) 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 and business-type activities decreased by (\$394,000) and (\$998,000) respectively; accounting for a government-wide decrease in net position of (\$1,392,000).
 - At June 30, 2022, the city's governmental funds reported a combined ending fund balance of \$12,413,000. Governmental funds' balances increased by \$741,000 for the year reported.
 - The general fund reports fund balance of \$10,342,000 at June 30, 2022; and it is distributed in these categories:
 - 1) \$180,000 is categorized as **non-spendable**, and is comprised of prepaid items.
 - 2) \$2,013,000 is reported as **restricted**; with \$1,161,000 restricted for flood recovery; and \$852,000 restricted for capital projects.
 - 3) \$4,602,000 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, \$981,000;
 - Equipment, vehicle and technology replacement, \$908,000; and,
 - Pension and other post-employment liabilities rate stabilization, \$2,713,000.
 - 4) \$3,547,000 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: Within the proprietary fund type, the city reports two enterprise funds, water and wastewater. Proprietary funds report a combined net position of \$7,043,000 at June 30, 2022; with \$4,076,000 reported in the water fund; and \$2,966,000 reported in the wastewater

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fund. The city also reports an internal service fund for insurance benefits, and that fund has a balance of one thousand dollars.

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.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

**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.

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The *statement of net position* presents information on the City's assets and deferred outflows; liabilities and deferred outflows; and the residual difference of those elements which is 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.

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.

The 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, like the government-wide statements, provide both long-and short-term financial information.

The City reports three funds within the **proprietary funds category**: Two **enterprise funds** account for water and wastewater business-like activities; and one **internal service** fund accounts for some insurance services. 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 does not report fiduciary funds for the year ended June 30, 2022. In FY 2021-22 a fiduciary fund was reported for the prior Redevelopment Agency that is now dissolved.

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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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 14,622,000	\$ 12,850,000	\$ 7,220,000	\$ 4,978,000	\$ 21,842,000	\$ 17,828,000
Capital assets	10,951,000	10,594,000	7,860,000	6,847,000	18,811,000	17,441,000
Total assets	25,573,000	23,444,000	15,080,000	11,825,000	40,653,000	35,269,000
Deferred outflows of Resources						
Deferred Outflows Pension and OPEB	2,872,000	2,692,000	502,000	534,000	3,374,000	3,226,000
Total deferred outflows of resources	2,872,000	2,692,000	502,000	534,000	3,374,000	3,226,000
Current Liabilities	2,739,000	1,840,000	1,025,000	249,000	3,764,000	2,089,000
Long-term Liabilities	11,506,000	15,482,000	6,242,000	3,987,000	17,748,000	19,469,000
Total liabilities	14,245,000	17,322,000	7,267,000	4,236,000	21,512,000	21,558,000
Deferred inflows of Resources						
Deferred inflows - Pension and OPEB	6,389,000	633,000	1,273,000	83,000	7,662,000	716,000
Total deferred inflows of resources	6,389,000	633,000	1,273,000	83,000	7,662,000	716,000
Net Position						
Invested in capital assets	9,702,000	9,355,000	5,259,000	5,199,000	14,961,000	14,554,000
Restricted	3,599,000	3,067,000	-	-	3,599,000	3,067,000
Unrestricted	(5,490,000)	(4,241,000)	1,783,000	2,841,000	(3,707,000)	(1,400,000)
Total net position	\$ 7,811,000	\$ 8,181,000	\$ 7,042,000	\$ 8,040,000	\$14,853,000	\$16,221,000

Total net position, (assets and deferred outflows, less liabilities and deferred inflows), was \$14,853,000 at June 30, 2022. Governmental activities net position was \$7,811,000; and business-type activities' net position was \$7,042,000.

The largest component of the City's net position is invested in capital assets; and is reported at \$14,961,000. This component represents 101% of total net position as of June 30, 2022. 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.

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An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used, with \$3,599,000 reported as restricted at June 30, 2022.

At June 30, 2022 the City reported negative unrestricted net position for its governmental activities of (\$5,490,000) and a positive unrestricted net position for business-type activities of \$1,783,000. Government-wide total unrestricted net position is negative (\$3,707,000). The negative unrestricted net position reported for governmental activities is due in large part to pension and post-employment medical liabilities.

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, 2022 and June 30, 2021.

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(Rounded to the nearest \$1,000)

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

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 740,000	\$ 936,000	\$ 5,574,000	\$ 5,638,000	\$ 6,314,000	\$ 6,574,000
Grants and contributions	549,000	800,000			549,000	800,000
Capital grants and contributions	715,000	741,000			715,000	741,000
General revenues:						
Property taxes	3,334,000	3,004,000			3,334,000	3,004,000
Sales Tax	4,705,000	4,363,000			4,705,000	4,363,000
Transient Occupancy Taxes	504,000	402,000			504,000	402,000
Other Taxes	1,259,000	1,158,000			1,259,000	1,158,000
Other income	630,000	309,000	(123,000)	25,000	507,000	334,000
Total revenues	12,436,000	11,713,000	5,451,000	5,663,000	17,887,000	17,376,000
Expenses						
General government	2,966,000	2,658,000			2,966,000	2,658,000
Public safety	6,742,000	6,760,000			6,742,000	6,760,000
Parks and recreation	1,031,000	965,000			1,031,000	965,000
Public works	2,103,000	1,633,000			2,103,000	1,633,000
Interest	19,000	38,000			19,000	38,000
Water			2,572,000	2,490,000	2,572,000	2,490,000
Wastewater			3,846,000	3,520,000	3,846,000	3,520,000
Total expenses	12,861,000	12,054,000	6,418,000	6,010,000	19,279,000	18,064,000
Increase in net position before transfers and special item	(425,000)	(341,000)	(967,000)	(347,000)	(1,392,000)	(688,000)
Transfers	31,000	31,000	(31,000)	(31,000)	-	-
Increase (decrease) in net position	(394,000)	(310,000)	(998,000)	(378,000)	(1,392,000)	(688,000)
Extraordinary Item:						
Theft of investment funds	-	(819,000)	-	(381,000)	-	(1,200,000)
Change in Net Position	(394,000)	(1,129,000)	(998,000)	(759,000)	(1,392,000)	(1,888,000)
Net position beginning - Restated	8,205,000	9,310,000	8,040,000	8,799,000	16,245,000	18,109,000
Net position, Ending	\$7,811,000	\$ 8,181,000	\$7,042,000	\$8,040,000	\$14,853,000	\$16,221,000

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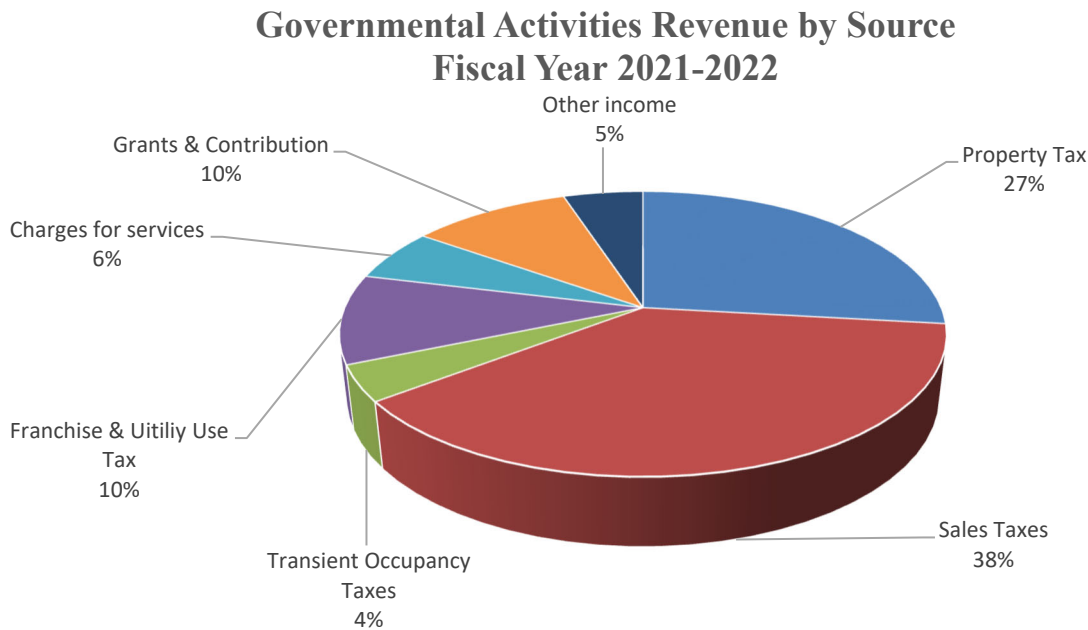
Governmental Activities:

Governmental Activities Revenue:

Governmental activities' services were financed as follows:

- Those who directly benefitted from the programs paid charges for service of \$740,000;
- Other governments and organizations that subsidized certain programs with operating grants of \$549,000 and capital grants of \$715,000; and,
- Tax revenues totaling \$9,802,000 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 \$660,000.
- Tax revenue is the primary funding source for governmental activities. Sales taxes comprise approximately 38% 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, 27% of total revenue; and franchise fees and utility taxes, 10% of total revenue. Grants and contributions; charges for services; and other income account for the remaining 21% of governmental activities' revenue, as reflected in the following chart:

A graphical representation of the relative weights of governmental activities revenues follow



Total FY 2021-22 governmental activities' revenues of \$12,436,000 are reported within two categories: Program revenues \$2,004,000, (16%); and general revenues \$10,432,000, (84%). Total governmental

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activities revenues increased by \$723,000, or 6.2%, over the prior year: General revenues, primarily taxes, increased by \$1,196,000; and program revenues decreased by (\$473,000).

Higher tax collections caused the increase in general revenues. Reduced operating and capital grants financing attributed to the Covid pandemic response and associated economic relief caused the decrease in program revenues.

Total FY 21-22 tax revenues of \$9,802,000 increased by \$875,000, or 10%, over the prior year, and are reported in the following accounts:

Property taxes of \$3,334,000 increased by \$330,000, or 11%, over the prior year due to increased assessed values. The California constitution limits the baseline growth in assessed values used to calculate property taxes to 2%; but provides for assessed value increases upon transfers in ownership, and other specific conditions. Increases in property sales, and home prices, caused the higher assessed values and related collections. Recent increases in sales activity are attributed to lower interest rates, and buyers' moving from more expensive metropolitan areas of California to relatively less expensive suburban areas.

Sales taxes of \$4,705,000 increased by \$342,000, or 7.8%, over the prior year. The change is attributed to reductions in social constraints that were imposed to protect the public from the spread of the Covid-19 virus.

Transient Occupancy Taxes of \$504,000 increased by \$102,000, or 25.4%, over the prior year; with the increase attributed to increased social activity related to lowered Covid-19 related constraints.

Other taxes of \$1,259,000 increased by \$101,000, or 9.8%, over the prior year; and include utility user taxes on telecommunications bills. Revenue changes reflect increased customer demand for services, as work-from home and steaming services became more popular during the Covid-19 pandemic.

Program revenues of \$2,004,000 decreased by (\$473,000), or (19%), compared to the prior year. Reductions in grant funding and charges to customer occurred due to lowered intergovernmental support as the pandemic response decreased; and lowered demand for permitting and inspection activity compared with the prior fiscal year.

Governmental Activities Expenses:

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

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

	Expenses by Function		Percentage Change
	2022	2021	2021-2022
General Government	2,966,000	2,658,000	11.59%
Public Safety	6,742,000	6,760,000	-0.27%
Parks and recreation	1,031,000	965,000	6.84%
Public Works	2,103,000	1,633,000	28.78%
Interest on Long term Debt	19,000	38,000	-50.00%
Total	<u>12,861,000</u>	<u>12,054,000</u>	<u>6.69%</u>

The shifts between categories reflect changes in service delivery, responses to local homeless crisis as well as the timing of deferred maintenance performed by the parks and recreation and public works functions.

Public Works' expense increases reflect an increase in project expenses that are funded by special revenue received, primarily gas tax revenue.

Pension expense allocated to governmental functions based on payroll increased \$501,000 compared to the prior year. Pension expense fluctuations are attributed to a variety of factors, including projected and actual investment returns; actuarial demographic studies of plan participants, and changes in funding methods and policies implemented by the plan administrator, CalPERS. (See note 11.C for detail).

The general government's expenses include a marketing program launched during FY 2021-22 for the purpose of attracting more customers and visitors to the City of Sebastopol.

The public safety function's relatively flat year-over-year expenses reflect a decrease in baseline operating expenses due to lower covid-related activity; with the savings offset in part by increased pension expense.

Decreases in interest on long-term debt reflect normal amortization of debt.

The residual amount of governmental activities' revenues less expenses and other items is negative (\$425,000) for fiscal year 2021-22. After accounting for net transfers in of \$31,000, the change in net position reported for the fiscal year FY 21-22 is (\$394,000). The prior year's decrease in net position was (\$310,000); and after accounting for an extraordinary item, theft of treasury funds, (\$819,000), the change in net position was (\$1,129,000).

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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 FY21-22 the net position of business-type activities decreased by (\$998,000); with a (\$159,000) decrease in the water fund and a (\$839,000) decrease in the wastewater fund. The change in net position represents 12.4% of the combined funds' beginning net position.

The decrease in net position is consistent with the prior year's results, and is due to cost increases for the operation of the sub-regional wastewater treatment plant, and increased cost of payroll related to pensions.

Net position of the water enterprise fund was \$4,076,000 and the net position of the wastewater fund was \$2,966,000, for a combined net position of \$7,042 for all business-type activity at June 30, 2022.

Investment in capital assets is the largest category of the business-type activities' net position, with \$5,259,000 and 74.6% of total net position. The unrestricted net position, total net position less net position invested in capital assets is \$1,783,000 and 25.4% 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.

At June 30, 2022, the City's governmental funds reported total fund balances of \$12,413,000, an increase of \$741,000 in comparison with the prior year. The total fund balance is reported within these categories:

- \$181,000 is "non-spendable" because the financial resources have been used to prepay expenditures.
- \$3,599,000 is "restricted," and is only available to spend as specified by external funding sources.
- \$492,000 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.
- \$4,602,000 is "assigned" for a particular future use.

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- \$3,539,000 is “unassigned,” and as such is considered available to finance future years’ budgetary needs at the discretion of the City Council.

The June 30, 2022 total governmental funds balance is comprised of the general fund balance \$10,342,000, the non-major funds’ fund balance of \$2,071,000.

General Fund:

The general fund is the chief operating fund of the City. During FY 21-22, the general fund balance increased by \$1,060,000; and is \$10,342,000 as of June 30, 2022. Fund balance is distributed in the following categories:

- \$180,000 is “non-spendable” because the financial resources were used for prepaid items.
- \$2,013,000 is restricted for uses specified by external funding sources or law.
- \$4,602,000 is “assigned” for these stated uses:
 - \$981,000 for buildings and infrastructure;
 - \$908,000 for equipment, technology and vehicle replacement; and,
 - \$2,713,000 for pension and post-employment medical benefits.
- \$3,547,000 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 City Council’s general fund budgetary discretion, it may be useful to calculate unassigned fund balance as a percentage of annual expenditures: Unassigned general fund balance of \$3,547,000 at June 30, 2022 represents 32% of FY 21-22 general fund expenditures of \$11,086,000.

The general fund balance increased by \$1,060,000 during FY 21-22. Tax revenues increased by \$875,000, and were the primary contributor to the change in fund balance.

FY 21-22 general fund expenditures of \$11,086,000 reflect an increase of \$507,000, or 4.8%, over the prior year’s expenditures of \$10,579,000. The largest increases are reported in the functional areas of general government, which experienced an increase in expenditures of \$280,000, or 12.4%, caused by outside legal service supports; and public works, with an increase of \$139,000, or 15.8% that is attributed to additional engineering consulting services as well as addressing homeless crisis along with projects that were impeded by the need to respond to the Covid-19 pandemic.

The general fund also reported capital outlay expenditures of \$517,000 for FY 21-22, which is an increase of \$373,000 over the prior year. Note 6B provides details for change asset activity.

General Fund Budgetary Highlights

The FY 21-22 general fund’s original budget anticipated a decrease in fund balance of (\$1,052,000) and that budget was amended during the year to anticipate a decrease in fund balance of (\$388,000).

The FY 21-22 general fund’s budgetary financing sources anticipated during the Council’s approval of the original budget were increased by \$1,174,000 during the fiscal year in recognition of higher than expected tax receipts and other reimbursements.

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Appropriations for expenditures approved in the original FY 21-22 general fund budget were increased by \$509,000 by Council amendment. The added appropriations were funded an economic development initiative and increased funding to support capital needs for nonprofit agencies.

Other financing sources (uses) reported in the general fund budgetary comparison schedule include the proceeds from debt issuance, transfers in, and transfers out. The FY 21-22 budgeted amounts for these accounts were not amended.

The other financing sources (uses) classification reports an overall favorable budget result of \$784,000. The favorable variance is attributed to \$1,126,000 in debt issuance proceeds that were authorized by a City Council resolution, rather than a budget amendment; less net transfers out that consumed \$342,000 more financial resources than budgeted. The debt proceeds and transfers were responsive to the City Council's mid-year consideration and approval of capital projects, and grant awards to nonprofit agencies.

The FY 21-22 general fund's actual change in fund balance exceeded the final budget estimates by \$1,448,000. Revenues exceeded final estimates by \$195,000; expenditures were \$469,000 less than the final budget's appropriations; and other financial sources (uses) report favorable variances of \$784,000. Favorable revenue results were due to tax collections in excess of projections. Favorable expenditure variances are attributed to project funding approved mid-year for initiatives that will carry over into the next fiscal year; and a relatively modest budgetary surplus within the public safety function.

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, 2022 fund balances of \$2,070,000. 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' aggregated fund balances decreased by (\$319,000) during FY 21-22. The decrease is attributed to the appropriate use of financial resources accumulated in prior years to fulfill the purposes for which those accumulated resources were intended.

Proprietary Funds – Water and Sewer Enterprise Funds:

Proprietary fund-type activity is comprised of the water and wastewater enterprise funds, and one internal service fund used to allocate insurance costs. The combined net position at of enterprise funds at June 30, 2022 is \$7,042,000; with \$5,259,000 representing the net investment in capital assets and \$1,783,000 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.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Rounded to the nearest \$1,000)**

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 was \$1,000 at June 30, 2022, and was unchanged by FY 21-22 activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022 the City had invested \$18,811,000, (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 increase of \$1,371,000 for FY 21-22.

Governmental activities capital assets, net of accumulated depreciation increased by \$357,000 during FY 21-22, due to additions in depreciable assets, \$927,000; an increase in construction in progress, \$331,000; less deletions, (\$139,000) and depreciation charges, (\$385,000). The asset activity primarily consisted of routine vehicle and equipment replacement and construction in progress related to energy conservation assets, and normal depreciation.

Business-type activities capital assets, net of accumulated depreciation increased by \$1,014,000 during FY 21-22, due to additions in depreciable assets, \$111,000; an increase in construction in progress, \$1,610,000; less depreciation charges, (\$707,000). The capital asset activity was related to normal replacement projects for the water and wastewater systems, and normal depreciation.

Table A-4 provides a recap of capital asset activity.

The notes to the financial statements for detail on the changes of capital assets, (Note 6 – A).

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Rounded to the nearest \$1,000)**

Table A-4

**City of Sebastopol's Capital Assets
(in millions of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and CIP	3.28	2.95	1.78	0.18	5.06	3.13
Buildings & structures	7.85	7.50			7.85	7.50
Machinery and equipment	2.75	2.70	0.24	0.22	2.99	2.92
Reservoirs			3.92	3.92	3.92	3.92
Pipelines & water system			4.24	4.22	4.24	4.22
Pipelines & wastewater system			8.37	8.34	8.37	8.34
Vehicles	2.72	2.30	0.96	0.93	3.68	3.23
Infrastructure	8.86	8.70			8.86	8.70
Accumulated depreciation	(14.51)	(13.60)	(11.66)	(10.90)	(26.17)	(24.50)
Total	10.95	10.55	7.85	6.91	18.80	17.46

Changes in Long-term Liabilities – Debt:

For the year reported, general activities' long-term debt obligations increased by \$885,000, and total \$2,100,000 as of June 30, 2022. Significant transactions included the addition of a \$1,126,000 finance purchase obligation to fund energy conservation assets; and \$241,000 reductions in long-term obligations due to scheduled payments. Detailed information for long-term debt obligations is provided in note 7.A.

For FY 21-22 business-type long term debt obligations increased by \$3,609,000, and total \$5,256,000 as of June 30, 2022. Significant transactions consist of a new capital lease obligation of \$3,813,000 to finance energy conservation assets used in the water and wastewater systems and normal reductions in debt obligation principal due to scheduled payments, \$204,000.

Detailed information about the City's long-term obligations can be found in the "Notes to the Basic Financial Statements" under section 7 – A.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City is beginning to recover from 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 prepare 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 22-23 operating budget was conservative in response to the need to achieve stability in pension funding and make progress in capital assets maintenance, repair and replacements.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Rounded to the nearest \$1,000)**

During the current budget year, FY 22-23, the City studied alternatives for funding pensions. As funds become available to fund pensions above actuarially required contributions, the City will consider establishing a separate pension trust account that can be used to achieve rate stabilization.

The City also launched an initiative to evaluate capital assets and related financing. The evaluation will consider assets' service capabilities; remaining service life; maintenance costs; and expected future replacement costs, with a goal of identifying requirements to establish service-level stability within a financially sustainable budget environment.

For the 2023 fiscal year, (starts July 1, 2022 and ends June 30, 2023) the following budgetary highlights are noted:

- The FY 2022-23 general fund budget anticipates a fund balance decrease of (\$1.2 million); based upon estimated revenues and transfers in of \$11.4 million less expenditures and transfers out of \$12.5 million. The end-of-year fund balance projections meet the city council's minimum budgetary reserve policy that requires maintaining general fund unassigned balance equal to 15% of expenditures.
- The FY 2022-23 requested enterprise fund operating expenses and transfers out total \$3,989,000 for the water fund, and \$5,004,000 for the wastewater fund. The FY 2022-23 estimated change in net position is a deficit of \$1,533,000 for the water fund and deficit of \$1,589,000 for the wastewater fund.
- 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>

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,191,974	\$ 3,151,376	\$ 14,343,350
Restricted cash and investments with fiscal agents	889,036	2,654,751	3,543,787
Receivables (net of allowances for uncollectibles):			
Accounts receivable	249,981	1,117,239	1,367,220
Taxes receivable	1,163,259	-	1,163,259
Interest receivable	18,392	8,646	27,038
Assessment receivable	35,000	-	35,000
Lease receivable	35,268	-	35,268
Prepaid items	540,931	289,230	830,161
Total current assets	14,123,841	7,221,242	21,345,083
Noncurrent assets:			
Notes receivable	196,408	-	196,408
Leases receivable	302,354	-	302,354
Capital assets:			
Non-depreciable	3,284,738	1,788,083	5,072,821
Depreciable, net	7,666,379	6,072,040	13,738,419
Total capital assets	10,951,117	7,860,123	18,811,240
Total noncurrent assets	11,449,879	7,860,123	19,310,002
Total assets	25,573,720	15,081,365	40,655,085
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	2,664,409	501,662	3,166,071
Deferred outflows of resources - OPEB	208,005	-	208,005
Total deferred outflows of resources	2,872,414	501,662	3,374,076
LIABILITIES			
Current liabilities:			
Accounts payable	538,844	471,044	1,009,888
Accrued interest payable	9,145	5,446	14,591
Accrued liabilities	267,321	-	267,321
Deposits payable	91,654	56,230	147,884
Unearned revenues	741,307	50,000	791,307
Compensated absences - due within one year	750,000	4,000	754,000
Long term debt - due within one year	340,891	438,471	779,362
Total current liabilities	2,739,162	1,025,191	3,764,353
Noncurrent liabilities:			
Compensated absences - due in more than one year	270,612	49,716	320,328
Long term debt - due in more than one year	1,759,548	4,817,220	6,576,768
Total OPEB liability	2,186,427	-	2,186,427
Net pension liability	7,289,678	1,375,331	8,665,009
Total noncurrent liabilities	11,506,265	6,242,267	17,748,532
Total liabilities	14,245,427	7,267,458	21,512,885
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	5,266,120	1,273,472	6,539,592
Deferred inflows of resources - OPEB	788,584	-	788,584
Deferred inflows of resources - leases	334,731	-	334,731
Total deferred inflows of resources	6,389,435	1,273,472	7,662,907
NET POSITION			
Net investment in capital assets	9,702,362	5,259,183	14,961,545
Restricted for:			
Flood recovery	1,161,558	-	1,161,558
Housing	145,389	-	145,389
Streets	1,133,784	-	1,133,784
Other purposes	1,158,472	-	1,158,472
Total restricted	3,599,203	-	3,599,203
Unrestricted	(5,490,293)	1,782,914	(3,707,379)
Total net position	\$ 7,811,272	\$ 7,042,097	\$ 14,853,369

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,966,273	\$ 212,591	\$ 333,677	\$ -	\$ 546,268
Public safety	6,741,592	109,257	215,289	-	324,546
Public works	2,102,767	394,056	-	715,013	1,109,069
Parks and recreation	1,030,936	24,383	-	-	24,383
Interest on long-term debt	19,063	-	-	-	-
Total governmental activities	12,860,631	740,287	548,966	715,013	2,004,266
Business-type activities:					
Water Services	2,572,104	2,519,592	-	-	2,519,592
Wastewater Services	3,845,631	3,053,622	-	-	3,053,622
Total business-type activities	6,417,735	5,573,214	-	-	5,573,214
Total primary government	\$ 19,278,366	\$ 6,313,501	\$ 548,966	\$ 715,013	\$ 7,577,480

General Revenues and Transfers:

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
\$ (2,420,005)	\$ -	\$ (2,420,005)
(6,417,046)	-	(6,417,046)
(993,698)	-	(993,698)
(1,006,553)	-	(1,006,553)
(19,063)	-	(19,063)
<u>(10,856,365)</u>	<u>-</u>	<u>(10,856,365)</u>
-	(52,512)	(52,512)
-	(792,009)	(792,009)
-	(844,521)	(844,521)
<u>(10,856,365)</u>	<u>(844,521)</u>	<u>(11,700,886)</u>
3,333,749	-	3,333,749
4,705,343	-	4,705,343
504,292	-	504,292
1,259,110	-	1,259,110
<u>9,802,494</u>	<u>-</u>	<u>9,802,494</u>
(298,155)	(122,740)	(420,895)
927,480	-	927,480
31,024	(31,024)	-
<u>10,462,843</u>	<u>(153,764)</u>	<u>10,309,079</u>
(393,522)	(998,285)	(1,391,807)
<u>8,204,794</u>	<u>8,040,382</u>	<u>16,245,176</u>
<u>\$ 7,811,272</u>	<u>\$ 7,042,097</u>	<u>\$ 14,853,369</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary 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, 2022

	<u>Major Funds</u>	Non-Major	Total
	General Fund	Governmental Funds	Governmental Funds
ASSETS			
Cash and investments	\$ 9,093,186	\$ 2,098,785	\$ 11,191,971
Restricted cash and investments	851,684	37,352	889,036
Accounts receivable	211,040	38,943	249,983
Taxes receivable	1,101,883	61,376	1,163,259
Accrued interest receivable	15,596	2,798	18,394
Assessment receivable	-	35,000	35,000
Notes receivable	-	196,408	196,408
Leases receivable	337,622	-	337,622
Due from other funds	49,650	-	49,650
Prepaid items	180,191	555	180,746
Total assets	\$ 11,840,852	\$ 2,471,217	\$ 14,312,069
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 335,801	\$ 142,016	\$ 477,817
Due to other funds	-	18,865	18,865
Unearned revenues	733,414	7,893	741,307
Deposits	91,654	-	91,654
Total liabilities	1,160,869	168,774	1,329,643
Deferred inflows of resources:			
Unavailable revenues	2,891	231,486	234,377
Deferred inflow of resources - leases	334,731	-	334,731
Total deferred inflow of resources	337,622	231,486	569,108
Fund Balances:			
Nonspendable	180,191	555	180,746
Restricted:			
Flood recovery	1,161,558	-	1,161,558
Highways and streets	-	1,133,784	1,133,784
Affordable housing	-	145,389	145,389
Capital projects	851,684	-	851,684
Other	-	306,788	306,788
Total restricted	2,013,242	1,585,961	3,599,203
Committed:			
Street projects	-	492,217	492,217
Total committed	-	492,217	492,217
Assigned:			
Buildings, facilities, and infrastructure	981,241	-	981,241
Equipment, technology, and vehicle replacement	907,599	-	907,599
Pension and OPEB	2,712,976	-	2,712,976
Total assigned	4,601,816	-	4,601,816
Unassigned	3,547,112	(7,776)	3,539,336
Total fund balances	10,342,361	2,070,957	12,413,318
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,840,852	\$ 2,471,217	\$ 14,312,069

City of Sebastopol
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2022

Total Fund Balances - Total Governmental Funds **\$ 12,413,318**

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. The capital assets were adjusted as follows:

Non-depreciable	\$ 3,284,738
Depreciable, net	7,666,379
Total capital assets	10,951,117

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. 234,377

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	2,664,409
Deferred outflows of resources - OPEB	208,005
Deferred inflows of resources - pension	(5,266,120)
Deferred inflows of resources - OPEB	(788,584)

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	(750,000)
Long term debt - due within one year	(340,891)
Compensated absences - due in more than one year	(270,612)
Long term debt - due in more than one year	(1,759,548)
Net OPEB liability	(2,186,427)
Net pension liability	(7,289,678)
Total long-term liabilities	(12,597,156)

Net Position of Governmental Activities **\$ 7,811,272**

City of Sebastopol
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	<u>Major Funds</u>	Non-Major	Total
	General Fund	Governmental Funds	Governmental Funds
REVENUES:			
Property taxes	\$ 3,202,351	\$ 131,397	\$ 3,333,748
Sales and use taxes	5,550,101	194,060	5,744,161
Transient occupancy tax	504,292	-	504,292
Franchise fees	405,507	-	405,507
Licenses and permits	445,597	8,724	454,321
Fines and forfeitures	27,452	-	27,452
Intergovernmental	428,731	642,298	1,071,029
Interest and rents	(215,164)	(42,203)	(257,367)
Charges for services	197,582	63,492	261,074
Miscellaneous	725,010	202,470	927,480
Total revenues	11,271,459	1,200,238	12,471,697
EXPENDITURES:			
Current:			
General government	2,550,705	127,480	2,678,185
Public safety	6,059,990	-	6,059,990
Parks and recreation	799,261	-	799,261
Public works	1,016,459	277,076	1,293,535
Capital outlay	516,521	1,280,515	1,797,036
Debt service:			
Principal	131,687	109,245	240,932
Interest	10,959	8,104	19,063
Total expenditures	11,085,582	1,802,420	12,888,002
REVENUES OVER (UNDER) EXPENDITURES	185,877	(602,182)	(416,305)
OTHER FINANCING SOURCES (USES):			
Proceeds from debt	1,126,307	-	1,126,307
Transfers in	144,000	1,367,475	1,511,475
Transfers out	(395,940)	(1,084,511)	(1,480,451)
Total other financing sources (uses)	874,367	282,964	1,157,331
Net change in fund balances	1,060,244	(319,218)	741,026
FUND BALANCES:			
Beginning of year	9,282,117	2,390,175	11,672,292
End of year	\$ 10,342,361	\$ 2,070,957	\$ 12,413,318

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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 741,026
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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.	1,397,724
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.	(901,254)
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.	(139,467)
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.	1,593,438
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.	122,554
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.	
- Proceeds from long-term liabilities	(1,126,307)
- Principal repayments on long-term liabilities	240,932
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.	(12,611)
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.	(35,612)
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.	(2,273,945)

Change in Net Position of Governmental Activities	<u>\$ (393,522)</u>
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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, 2022

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 2,078,127	\$ 1,073,249	\$ 3,151,376	\$ -
Restricted cash and investments	1,590,308	1,064,443	2,654,751	-
Accounts receivable	476,707	640,532	1,117,239	-
Interest receivable	5,366	3,280	8,646	-
Prepays	169,342	119,888	289,230	360,185
Total current assets	4,319,850	2,901,392	7,221,242	360,185
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,068,879	719,204	1,788,083	-
Depreciable, net	3,600,353	2,471,687	6,072,040	-
Total capital assets	4,669,232	3,190,891	7,860,123	-
Total noncurrent assets	4,669,232	3,190,891	7,860,123	-
Total assets	8,989,082	6,092,283	15,081,365	360,185
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	257,263	244,399	501,662	-
Total deferred outflows of resources	257,263	244,399	501,662	-
LIABILITIES				
Current liabilities:				
Accounts payable	266,799	204,245	471,044	328,349
Accrued interest payable	2,881	2,565	5,446	-
Deposits payable	56,230	-	56,230	-
Due to other funds	-	-	-	30,785
Unearned revenues	-	50,000	50,000	-
Compensated absences, due within one year	2,000	2,000	4,000	-
Long term debt, due within one year	278,056	160,415	438,471	-
Total current liabilities	605,966	419,225	1,025,191	359,134
Noncurrent liabilities:				
Compensated absences, due in more than one year	19,486	30,230	49,716	-
Long term debt, due in more than one year	3,186,738	1,630,482	4,817,220	-
Net pension liability	705,298	670,033	1,375,331	-
Total noncurrent liabilities	3,911,522	2,330,745	6,242,267	-
Total liabilities	4,517,488	2,749,970	7,267,458	359,134
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	653,063	620,409	1,273,472	-
Total deferred inflows of resources	653,063	620,409	1,273,472	-
NET POSITION				
Net investment in capital assets	2,794,746	2,464,437	5,259,183	-
Unrestricted	1,281,048	501,866	1,782,914	1,051
Total net position	\$ 4,075,794	\$ 2,966,303	\$ 7,042,097	\$ 1,051

City of Sebastopol
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2022

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,294,638	\$ 2,936,238	\$ 5,230,876	\$ 1,015,716
Other revenues	224,954	117,384	342,338	-
Total operating revenues	2,519,592	3,053,622	5,573,214	1,015,716
OPERATING EXPENSES:				
Personnel services	495,575	457,548	953,123	-
Interfund charges for services	1,182,152	981,322	2,163,474	-
Contractual and other services	144,869	144,270	289,139	-
Intergovernmental treatment costs	-	1,650,401	1,650,401	-
Utilities	220,561	48,032	268,593	-
Supplies	180,798	52,549	233,347	-
Insurance, claims, and expenses	76,545	49,658	126,203	1,015,716
Depreciation	247,069	459,962	707,031	-
Total operating expenses	2,547,569	3,843,742	6,391,311	1,015,716
OPERATING INCOME	(27,977)	(790,120)	(818,097)	-
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(24,535)	(1,889)	(26,424)	-
Interest and investment revenue	(75,185)	(47,555)	(122,740)	-
Total nonoperating revenues (expenses)	(99,720)	(49,444)	(149,164)	-
INCOME (LOSS) BEFORE TRANSFERS	(127,697)	(839,564)	(967,261)	-
Transfers out	(31,024)	-	(31,024)	-
Total transfers	(31,024)	-	(31,024)	-
Change in net position	(158,721)	(839,564)	(998,285)	-
NET POSITION				
Beginning of year	4,234,515	3,805,867	8,040,382	1,051
End of year	\$ 4,075,794	\$ 2,966,303	\$ 7,042,097	\$ 1,051

City of Sebastopol
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2022

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,321,692	\$ 2,916,364	\$ 5,238,056	\$ -
Cash payments from other funds	-	-	-	1,015,716
Cash received from others	224,954	117,384	342,338	-
Cash payments to suppliers for goods and services	(535,587)	(1,890,560)	(2,426,147)	(1,447,498)
Cash payments to other funds for services	(1,182,152)	(981,322)	(2,163,474)	-
Cash paid to employees	(412,013)	(378,018)	(790,031)	-
Net cash provided by (used in) operating activities	416,894	(216,152)	200,742	(431,782)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Temporary loans from other funds	-	-	-	30,785
Transfers out	(31,024)	-	(31,024)	-
Net cash provided by noncapital financing activities	(31,024)	-	(31,024)	30,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(984,701)	(736,208)	(1,720,909)	-
Receipt of capital grants	-	50,000	50,000	-
Proceeds from long term debt	2,251,121	1,561,463	3,812,584	-
Long-term debt repayment	(133,663)	(70,070)	(203,733)	-
Interest paid and fiscal charges	(24,535)	(1,889)	(26,424)	-
Net cash (used in) capital and related financing activities	1,108,222	803,296	1,911,518	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	(77,642)	(48,623)	(126,265)	-
Net cash (used in) investing activities	(77,642)	(48,623)	(126,265)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,416,450	538,521	1,954,971	(400,997)
CASH AND CASH EQUIVALENTS - Beginning of year	2,251,985	1,599,171	3,851,156	400,997
CASH AND CASH EQUIVALENTS - End of year	\$ 3,668,435	\$ 2,137,692	\$ 5,806,127	\$ -
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 2,078,127	\$ 1,073,249	3,151,376	\$ -
Restricted cash and investments	1,590,308	1,064,443	2,654,751	-
Total	\$ 3,668,435	\$ 2,137,692	\$ 5,806,127	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ (27,977)	\$ (790,120)	\$ (818,097)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	247,069	459,962	707,031	-
Changes in assets and liabilities:				
Accounts receivable	25,309	(19,874)	5,435	-
Prepays	(169,342)	(119,888)	(289,230)	(358,008)
Deferred outflows - pension	16,629	15,798	32,427	-
Accounts payable	256,528	174,238	430,766	(73,774)
Deposits payable	1,745	-	1,745	-
Compensated absences	265	398	663	-
Net pension liability	(543,795)	(516,605)	(1,060,400)	-
Deferred inflows - pension	610,463	579,939	1,190,402	-
Total adjustments	444,871	573,968	1,018,839	(431,782)
Net cash provided by operating activities	\$ 416,894	\$ (216,152)	\$ 200,742	\$ (431,782)

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

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, 2022

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, 2022

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.

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.

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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Leases - Lessor

The City is a lessor for a noncancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. 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.

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:

	<u>Years</u>
Public domain infrastructure	50
Buildings and structures	40
System infrastructure	15-40
Vehicles and equipment	5-15

J. 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 assets 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. *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.

L. *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.

M. *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.

N. *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."

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Equity, Continued

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.

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.

O. 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. 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.

Q. 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.

R. 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.

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, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

S. New Accounting Pronouncements

In 2022, the City adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 87, Leases – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City recognized a lease receivable and related deferred inflow of resources for a cell tower lease. In addition, long-term debt disclosures were reviewed and updated to reflect lease-leaseback financing transactions.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

S. New Accounting Pronouncements, Continued

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period - The objective this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 92, Omnibus - The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers between primary government and pension or OPEB plans, other pension plan reporting, fiduciary activities relating to postemployment benefit arrangements, asset retirement obligations, reporting for public entity risk pools, fair value measurement, and derivative instruments. The requirements of this statement did not have an impact on the City’s net position for the year ended June 30, 2022.

GASB Statement No. 99, Omnibus 2022 - The primary objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. The requirements of this statement did not apply for the current fiscal year.

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	Total
Cash and investments	\$ 11,191,974	\$ 3,151,376	\$ 14,343,350
Restricted cash and investments	889,036	2,654,751	3,543,787
Total cash and investments	\$ 12,081,010	\$ 5,806,127	\$ 17,887,137

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

Cash and investments as of June 30, 2022 consist of the following:

Deposits:	
Cash on hand	\$ 1,075
Deposits with financial institution	2,328,508
Total cash on hand and deposits	<u>2,329,583</u>
Investments	
County of Sonoma investment pool	131,629
Local Agency Investment Pool (LAIF)	4,943,736
Certificates of deposit	3,751,972
Money market	59,614
U.S. Treasury securities	1,886,768
U.S. government bonds	1,240,048
Total investments	<u>12,013,767</u>
Total City Treasury	<u>14,343,350</u>
Restricted cash and investments:	
Cash with fiscal agent	3,543,787
Total restricted cash and investments	<u>3,543,787</u>
Total cash and investments	<u>\$ 17,887,137</u>

B. Cash Deposits

At June 30, 2022, the carrying amount of the City’s cash and cash equivalents were comprised of the general checking account, which had a book balance of \$2,328,508 and petty cash of \$1,075. The bank balance in the City’s general checking was \$2,866,405, 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

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

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, 2022 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	\$ 131,629	\$ 131,629	\$ -
Local Agency Investment Pool (LAIF)	4,943,736	4,943,736	-
Certificates of deposit	3,751,972	494,268	3,257,704
Money market	59,614	59,614	-
U.S. Treasury securities	1,886,768	-	1,886,768
U.S. government bonds	1,240,048	-	1,240,048
Total	\$ 12,013,767	\$ 5,629,247	\$ 6,384,520

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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Presented below is the June 30, 2022 rating which meets the minimum rating required by (where applicable) the California Government Code, the City’s Investment Policy, or debt agreements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Aaa</u>
Investments:		
U.S. Treasury securities	\$ 1,886,768	\$ 1,886,768
U.S. government bonds	1,240,048	1,240,048
Total Investment subject to ratings	3,126,816	<u>\$ 3,126,816</u>
Assets not subject to credit ratings:		
County of Sonoma investment pool	131,629	
Local Agency Investment Pool (LAIF)	4,943,736	
Certificates of deposit	3,751,972	
Money market	59,614	
Total investments	<u>\$ 12,013,767</u>	

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, 2022 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

E. Fair Value of Investments, Continued

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, 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 and money market were not subject to the levelling disclosure.

Investment fair value measurements at June 30, 2022 are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 3,751,972	\$ -	\$ 3,751,972	\$ -
U.S. Treasury securities	1,886,768	-	1,886,768	-
U.S. government bonds	1,240,048	-	1,240,048	-
Total investments subject to levelling	6,878,788	\$ -	\$ 6,878,788	\$ -
Assets not subject to fair value levelling:				
Money market	59,614			
County of Sonoma investment pool	131,629			
Local Agency Investment Pool (LAIF)	4,943,736			
Total investments	\$ 12,013,767			

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, 2022, cash and investments with fiscal agents totaled \$3,543,787.

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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

H. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City’s investment with LAIF at June 30, 2022 includes a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2022, the City had \$4,943,736 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year.

3. LOANS AND NOTES RECEIVABLE

At June 30, 2022, the City had the following loans and notes receivable:

<u>Party to Loan</u>	<u>Purpose of Loan</u>	<u>Amount</u>
Governmental Activities:		
Individual property owners	Solar power equipment installation loans	\$ 196,408

The \$196,408 solar equipment installation loans are repayable in equal bi-monthly installments over a period of about 32 years by the homeowners, and repayments are made through the City's enterprise utility billing and collection system.

4. LEASE RECEIVABLE

In implementing GASB Statement No. 87 – *Leases*, the City recognized lease receivables and deferred inflows of resources for the leasing of attachment space for cellular communications. In fiscal year ended June 30, 2022, the City recognized \$35,002 in revenues for applicable leases.

City Cell Tower – The City entered into an agreement with a telecommunications company in 2001 to lease space on a tower. The lease term is 30 years, made up of an initial 15-year term plus three 5-year options. The City considers each optional term to likely be exercised by the lessee. The monthly payments are \$3,413. The City used an annual incremental borrowing rate of 1.77%. The lease receivable as of June 30, 2022 was \$337,622, and related deferred inflow of resources as of June 30, 2022 was \$334,731.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

4. LEASES RECEIVABLE, Continued

Future minimum rental payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 35,268	\$ 5,691	\$ 40,959
2024	35,897	5,061	40,958
2025	36,538	4,421	40,959
2026	37,190	3,769	40,959
2027	37,853	3,105	40,958
2028-2031	154,876	5,545	160,421
Total	<u>\$ 337,622</u>	<u>\$ 27,592</u>	<u>\$365,214</u>
Current	\$ 35,268	\$ 5,691	\$ 40,959
Noncurrent	302,354	21,901	324,255
Total	<u>\$ 337,622</u>	<u>\$ 27,592</u>	<u>\$ 365,214</u>

5. INTERFUND TRANSACTIONS

A. Due To and Due From

At June 30, 2022, the City had the following short-term interfund receivables and payables:

Due to General Fund	Due From Other Funds
Non-major funds	\$ 18,865
Internal service funds	30,785
Total	<u>\$ 49,650</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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer Out	Transfer In		
	General	Non-Major Govt Funds	Total
General Fund	\$ -	\$ 395,940	\$ 395,940
Non-major govtl Funds	144,000	940,511	1,084,511
Total Governmental	144,000	1,336,451	1,480,451
Water	-	31,024	31,024
Total Enterprise	-	31,024	31,024
Total Transfers out	\$ 144,000	\$ 1,367,475	\$ 1,511,475

Transfers represent funding of various City operations, funding for capital projects, lease payments or debt service.

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2022, 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	1,132,790	1,701,643	2,834,433
Total non-depreciable assets	3,284,738	1,788,083	5,072,821
Depreciable assets:			
Buildings and structures	7,851,895	-	7,851,895
Machinery and equipment	2,751,741	240,178	2,991,919
Reservoirs	-	3,917,184	3,917,184
Pipelines and water distribution system	-	4,241,289	4,241,289
Pipelines and wastewater collection system	-	8,374,315	8,374,315
Vehicles	2,717,579	961,781	3,679,360
Infrastructure	8,856,790	-	8,856,790
Total depreciable assets	22,178,005	17,734,747	39,912,752
Total accumulated Depreciation	(14,511,626)	(11,662,707)	(26,174,333)
Total depreciable assets, net	7,666,379	6,072,040	13,738,419
Total	\$ 10,951,117	\$ 7,860,123	\$ 18,811,240

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. CAPITAL ASSETS, Continued

B. Governmental Activities

The following is a summary of changes in governmental activity capital assets for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Adjustment/ Reclassification	Balance June 30, 2022
Non-depreciable assets:					
Land and improvements	\$ 2,151,948	\$ -	\$ -	\$ -	\$ 2,151,948
Construction in progress	801,976	881,203	(139,467)	(410,922)	1,132,790
Total non-depreciable assets	<u>2,953,924</u>	<u>881,203</u>	<u>(139,467)</u>	<u>(410,922)</u>	<u>3,284,738</u>
Depreciable assets:					
Buildings and structures	7,548,378	16,478	-	287,039	7,851,895
Machinery and equipment	2,694,728	57,013	-	-	2,751,741
Vehicles	2,298,524	419,055	-	-	2,717,579
Infrastructure	8,708,932	23,975	-	123,883	8,856,790
Total depreciable assets	<u>21,250,562</u>	<u>516,521</u>	<u>-</u>	<u>410,922</u>	<u>22,178,005</u>
Less accumulated depreciation:					
Buildings and structures	(5,711,245)	(202,490)	-	-	(5,913,735)
Machinery and equipment	(2,349,071)	(102,686)	-	-	(2,451,757)
Vehicles	(1,577,087)	(143,456)	-	-	(1,720,543)
Infrastructure	(3,972,969)	(452,622)	-	-	(4,425,591)
Total accumulated depreciation	<u>(13,610,372)</u>	<u>(901,254)</u>	<u>-</u>	<u>-</u>	<u>(14,511,626)</u>
Total depreciable assets, net	<u>7,640,190</u>	<u>(384,733)</u>	<u>-</u>	<u>410,922</u>	<u>7,666,379</u>
Total governmental activities, net	<u>\$ 10,594,114</u>	<u>\$ 496,470</u>	<u>\$ (139,467)</u>	<u>\$ -</u>	<u>\$ 10,951,117</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2022 was as follows:

General government	\$ 133,459
Public safety	229,202
Public works	394,756
Parks and recreation	143,837
Total depreciation expense	<u>\$ 901,254</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. CAPITAL ASSETS, Continued

C. Business-Type Activities

The following is a summary of changes in business-type activity capital assets for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Adjustment/ Reclassification	Balance June 30, 2022
Non-depreciable assets:					
Land	\$ 86,440	\$ -	\$ -	\$ -	\$ 86,440
Construction in progress	92,139	1,662,467	-	(52,963)	1,701,643
Total non-depreciable assets	178,579	1,662,467	-	(52,963)	1,788,083
Depreciable assets:					
Reservoirs	3,917,184	-	-	-	3,917,184
Pipelines and water distribution system	4,224,172	-	-	17,117	4,241,289
Pipelines and wastewater collection system	8,338,469	-	-	35,846	8,374,315
Machinery and equipment	218,632	21,546	-	-	240,178
Vehicles	924,885	36,896	-	-	961,781
Total depreciable assets	17,623,342	58,442	-	52,963	17,734,747
Less accumulated depreciation:					
Reservoirs	(1,465,536)	(138,436)	-	-	(1,603,972)
Pipelines and water distribution system	(3,236,752)	(71,836)	-	-	(3,308,588)
Pipelines and wastewater collection system	(5,763,873)	(415,906)	-	-	(6,179,779)
Machinery and equipment	(14,057)	(14,003)	-	-	(28,060)
Vehicles	(475,458)	(66,850)	-	-	(542,308)
Total accumulated depreciation	(10,955,676)	(707,031)	-	-	(11,662,707)
Total depreciable assets, net	6,667,666	(648,589)	-	52,963	6,072,040
Total capital assets	\$ 6,846,245	\$ 1,013,878	\$ -	\$ -	\$ 7,860,123

Business-type activities depreciation expense for capital assets for the year ended June 30, 2022 was as follows:

Water	\$ 247,069
Wastewater	459,962
Total depreciation expense	\$ 707,031

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT

A. Governmental Activities

The following is a summary of governmental activity long-term debt transactions during the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Special assessment bonds	\$ 65,000	\$ -	\$ (30,000)	\$ 35,000	\$ 35,000	\$ -
<u>Lease-leaseback agreements</u>						
Refunding lease 2021 - Truist	420,626		(82,362)	338,264	83,180	255,084
Renewable energy	390,356	-	(97,589)	292,767	97,589	195,178
Mobile home park	332,254	-	(24,152)	308,102	50,094	258,008
<u>Finance purchase agreements</u>						
Energy conservation measures	-	1,126,307	-	1,126,307	75,028	1,051,279
Vactor truck	6,829	-	(6,829)	-	-	-
Total	\$ 1,215,065	\$ 1,126,307	\$ (240,932)	\$ 2,100,440	\$ 340,891	\$ 1,759,549

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	Principal	Interest	Total
June 30,			
2023	\$ 35,000	\$ 1,941	\$ 36,941
Total	\$ 35,000	\$ 1,941	\$36,941

Lease-leaseback Agreement - Refunding Lease 2021 - Truist Bank

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 is 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. In fiscal year 2021, the City entered into a lease agreement with Truist Bank to refund the 2006 lease obligation. The agreement was for \$1,139,952, bears interest at 1.10 percent on the basis of a 360-day year, is repayable in annual installments of \$211,550, and matures in 2026. The City has pledged the Fire Station as collateral for the refunding lease agreement.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Lease-leaseback Agreement - Refunding Lease 2021 - Truist Bank, Continued

The annual debt service requirements for governmental activities (41%) are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 83,180	\$ 3,492	\$ 86,672
2024	84,097	2,575	86,672
2025	85,025	1,647	86,672
2026	85,962	709	86,671
Total	<u>\$ 338,264</u>	<u>\$ 8,423</u>	<u>\$346,687</u>

Lease-leaseback Agreements - 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.

The annual debt service requirements are as follows

Year Ending June 30,	Principal	Interest	Total
2023	\$ 97,589	-	\$ 97,589
2024	97,589	-	97,589
2025	97,589	-	97,589
Total	<u>\$ 292,767</u>	<u>\$ -</u>	<u>\$ 292,767</u>

Lease-leaseback Agreements - Mobile Home Park

The City 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 lease was for \$817,500 and it also is payable from any source of legally available funds.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Lease-leaseback Agreements – Mobile Home Park, Continued

The annual debt service requirements are as follows

Year Ending June 30,	Principal	Interest	Total
2023	\$ 50,094	\$ 14,490	\$ 64,584
2024	52,580	12,004	64,584
2025	55,186	9,398	64,584
2026	57,925	6,659	64,584
2027	60,797	3,787	64,584
2028	31,520	772	32,292
Total	<u>\$ 308,102</u>	<u>\$ 47,110</u>	<u>\$355,212</u>

Finance Purchase Agreement – Energy Conservation Measures

In fiscal year 2022, the City entered into an equipment purchase agreement with Signature Public Funding Group to acquire various equipment and improvements, consisting of primarily energy efficiency and conservation project, which includes equipment, design, build and installation work and various implementation measurement and verification services related to guaranteed energy savings. The total equipment cost and proceeds received from Signature Public Funding Corp totaled \$4,938,891. Annual debt service requirements of \$374,650 is due July 1st each year, commencing on July 1st, 2022 and final payment due on July 1st, 2036. Annual interest charged on the financing agreement is 1.770%.

The annual debt service requirements for governmental activities (22.8%) are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 75,028	\$ 10,411	\$ 85,439
2024	66,831	18,608	85,439
2025	68,014	17,425	85,439
2026	69,217	16,221	85,438
2027	70,443	14,996	85,439
2028-2032	371,362	55,829	427,191
2033-2037	405,412	21,780	427,192
Total	<u>\$ 1,126,307</u>	<u>\$ 155,270</u>	<u>\$1,281,577</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

B. Business-type Activities

The following is a summary of business-type activity long-term debt transactions during the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Refunding loan 2021 - Truist	\$ 1,019,462	\$ -	\$ (63,728)	\$ 955,734	\$ 64,655	\$ 891,079
<u>Lease-leaseback agreements</u>						
Refunding lease 2021 - Truist	606,042	-	(118,667)	487,375	119,846	367,529
<u>Finance purchase agreements</u>						
Energy conservation measures	-	3,812,582	-	3,812,582	253,970	3,558,612
Vactor truck	21,338	-	(21,338)	-	-	-
Total	<u>\$ 1,646,842</u>	<u>\$ 3,812,582</u>	<u>\$ (203,733)</u>	<u>\$ 5,255,691</u>	<u>\$ 438,471</u>	<u>\$ 4,817,220</u>

Refunding Loan 2021 - Truist Bank

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 was a special obligation of the City repayable solely from the net revenues of its water system; and the City pledged its water system net revenues for this purpose and for any other parity obligations.

In fiscal year 2021, the City entered into a loan agreement with Truist Bank to refund the installment sale agreement. The agreement was for \$1,019,462, bears interest at 2.09 percent on the basis of a 360-day year, is repayable in annual installments of \$83,955, and matures in 2035. The loan agreement is a special obligation of the City repayable solely from the net revenues of its water system, and the City pledged its water system net revenues for this purpose and for any other parity obligations. The difference in debt service requirements between the installment sale agreement and the loan agreement was \$71,782 and resulted in an economic gain of \$67,445.

The loan agreement includes the following financial debt covenants:

Covenant Regarding Gross Revenues: The City shall collect rates, fees, and charges for services furnished by the Water Fund during each fiscal year to pay all maintenance and operation costs, loan repayments, and all principal and interest on any parity obligations, which are payable from net revenues, and all payments required to meet any other obligations of the City.

Covenant Regarding Net Revenues: The City shall collect rates, fees, and charges for services furnished by the Water Fund during each fiscal year, which are sufficient to yield net revenues equal to 120% of the loan repayments and any parity obligations which are payable from the net revenues.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

B. Business-type Activities, Continued

Refunding Loan 2021 – Truist Bank, Continued

Gross revenues, net revenues, and total debt service for the Water Fund were \$2,519,592, \$219,092, and \$158,198 respectively for fiscal year 2022. Net revenues were equal 138% of total debt service for the Water Fund for fiscal year 2022.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 64,655	\$ 19,300	\$ 83,955
2024	66,021	17,934	83,955
2025	67,415	16,540	83,955
2026	68,839	15,116	83,955
2027	70,293	13,662	83,955
2027-2031	374,372	45,398	419,770
2032-2035	244,139	7,724	251,863
Total	\$ 955,734	\$ 135,674	\$ 1,091,408

Refunding Lease 2021 – Truist Bank

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 was 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 was responsible for paying the other 59 percent of the obligation.

In fiscal year 2021, the City entered into a lease agreement with Truist Bank to refund the 2006 lease obligation. The agreement was for \$1,139,952, bears interest at 1.10 percent on the basis of a 360-day year, is repayable in annual installments of \$211,550, and matures in 2026. The difference in debt service requirements between the 2006 lease obligation agreement and the refunding lease agreement was \$75,092 and resulted in an economic gain of \$71,126. The City has pledged the Fire Station as collateral for the refunding lease agreement. No deferred loss on refunding was reported as a result of the transaction, because the amount recognized was deemed to be trivial to the financial statements.

The annual debt service requirements for business-type activities (59%) are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 119,846	\$ 5,032	\$ 124,878
2024	121,168	3,709	124,877
2025	122,505	2,373	124,878
2026	123,856	1,022	124,878
Total	\$ 487,375	\$ 12,136	\$499,511

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

B. Business-type Activities, Continued

Finance Purchase Agreement - Energy Conservation Measures

In fiscal year 2022, the City entered into an equipment purchase agreement with Signature Public Funding Group to acquire various equipment and improvements, consisting of primarily energy efficiency and conservation projects, which includes equipment, design, build and installation work and various implementation measurement and verification services related to guaranteed energy savings. The total equipment cost and proceeds received from Signature Public Funding Corp totaled \$4,938,891. Annual debt service requirements of \$374,650 is due July 1st each year, commencing on July 1st, 2022 and final payment due on July 1st, 2036. Annual interest charged on the financing agreement is 1.770%.

The annual debt service requirements for governmental activities (77.2%) are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 253,970	\$ 35,241	\$ 289,211
2024	226,224	62,987	289,211
2025	230,228	58,983	289,211
2026	234,303	54,908	289,211
2027	238,450	50,761	289,211
2028-2032	1,257,074	188,983	1,446,057
2033-2037	1,372,333	73,723	1,446,056
Total	<u>\$ 3,812,582</u>	<u>\$ 525,586</u>	<u>\$4,338,168</u>

8. 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, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year	Due in More than One Year
Governmental activities	\$ 1,008,001	\$ 763,094	\$ (750,483)	\$ 1,020,612	\$ 750,000	\$ 270,612
Business-type activities	53,053	40,162	(39,499)	53,716	4,000	49,716
Total	<u>\$ 1,061,054</u>	<u>\$ 803,256</u>	<u>\$ (789,982)</u>	<u>\$ 1,074,328</u>	<u>\$ 754,000</u>	<u>\$ 320,328</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. OTHER FUND DISCLOSURES

A. Deficit Balances

At June 30, 2022, the funds below had the following deficit fund balance or net position. The deficit balance is caused by expenditures reported in the current year that will be reimbursed in subsequent years.

Non-major governmental Funds:	
General Capital Project	\$ 7,776

10. 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 California Intergovernmental Risk Authority Joint Powers Authority (CIRA). CIRA 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 CIRA 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 CIRA 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 CIRA.

There have been no significant changes in insurance coverages in fiscal 2022. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no significant uninsured claim liabilities at June 30, 2022.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. 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 four 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.

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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. PENSION PLANS, Continued

B. Benefits Provided, Continued

The rate plan provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous		Safety
	Miscellaneous	PEPRA Miscellaneous	Safety Fire
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1 2013
Benefit formula	2.0% @ 55	2.0% @ 62	3% @ 50
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 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%	2.0%
Required employee contribution rates	7.000%	6.750%	9.000%
Required employer contribution rates	10.880%	7.590%	22.480%
Required unfunded liability payment	\$ 588,300	\$ 5,853	\$ 67,362

	Safety		
	Safety Police	PEPRA Safety Fire	PEPRA Safety Police
Hire date - Fire	Prior to January 1 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57	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 - 57	50 - 57
Monthly benefits, as a % of eligible compensation	2.0%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.000%	N/A	12.000%
Required employer contribution rates	22.480%	13.130%	13.130%
Required unfunded liability payment	\$ 646,960	\$ -	\$ 4,019

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, 2021 were \$1,686,413. The City’s contributions to the Plan for the fiscal year ended June 30, 2022 were \$1,827,570.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. PENSION PLANS, Continued

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

As of June 30, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$8,665,009.

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 were as follows:

Proportion - June 30, 2020	0.12743%
Proportion - June 30, 2021	<u>0.16022%</u>
Change - Increase (Decrease)	0.03279%

For the year ended June 30, 2022, the City recognized pension expense of \$2,765,976. At June 30, 2022, 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	\$ 1,827,570	\$ -
Changes of assumptions	-	-
Differences between expected and actual experience	1,273,369	-
Changes in employer's proportion	45,722	180,574
Differences between the employer's contribution and the employer's proportionate share of contributions	19,410	222,172
Net differences between projected and actual earnings on plan investments	-	6,136,846
Total	<u>\$ 3,166,071</u>	<u>\$ 6,539,592</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. PENSION PLANS, Continued

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

\$1,827,570 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, 2023. 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	
<u>Ending June 30:</u>	
2023	\$(1,001,415)
2024	(1,136,713)
2025	(1,370,610)
2026	(1,692,353)

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. PENSION PLANS, Continued

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

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.

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	100.00%		

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

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

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. PENSION PLANS, Continued

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

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	\$ 15,309,869
Current Discount Rate	7.15%
Net Pension Liability	\$ 8,665,009
1% Increase	8.15%
Net Pension Liability	\$ 3,189,168

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, 2022, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

12. 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, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Retiree Health Plan:

Active employees	15
Inactive employees or beneficiaries currently receiving benefits	<u>28</u>
Total	43

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

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, 2021, the City contributed \$102,849 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, 2021 and was determined by an actuarial valuation dated June 30, 2021 actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	2.19%
Inflation	2.50%
Salary Increases	2.80%
Mortality ⁽¹⁾	Derived by CalPERS membership data for all funds
Healthcare cost trend rates:	4.04% to 6.00%

(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.

E. Change of Assumption

The discount rate used to measure the total OPEB liability was changed from 2.66% to 2.19% for measurement date June 30, 2020.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 2.19%. 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

G. 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, 2020	<u>\$ 2,730,476</u>
Changes in the year:	
Service cost	27,917
Interest on the total OPEB liability	72,014
Differences between actual and expected experience	(551,283)
Changes in assumptions	10,152
Benefits paid to retirees	<u>(102,849)</u>
Net changes	<u>(544,049)</u>
Balance at June 30, 2021	<u><u>\$ 2,186,427</u></u>

H. 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, 2021:

1% Decrease - 1.19%	
Total OPEB liability	\$ 2,497,320
Current Discount Rate - 2.19%	
Total OPEB liability	\$ 2,186,427
1% Increase - 3.19%	
Total OPEB liability	\$ 1,933,291

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

I. 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, 2021:

1% Decrease -	
Total OPEB liability	\$ 2,108,836
Current Rate -	
Total OPEB liability	\$ 2,186,427
1% Increase -	
Total OPEB liability	\$ 2,282,309

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

For the fiscal year ended June 30, 2022, the City recognized OPEB income of \$122,554. For the fiscal year ended June 30, 2022, 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	\$ 95,469	\$ -
Differences between expected and actual experience	-	704,389
Changes of assumptions	112,536	84,195
Total	<u>\$ 208,005</u>	<u>\$ 788,584</u>

The \$95,469 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	
2023	\$ (222,485)
2024	(228,880)
2025	(54,899)
2026	(54,899)
2027	(54,894)
Thereafter	(59,991)

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2022

13. 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.

14. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period corrections to restate lease liability outstanding for the mobile home park, and previously reported fiduciary net position of the Successor Agency Private Purpose Trust Fund that was dissolved in fiscal year 2021. As a result, fiduciary fund financial statements for the private purpose trust fund are not reported in fiscal year 2022.

	Net Position Previously Reported	Investments	Long-term Debt	Net Position as Restated
Governmental Activities	\$ 8,181,219	\$ -	\$ 23,575	8,204,794
Fiduciary Fund - Private Purpose Trust Fund	\$ 818	\$ (818)	\$ -	\$ -

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2022

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, 2022

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	\$ 2,780,700	\$ 3,070,534	\$ 3,142,858	\$ 72,324
Real property transfer	41,000	50,000	59,493	9,493
Transient occupancy tax	400,000	400,000	504,292	104,292
Sales and use	4,716,600	5,299,200	5,550,101	250,901
Franchises	335,500	355,000	405,507	50,507
Subtotal	8,273,800	9,174,734	9,662,251	487,517
Licenses, permits and fees:				
Business licenses	130,000	135,000	149,175	14,175
Animal licenses	12,900	12,900	14,820	1,920
Building permits	150,000	200,000	281,602	81,602
Subtotal	292,900	347,900	445,597	97,697
Fines, forfeitures and penalties:				
Vehicle code	20,000	15,000	15,868	868
Parking fines	15,000	15,000	11,584	(3,416)
Subtotal	35,000	30,000	27,452	(2,548)
Interest and rentals:				
Investment earnings	125,000	23,000	(255,949)	(278,949)
Rent - cell tower	40,000	40,000	35,002	(4,998)
Rent - other	5,500	5,500	5,783	283
Subtotal	170,500	68,500	(215,164)	(283,664)
Intergovernmental:				
State motor vehicle in-lieu tax	3,500	3,500	8,846	5,346
Reimbursements	21,100	20,500	7,021	(13,479)
Other	917,850	997,850	412,864	(584,986)
Subtotal	942,450	1,021,850	428,731	(593,119)
Charges for current services:				
Sales of publications	300	300	579	279
Planning fees	30,000	25,000	24,010	(990)
Building inspection	-	-	734	734
Encroachment permits	30,000	40,000	21,725	(18,275)
Public works services	1,500	500	12,980	12,480
Public safety services	32,500	14,000	34,011	20,011
Fire inspection fees	30,000	30,000	30,942	942
Other charges	4,300	12,800	72,601	59,801
Subtotal	128,600	122,600	197,582	74,982
Donations and miscellaneous:				
Donations and contributions	-	-	30,500	30,500
Sale of land/building	-	-	4,171	4,171
Miscellaneous	60,000	311,250	690,339	379,089
Subtotal	60,000	311,250	725,010	413,760
Total revenues	9,903,250	11,076,834	11,271,459	194,625

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2022

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	290,990	285,070	323,556	(38,486)
City Manager	366,894	431,694	236,807	194,887
City Attorney	146,050	238,050	354,650	(116,600)
City Clerk	313,791	346,142	311,507	34,635
Finance and accounting	306,073	342,073	309,429	32,644
Planning	588,574	588,574	518,688	69,886
Building inspection	197,510	197,510	188,060	9,450
General government non-departmental	353,572	366,194	308,008	58,186
Subtotal	2,563,454	2,795,307	2,550,705	244,602
Public safety:				
Police protection	5,085,800	5,145,800	4,961,008	184,792
Animal control	22,100	22,100	21,456	644
Fire protection	1,134,568	1,246,569	1,053,814	192,755
Fire emergency procedures	18,800	18,800	23,712	(4,912)
Subtotal	6,261,268	6,433,269	6,059,990	373,279
Public works:				
Corporation Yard	85,302	101,252	98,794	2,458
Streets Maintenance	490,550	498,550	485,813	12,737
Parking Lots Maintenance	128,200	128,200	107,607	20,593
Engineering	279,846	302,646	324,245	(21,599)
Subtotal	983,898	1,030,648	1,016,459	14,189
Parks and recreation:				
Parks & Landscaping Maintenance	422,250	422,250	322,405	99,845
Ives Pool	119,300	119,300	149,447	(30,147)
Recreation administration and programs	351,600	351,600	327,409	24,191
Subtotal	893,150	893,150	799,261	93,889
Capital outlay	168,800	226,993	516,521	(289,528)
Debt service:				
Principal	145,689	145,689	131,687	14,002
Interest	29,423	29,423	10,959	18,464
Subtotal	175,112	175,112	142,646	32,466
Total expenditures	11,045,682	11,554,479	11,085,582	468,897
REVENUES OVER (UNDER)				
EXPENDITURES	(1,142,432)	(477,645)	185,877	663,522

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund, Continued

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	1,126,307	1,126,307
Transfers in	211,000	211,000	144,000	(67,000)
Transfers out	(121,000)	(121,000)	(395,940)	(274,940)
Total other financing sources (uses)	90,000	90,000	874,367	784,367
Net change in fund balances	\$ (1,052,432)	\$ (387,645)	1,060,244	\$ 1,447,889
FUND BALANCES:				
Beginning of year			<u>9,282,117</u>	
End of year			<u>\$ 10,342,361</u>	

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City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN

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

	2022	2021	2020	2019
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportionate share of the net pension liability	\$ 8,665,009	\$ 13,864,877	\$ 13,028,541	\$ 12,272,694
Proportion of the net pension liability	0.16022%	0.12743%	0.12714%	0.12736%
Covered payroll	\$ 4,679,847	\$ 4,407,536	\$ 4,277,495	\$ 4,075,272
Proportionate share of the net pension liability as percentage of covered payroll	185.16%	314.57%	304.58%	301.15%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

Notes to Schedule

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

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

2018	2017	2016	2015
6/30/2017	6/30/2016	6/30/2015	6/30/2014
\$ 12,460,116	\$ 11,055,177	\$ 8,978,404	\$ 8,365,442
0.12564%	0.12776%	0.13081%	0.13444%
\$ 3,959,602	\$ 3,816,628	\$ 3,636,221	\$ 3,289,261
314.68%	289.66%	246.92%	254.33%
73.31%	74.06%	78.40%	79.82%

City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2022

2. DEFINED BENEFIT PENSION PLAN, Continued

*B. Schedule of Contributions - Last 10 Years**

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 1,827,570	\$1,686,413	\$1,530,553	\$1,343,860
Contribution in relation to the actuarially determined contributions	(1,827,570)	(1,686,413)	(1,530,553)	(1,343,860)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,820,242	\$ 4,679,847	\$ 4,407,536	\$ 4,277,495
Contributions as a percentage of covered payroll	37.91%	36.04%	34.73%	31.42%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Valuation date :	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.63%	2.75%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%	7.375%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) 50 for all plans, with the exception of 52 for Miscellaneous
PEPRA 2%@62
- (4) Mortality assumptions are based on mortality rates resulting from
the most recent CalPERS Experience Study adopted by the
CalPERS Board.



<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$1,187,535	\$1,099,458	\$920,324	\$796,771
<u>(1,187,535)</u>	<u>(1,099,458)</u>	<u>(920,324)</u>	<u>(796,771)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,075,272	\$ 3,959,602	\$ 3,816,628	\$ 3,636,221
29.14%	27.77%	24.11%	21.91%

6/30/2015 Entry Age (1) Market Value	6/30/2014 Entry Age (1) Market Value	6/30/2013 Entry Age (1) Market Value	6/30/2012 Entry Age (1) 15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)
7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)

City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2022

3. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

*A. Schedule of Changes in the City's Total OPEB Liability and Related Ratios - Last 10 Years**

	2022	2021	2020
Measurement Date	6/30/2021	6/30/2020	6/30/2019
Total OPEB Liability			
Service Cost	\$ 27,917	\$ 27,295	\$ 56,412
Interest on the total OPEB liability	72,014	73,479	89,484
Differences between expected and actual experience	(551,283)	-	(492,345)
Changes of assumptions	10,152	44,769	75,694
Benefit payments, including refunds of employee contributions	(102,849)	(97,430)	(99,403)
Net change in total OPEB liability	(544,049)	48,113	(370,158)
Total OPEB Liability - beginning	2,730,476	2,682,363	3,052,521
Total OPEB Liability - ending (a)	<u>\$ 2,186,427</u>	<u>\$ 2,730,476</u>	<u>\$ 2,682,363</u>
Covered-employee payroll**	\$ 4,348,774	\$ 4,272,937	\$ 4,137,211
Total OPEB liability as a percentage of covered-employee payroll	50.28%	63.90%	64.84%

Notes to Schedule

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

Fiduciary Net Position - There are currently no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

Changes of assumptions:

2021 - Discount rate was changed to 2.19%.

2020 - Discount rate was changed to 2.66%.

2019 - Discount rate was changed to 2.79%. Mortality rates were updated based on CalPERS 2015 Experience Study.

2018 - Discount rate was changed to 2.98%.

2019		2018	
6/30/2018		6/30/2017	
\$	54,769	\$	58,870
	90,545		81,308
	-		-
	57,987		(168,395)
	(87,182)		(71,368)
	<u>116,119</u>		<u>(99,585)</u>
	2,936,402		3,035,987
\$	<u>3,052,521</u>	\$	<u>2,936,402</u>
\$	3,956,662	\$	3,982,276
	77.15%		73.74%

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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.

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

General Government Facilities Fee Fund accounts for general government facilities fees and related expenses.

Fire Facilities Fee Fund accounts for fire facilities fees and related expenses.

Stormwater Facilities Fee Fund accounts for stormwater facilities fees and related expenses.

Supplemental Planning Grant (SB2 and LEAP) Fund accounts for revenue and expenditures of SB2 and LEAP supplemental planning grant monies.

CAPITAL PROJECTS FUNDS

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.

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

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, 2022

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
ASSETS				
Cash and investments	\$ 9,122	\$ 3,200	\$ 3,551	\$ 211,633
Restricted cash and investments	-	-	-	-
Accounts receivable	24,463	14,477	-	-
Taxes receivable	-	-	-	-
Accrued interest receivable	58	7	19	313
Assessment receivable	-	-	-	-
Notes receivable	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 33,643	\$ 17,684	\$ 3,570	\$ 211,946
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	-	-	-	211,946
Public safety	33,643	17,684	-	-
Debt service	-	-	-	-
Affordable housing	-	-	-	-
Parks and recreation	-	-	3,570	-
Other	-	-	-	-
Committed for street projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	33,643	17,684	3,570	211,946
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,643	\$ 17,684	\$ 3,570	\$ 211,946

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve
\$ 22,844	\$ 9,879	\$ 1,736	\$ 106,989	\$ 342,536	\$ 48,531	\$ 431,951
-	-	-	-	-	-	-
-	-	-	-	-	-	-
606	-	-	-	47,168	-	-
30	14	2	164	473	112	615
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 23,480</u>	<u>\$ 9,893</u>	<u>\$ 1,738</u>	<u>\$ 107,153</u>	<u>\$ 390,177</u>	<u>\$ 48,643</u>	<u>\$ 432,566</u>
-	-	-	-	-	27,133	-
-	-	-	-	-	-	-
-	7,893	-	-	-	-	-
-	7,893	-	-	-	27,133	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,480	-	-	-	390,177	-	-
-	2,000	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	21,510	-
-	-	-	107,153	-	-	-
-	-	1,738	-	-	-	-
-	-	-	-	-	-	432,566
-	-	-	-	-	-	-
<u>23,480</u>	<u>2,000</u>	<u>1,738</u>	<u>107,153</u>	<u>390,177</u>	<u>21,510</u>	<u>432,566</u>
<u>\$ 23,480</u>	<u>\$ 9,893</u>	<u>\$ 1,738</u>	<u>\$ 107,153</u>	<u>\$ 390,177</u>	<u>\$ 48,643</u>	<u>\$ 432,566</u>

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue			
	Vehicle Abatement	Inclusionary and Linkage Housing	Building Permit Incremental Fund	Community Development Block Grant
ASSETS				
Cash and investments	\$ 4,977	\$ 123,702	\$ 59,570	\$ 101,668
Restricted cash and investments	-	-	-	-
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Accrued interest receivable	10	177	81	-
Assessment receivable	-	-	-	-
Notes receivable	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 4,987	\$ 123,879	\$ 59,651	\$ 101,668
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	4,987	-	-	-
Debt service	-	-	-	-
Affordable housing	-	123,879	-	-
Parks and recreation	-	-	-	-
Other	-	-	-	101,668
Committed for street projects	-	-	59,651	-
Unassigned	-	-	-	-
Total fund balances	4,987	123,879	59,651	101,668
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,987	\$ 123,879	\$ 59,651	\$ 101,668

Special Revenue					Capital Project		
SB1 Road and Maintenance	General Government Facilities Fee	Fire Facilities Fee	Stormwater Facilities Fee	Supplemental Planning Grant (SB2 & LEAP)	Undergrounding	General Capital Project	
\$ 254,555	\$ 2,986	\$ 990	\$ 5,486	\$ -	\$ 239,301	\$ 107,107	
-	-	-	-	-	-	-	
-	2	1	-	-	-	-	
13,602	-	-	-	-	-	-	
383	-	-	-	-	340	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ 268,540</u>	<u>\$ 2,988</u>	<u>\$ 991</u>	<u>\$ 5,486</u>	<u>\$ -</u>	<u>\$ 239,641</u>	<u>\$ 107,107</u>	
-	-	-	-	-	-	114,883	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	114,883	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
268,540	-	-	-	-	239,641	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	2,988	991	5,486	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	(7,776)	
<u>268,540</u>	<u>2,988</u>	<u>991</u>	<u>5,486</u>	<u>-</u>	<u>239,641</u>	<u>(7,776)</u>	
<u>\$ 268,540</u>	<u>\$ 2,988</u>	<u>\$ 991</u>	<u>\$ 5,486</u>	<u>\$ -</u>	<u>\$ 239,641</u>	<u>\$ 107,107</u>	

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Debt Service		Total Non-Major Governmental Funds
	Woodstone Assessment District	Clean Renewable Energy Bonds	
ASSETS			
Cash and investments	\$ -	\$ 6,471	\$ 2,098,785
Restricted cash and investments	37,352	-	37,352
Accounts receivable	-	-	38,943
Taxes receivable	-	-	61,376
Accrued interest receivable	-	-	2,798
Assessment receivable	35,000	-	35,000
Notes receivable	-	196,408	196,408
Prepaid items	555	-	555
Total assets	\$ 72,907	\$ 202,879	\$ 2,471,217
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	\$ 142,016
Due to other funds	18,865	-	18,865
Unearned revenues	-	-	7,893
Total liabilities	18,865	-	168,774
Deferred inflows of resources:			
Unavailable revenue	35,000	196,486	231,486
Fund Balances:			
Nonspendable for prepaid items	555	-	555
Restricted for :			
Highways and streets	-	-	1,133,784
Public safety	-	-	58,314
Debt service	18,487	6,393	24,880
Affordable housing	-	-	145,389
Parks and recreation	-	-	110,723
Other	-	-	112,871
Committed for street projects	-	-	492,217
Unassigned	-	-	(7,776)
Total fund balances	19,042	6,393	2,070,957
Total liabilities, deferred inflows of resources, and fund balances	\$ 72,907	\$ 202,879	\$ 2,471,217

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City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2022

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	121,347	187,366	-	-
Interest and rents	(750)	(77)	(328)	(4,846)
Charges for services	-	-	11,393	14,737
Miscellaneous	780	-	-	-
Total revenues	121,377	187,289	11,065	9,891
EXPENDITURES:				
Current:				
General Government	-	-	45	-
Public works	-	169,657	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	27,923	-
Interest	-	-	1,508	-
Total expenditures	-	169,657	29,476	-
REVENUES OVER (UNDER) EXPENDITURES	121,377	17,632	(18,411)	9,891
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(112,000)	-	(7,142)	(177,428)
Total other financing sources (uses)	(112,000)	-	(7,142)	(177,428)
Net change in fund balances	9,377	17,632	(25,553)	(167,537)
FUND BALANCES:				
Beginning of the year, as restated	24,266	52	29,123	379,483
End of year	\$ 33,643	\$ 17,684	\$ 3,570	\$ 211,946

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve
\$ 98,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	194,060	-	-
-	-	8,724	-	-	-	-
-	-	-	-	-	-	-
(480)	(199)	(30)	(2,326)	(6,771)	(1,596)	(8,704)
-	-	-	-	-	5,753	-
-	-	-	-	-	-	-
97,786	(199)	8,694	(2,326)	187,289	4,157	(8,704)
13,284	-	7,300	16,680	-	33,385	-
104,419	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
117,703	-	7,300	16,680	-	33,385	-
(19,917)	(199)	1,394	(19,006)	187,289	(29,228)	(8,704)
-	-	-	-	-	-	-
-	-	-	-	(184,758)	(56,786)	(1,661)
-	-	-	-	(184,758)	(56,786)	(1,661)
(19,917)	(199)	1,394	(19,006)	2,531	(86,014)	(10,365)
43,397	2,199	344	126,159	387,646	107,524	442,931
\$ 23,480	\$ 2,000	\$ 1,738	\$ 107,153	\$ 390,177	\$ 21,510	\$ 432,566

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2022

	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	-	-	-	192,635
Interest and rents	(137)	(2,512)	(1,129)	(1,593)
Charges for services	1,112	-	12,394	-
Miscellaneous	-	-	-	201,690
Total revenues	975	(2,512)	11,265	392,732
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	975	(2,512)	11,265	392,732
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(4,000)	(6,527)	-	(216,323)
Total other financing sources (uses)	(4,000)	(6,527)	-	(216,323)
Net change in fund balances	(3,025)	(9,039)	11,265	176,409
FUND BALANCES:				
Beginning of the year, as restated	8,012	132,918	48,386	(74,741)
End of year	\$ 4,987	\$ 123,879	\$ 59,651	\$ 101,668

Special Revenue					Capital Project		
SB1 Road and Maintenance	General Government Facilities Fee	Fire Facilities Fee	Stormwater Facilities Fee	Supplemental Planning Grant (SB2 & LEAP)	Undergrounding	General Capital Project	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
140,950	-	-	-	-	-	-	
(5,802)	(29)	(9)	(80)	-	(4,812)	-	
-	3,017	1,000	5,566	-	-	-	
-	-	-	-	-	-	-	
135,148	2,988	991	5,486	-	(4,812)	-	
-	-	-	-	56,786	-	-	
3,000	-	-	-	-	-	-	
-	-	-	-	-	-	1,280,515	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
3,000	-	-	-	56,786	-	1,280,515	
132,148	2,988	991	5,486	(56,786)	(4,812)	(1,280,515)	
-	-	-	-	56,786	-	1,279,665	
(317,886)	-	-	-	-	-	-	
(317,886)	-	-	-	56,786	-	1,279,665	
(185,738)	2,988	991	5,486	-	(4,812)	(850)	
454,278	-	-	-	-	244,453	(6,926)	
\$ 268,540	\$ 2,988	\$ 991	\$ 5,486	\$ -	\$ 239,641	\$ (7,776)	

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2022

	Debt Service		Total Non-Major Governmental Funds
	Woodstone Assessment District	Clean Renewable Energy Bonds	
REVENUES:			
Property taxes	\$ 33,131	\$ -	\$ 131,397
Sales and use taxes	-	-	194,060
Licenses and permits	-	-	8,724
Intergovernmental	-	-	642,298
Interest and rents	7	-	(42,203)
Charges for services	-	8,520	63,492
Miscellaneous	-	-	202,470
Total revenues	33,138	8,520	1,200,238
EXPENDITURES:			
Current:			
General Government	-	-	127,480
Public works	-	-	277,076
Capital outlay	-	-	1,280,515
Debt service:			
Principal	30,000	51,322	109,245
Interest	6,596	-	8,104
Total expenditures	36,596	51,322	1,802,420
REVENUES OVER (UNDER) EXPENDITURES	(3,458)	(42,802)	(602,182)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	31,024	1,367,475
Transfers out	-	-	(1,084,511)
Total other financing sources (uses)	-	31,024	282,964
Net change in fund balances	(3,458)	(11,778)	(319,218)
FUND BALANCES:			
Beginning of the year, as restated	22,500	18,171	2,390,175
End of year	\$ 19,042	\$ 6,393	\$ 2,070,957

City of Sebastopol

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

Police Grants

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 121,347	\$ 11,347
Interest and rents	160	160	(750)	(910)
Miscellaneous	-	-	780	780
Total revenues	110,160	110,160	121,377	11,217
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	110,160	110,160	121,377	11,217
OTHER FINANCING SOURCES (USES):				
Transfers out	(127,000)	(127,000)	(112,000)	15,000
Total other financing sources (uses)	(127,000)	(127,000)	(112,000)	15,000
Net change in fund balances	\$ (16,840)	\$ (16,840)	9,377	\$ 26,217
FUND BALANCES:				
Beginning of the year			24,266	
End of year			<u>\$ 33,643</u>	

City of Sebastopol

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

Gas Tax

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 203,100	\$ 203,100	\$ 187,366	\$ (15,734)
Interest and rents	-	-	(77)	(77)
Total revenues	<u>203,100</u>	<u>203,100</u>	<u>187,289</u>	<u>(15,811)</u>
EXPENDITURES:				
Current:				
Public works	189,325	189,325	169,657	19,668
Total expenditures	<u>189,325</u>	<u>189,325</u>	<u>169,657</u>	<u>19,668</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>13,775</u>	<u>13,775</u>	<u>17,632</u>	<u>3,857</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 13,775</u>	<u>\$ 13,775</u>	<u>17,632</u>	<u>\$ 3,857</u>
FUND BALANCES:				
Beginning of the year			<u>52</u>	
End of year			<u>\$ 17,684</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Interest and rents	\$ 300	\$ 300	\$ (328)	\$ (628)
Charges for services	30,000	30,000	11,393	(18,607)
Miscellaneous	28,000	28,000	-	(28,000)
Total revenues	58,300	58,300	11,065	(47,235)
EXPENDITURES:				
Current:				
General Government	-	-	45	45
Debt service:				
Principal	22,944	22,944	27,923	(4,979)
Interest	6,405	6,405	1,508	4,897
Total expenditures	29,349	29,349	29,476	(37)
REVENUES OVER (UNDER) EXPENDITURES	28,951	28,951	(18,411)	(47,362)
OTHER FINANCING SOURCES (USES):				
Transfers out	(346,850)	(346,850)	(7,142)	339,708
Total other financing sources (uses)	(346,850)	(346,850)	(7,142)	339,708
Net change in fund balances	\$ (317,899)	\$ (317,899)	(25,553)	\$ 292,346
FUND BALANCES:				
Beginning of the year			29,123	
End of year			\$ 3,570	

City of Sebastopol

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

Traffic Impact

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 3,000	\$ 3,000	\$ (4,846)	\$ (7,846)
Charges for services	20,000	20,000	14,737	(5,263)
Total revenues	23,000	23,000	9,891	(13,109)
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	23,000	23,000	9,891	(13,109)
OTHER FINANCING SOURCES (USES):				
Transfers out	(35,000)	(35,000)	(177,428)	(142,428)
Total other financing sources (uses)	(35,000)	(35,000)	(177,428)	(142,428)
Net change in fund balances	\$ (12,000)	\$ (12,000)	(167,537)	\$ (155,537)
FUND BALANCES:				
Beginning of the year			379,483	
End of year			\$ 211,946	

City of Sebastopol

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

Street Lighting Assessment

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 99,138	\$ 99,138	\$ 98,266	\$ (872)
Interest and rents	100	100	(480)	(580)
Total revenues	99,238	99,238	97,786	(1,452)
EXPENDITURES:				
Current:				
General government	13,200	13,200	13,284	(84)
Public works	109,400	109,400	104,419	4,981
Total expenditures	122,600	122,600	117,703	4,897
Net change in fund balances	\$ (23,362)	\$ (23,362)	(19,917)	\$ 3,445
FUND BALANCES:				
Beginning of the year			43,397	
End of year			\$ 23,480	

City of Sebastopol

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

Asset Forfeiture

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (199)	\$ (199)
Total revenues	<u>-</u>	<u>-</u>	<u>(199)</u>	<u>(199)</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(199)</u>	<u>\$ (199)</u>
FUND BALANCES:				
Beginning of the year			<u>2,199</u>	
End of year			<u>\$ 2,000</u>	

City of Sebastopol

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

Downtown Association

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 8,700	\$ 8,700	\$ 8,720	\$ 20
Interest and rents	-	-	(26)	(26)
Total revenues	<u>8,700</u>	<u>8,700</u>	<u>8,694</u>	<u>(6)</u>
EXPENDITURES:				
Current:				
General government	8,700	8,700	7,300	1,400
Total expenditures	<u>8,700</u>	<u>8,700</u>	<u>7,300</u>	<u>1,400</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,394	<u>\$ 1,394</u>
FUND BALANCES:				
Beginning of the year			<u>344</u>	
End of year			<u>\$ 1,738</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (2,326)	\$ (2,326)
Charges for services	1,000	1,000	-	(1,000)
Total revenues	1,000	1,000	(2,326)	(3,326)
EXPENDITURES:				
Current:				
General government	5,500	5,500	16,680	(11,180)
Total expenditures	5,500	5,500	16,680	(11,180)
REVENUES OVER (UNDER) EXPENDITURES	(4,500)	(4,500)	(19,006)	(14,506)
OTHER FINANCING SOURCES (USES):				
Transfers out	(55,000)	(55,000)	-	55,000
Total other financing sources (uses)	(55,000)	(55,000)	-	55,000
Net change in fund balances	\$ (59,500)	\$ (59,500)	(19,006)	\$ 40,494
FUND BALANCES:				
Beginning of the year			126,159	
End of year			\$ 107,153	

City of Sebastopol

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

Measure M

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 153,300	\$ 153,300	\$ 194,060	\$ 40,760
Interest and rents	500	500	(6,771)	(7,271)
Total revenues	153,800	153,800	187,289	33,489
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	153,800	153,800	187,289	33,489
OTHER FINANCING SOURCES (USES):				
Transfers out	(224,048)	(224,048)	(184,758)	39,290
Total other financing sources (uses)	(224,048)	(224,048)	(184,758)	39,290
Net change in fund balances	\$ (70,248)	\$ (70,248)	2,531	\$ 72,779
FUND BALANCES:				
Beginning of the year, as restated			387,646	
End of year			\$ 390,177	

City of Sebastopol

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

Housing General Plan

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 1,500	\$ 1,500	\$ (1,596)	\$ (3,096)
Charges for services	12,000	12,000	5,753	(6,247)
Total revenues	<u>13,500</u>	<u>13,500</u>	<u>4,157</u>	<u>(9,343)</u>
EXPENDITURES:				
Current:				
General government	-	-	33,385	33,385
Total expenditures	<u>-</u>	<u>-</u>	<u>33,385</u>	<u>33,385</u>
Net change in fund balances	<u>\$ 13,500</u>	<u>\$ 13,500</u>	(86,014)	<u>\$ (99,514)</u>
FUND BALANCES:				
Beginning of the year			<u>107,524</u>	
End of year			<u>\$ 21,510</u>	

City of Sebastopol

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

Street Reserve

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 500	\$ 500	\$ (8,704)	\$ (9,204)
Total revenues	<u>500</u>	<u>500</u>	<u>(8,704)</u>	<u>(9,204)</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>500</u>	<u>500</u>	<u>(8,704)</u>	<u>(9,204)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(78,000)	(78,000)	(1,661)	76,339
Total other financing sources (uses)	<u>(78,000)</u>	<u>(78,000)</u>	<u>(1,661)</u>	<u>76,339</u>
Net change in fund balances	<u>\$ (77,500)</u>	<u>\$ (77,500)</u>	(10,365)	<u>\$ 67,135</u>
FUND BALANCES:				
Beginning of the year			<u>442,931</u>	
End of year			<u>\$ 432,566</u>	

City of Sebastopol

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

Vehicle Abatement

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Interest and rents	\$ 50	\$ 50	\$ (137)	\$ (187)
Charges for services	-	-	1,112	1,112
Total revenues	<u>50</u>	<u>50</u>	<u>975</u>	<u>925</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,950)</u>	<u>\$ (3,950)</u>	<u>(3,025)</u>	<u>\$ 925</u>
FUND BALANCES:				
Beginning of the year			<u>8,012</u>	
End of year			<u>\$ 4,987</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 200	\$ 200	\$ (2,512)	\$ (2,712)
Charges for services	8,000	8,000	-	(8,000)
Total revenues	8,200	8,200	(2,512)	(10,712)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	8,200	8,200	(2,512)	(10,712)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(6,527)	(6,527)
Total other financing sources (uses)	-	-	(6,527)	(6,527)
Net change in fund balances	\$ 8,200	\$ 8,200	(9,039)	\$ (17,239)
FUND BALANCES:				
Beginning of the year			132,918	
End of year			\$ 123,879	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (1,129)	\$ (1,129)
Charges for services	6,000	12,000	12,394	394
Total revenues	6,000	12,000	11,265	(735)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	\$ 6,000	\$ 12,000	11,265	\$ (735)
FUND BALANCES:				
Beginning of the year			48,386	
End of year			\$ 59,651	

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 192,635	\$ 12,635
Interest and rents	-	-	(1,593)	(1,593)
Miscellaneous	-	-	201,690	201,690
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>392,732</u>	<u>212,732</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>180,000</u>	<u>180,000</u>	<u>392,732</u>	<u>212,732</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(180,000)	(180,000)	(216,323)	(36,323)
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(216,323)</u>	<u>(36,323)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	176,409	<u>\$ 176,409</u>
FUND BALANCES:				
Beginning of the year, as restated			(74,741)	
End of year			<u>\$ 101,668</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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 154,100	\$ 154,100	\$ 140,950	\$ (13,150)
Interest and rents	-	-	(5,802)	(5,802)
Total revenues	<u>154,100</u>	<u>154,100</u>	<u>135,148</u>	<u>(18,952)</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>154,100</u>	<u>154,100</u>	<u>132,148</u>	<u>(21,952)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(9,200)	(9,200)	(317,886)	(308,686)
Total other financing sources (uses)	<u>(9,200)</u>	<u>(9,200)</u>	<u>(317,886)</u>	<u>(308,686)</u>
Net change in fund balances	<u>\$ 144,900</u>	<u>\$ 144,900</u>	<u>(185,738)</u>	<u>\$ (330,638)</u>
FUND BALANCES:				
Beginning of the year, as restated			<u>454,278</u>	
End of year			<u>\$ 268,540</u>	

City of Sebastopol

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

General Government Facilities Fee

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (29)	\$ (29)
Charges for services	-	-	3,017	3,017
Total revenues	-	-	2,988	2,988
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	\$ -	\$ -	2,988	\$ 2,988
FUND BALANCES:				
Beginning of the year			-	
End of year			<u>\$ 2,988</u>	

City of Sebastopol

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

Fire Facilities Fee

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Interest and rents	-	-	(9)	(9)
Charges for services	-	-	1,000	1,000
Total revenues	-	-	991	991
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	991	<u>\$ 991</u>
FUND BALANCES:				
Beginning of the year			-	
End of year			<u>\$ 991</u>	

City of Sebastopol

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

Stormwater Facilities Fee

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (80)	\$ (80)
Charges for services	-	-	5,566	5,566
Total revenues	-	-	5,486	5,486
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,486	<u>\$ 5,486</u>
FUND BALANCES:				
Beginning of the year			-	
End of year			<u>\$ 5,486</u>	

City of Sebastopol

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

Supplemental Planning Grant (SB2 and LEAP)

For the year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
General government	-	-	56,786	(56,786)
Total expenditures	-	-	56,786	(56,786)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(56,786)	(56,786)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	56,786	56,786
Total other financing sources (uses)	-	-	56,786	56,786
Net change in fund balances	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Beginning of the year			-	
End of year			\$ -	

City of Sebastopol

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

Undergrounding

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (4,812)	\$ (4,812)
Total revenues	<u>-</u>	<u>-</u>	<u>(4,812)</u>	<u>(4,812)</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(4,812)</u>	<u>\$ (4,812)</u>
FUND BALANCES:				
Beginning of the year			<u>244,453</u>	
End of year			<u>\$ 239,641</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, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital outlay	-	-	1,280,515	(1,280,515)
Total expenditures	-	-	1,280,515	(1,280,515)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,280,515)	(1,280,515)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,021,098	1,021,098	1,279,665	258,567
Total other financing sources (uses)	1,021,098	1,021,098	1,279,665	258,567
Net change in fund balances	\$ 1,021,098	\$ 1,021,098	(850)	\$ (1,021,948)
FUND BALANCES:				
Beginning of the year			(6,926)	
End of year			<u>\$ (7,776)</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, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 34,000	\$ 34,000	\$ 33,131	\$ (869)
Total revenues	<u>34,000</u>	<u>34,000</u>	<u>33,138</u>	<u>(862)</u>
EXPENDITURES:				
Debt service:				
Principal	30,000	30,000	30,000	-
Interest	6,550	6,550	6,596	(46)
Total expenditures	<u>36,550</u>	<u>36,550</u>	<u>36,596</u>	<u>(46)</u>
Net change in fund balances	<u>\$ (2,550)</u>	<u>\$ (2,550)</u>	(3,458)	<u>\$ (908)</u>
FUND BALANCES:				
Beginning of the year			<u>22,500</u>	
End of year			<u>\$ 19,042</u>	

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, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 8,521	\$ 8,521
Total revenues	<u>-</u>	<u>-</u>	<u>8,521</u>	<u>8,521</u>
EXPENDITURES:				
Principal	\$ 20,299	20,299	51,323	(31,024)
Total expenditures	<u>20,299</u>	<u>20,299</u>	<u>51,323</u>	<u>(31,024)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(20,299)</u>	<u>(20,299)</u>	<u>(42,802)</u>	<u>(22,503)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31,024	31,024
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>31,024</u>	<u>31,024</u>
Net change in fund balances	<u>\$ (20,299)</u>	<u>\$ (20,299)</u>	<u>(11,778)</u>	<u>\$ 8,521</u>
FUND BALANCES:				
Beginning of the year			<u>18,171</u>	
End of year			<u>\$ 6,393</u>	

STATISTICAL SECTION

This part of the City of Sebastopol's annual comprehensive 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			
	2013	2014	2015	2016
Governmental Activities				
Net Investment In Capital Assets	\$ 7,351,269	\$ 7,657,875	\$ 8,085,194	\$ 8,017,313
Restricted	7,314,525	7,398,898	4,128,962	4,314,008
Unrestricted	1,512,494	1,926,598	(4,937,921)	(3,524,869)
Total Governmental Activities Net Position	\$ 16,178,288	\$ 16,983,371	\$ 7,276,235	\$ 8,806,452
Business-Type Activities				
Net Investment In Capital Assets	\$ 5,237,342	\$ 5,232,877	\$ 4,566,315	\$ 4,799,099
Restricted	576,831	523,783	1,544,038	1,404,798
Unrestricted	1,786,572	2,413,672	1,051,968	1,691,465
Total Business-Type Activities Net Position	\$ 7,600,745	\$ 8,170,332	\$ 7,162,321	\$ 7,895,362
Primary Government				
Net Investment In Capital Assets	\$ 12,588,611	\$ 12,890,752	\$ 12,651,509	\$ 12,816,412
Restricted	7,891,356	7,922,681	5,673,000	5,718,806
Unrestricted	3,299,066	4,340,270	(3,885,953)	(1,833,404)
Total Primary Government Net Position	\$ 23,779,033	\$ 25,153,703	\$ 14,438,556	\$ 16,701,814

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

	2017	2018	2019	2020	2021	2022
\$	8,461,885	\$ 9,242,243	\$ 9,448,772	\$ 9,494,832	\$ 9,355,475	\$ 9,702,362
	2,279,908	1,660,668	1,450,299	2,827,215	3,067,342	3,599,203
	(847,289)	(3,254,719)	(2,485,538)	(3,011,697)	(4,241,598)	(5,490,293)
\$	9,894,504	\$ 7,648,192	\$ 8,413,533	\$ 9,310,350	\$ 8,181,219	\$ 7,811,272
\$	4,705,054	\$ 5,956,258	\$ 5,966,945	\$ 5,594,545	\$ 5,199,403	\$ 5,259,183
	1,468,204	-	-	-	-	-
	2,900,417	3,430,964	3,563,944	3,204,183	2,840,979	1,782,914
\$	9,073,675	\$ 9,387,222	\$ 9,530,889	\$ 8,798,728	\$ 8,040,382	\$ 7,042,097
\$	13,166,939	\$ 15,198,501	\$ 15,415,717	\$ 15,089,377	\$ 14,554,878	\$ 14,961,545
	3,748,112	1,660,668	1,450,299	2,827,215	3,067,342	3,599,203
	2,053,128	176,245	1,078,406	192,486	(1,400,619)	(3,707,379)
\$	18,968,179	\$ 17,035,414	\$ 17,944,422	\$ 18,109,078	\$ 16,221,601	\$ 14,853,369

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

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental Activities				
General government	\$ 907,290	\$ 1,327,123	\$ 1,451,524	\$ 1,761,437
Public safety	4,002,741	4,154,787	4,397,921	4,193,457
Community development	89,926	141,771	34,936	9,155
Education SERAF	-	-	-	-
Public works	962,578	1,207,688	1,331,944	1,376,165
Parks and recreation	684,115	771,708	644,813	1,066,267
Interest on long-term debt	113,226	103,767	91,304	83,446
Total Governmental Activities Expenses	6,759,876	7,706,844	7,952,442	8,489,927
Business-Type Activities				
Water	1,320,990	1,298,601	1,368,427	1,669,223
Wastewater	2,335,916	2,605,752	2,795,925	2,887,638
Total Business-Type Activities Expenses	3,656,906	3,904,353	4,164,352	4,556,861
Total Primary Government Net Expenses	\$ 10,416,782	\$ 11,611,197	\$ 12,116,794	\$ 13,046,788
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 476,923	\$ 435,632	\$ 342,911	\$ 915,735
Public safety	274,025	248,479	278,638	240,886
Community development	41,325	19,942	14,390	162,652
Public works	107,687	193,334	182,878	305,614
Parks and recreation	114,637	130,691	89,971	100,630
Operating Contributions and Grants	813,943	553,751	579,188	484,480
Capital Contributions and Grants	7,331	288,575	742,670	446,248
Total Governmental Activities Program Revenues	1,835,871	1,870,404	2,230,646	2,656,245
Business-Type Activities				
Charges for services				
Water	1,427,249	1,709,463	1,933,720	2,061,253
Wastewater	2,374,980	2,688,194	2,959,002	3,116,767
Capital Contributions and Grants	260,514	107,307	30,356	142,905
Total Business-Type Activities Program Revenues	4,062,743	4,504,964	4,923,078	5,320,925
Total Primary Government Program Revenues	\$ 5,898,614	\$ 6,375,368	\$ 7,153,724	\$ 7,977,170

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2017	2018	2019	2020	2021	2022
\$ 2,055,024	\$ 2,278,030	\$ 2,000,974	\$ 2,609,862	\$ 2,657,999	\$ 2,966,273
5,260,822	5,397,701	5,813,782	6,263,272	6,760,025	6,741,592
0	0	-	-	-	-
-	-	-	-	-	-
938,036	1,301,865	1,220,155	1,448,514	1,633,132	2,102,767
749,005	801,006	976,489	1,159,950	965,252	1,030,936
80,566	72,765	72,530	70,118	37,858	19,063
9,083,453	9,851,367	10,083,930	11,551,716	12,054,266	12,860,631
1,716,237	1,893,951	1,933,059	2,393,602	2,490,214	2,572,104
2,889,787	3,090,686	3,333,798	3,562,838	3,519,884	3,845,631
4,606,024	4,984,637	5,266,857	5,956,440	6,010,098	6,417,735
\$ 13,689,477	\$ 14,836,004	\$ 15,350,787	\$ 17,508,156	\$ 18,064,364	\$ 19,278,366

\$ 180,139	\$ 208,574	\$ 188,613	\$ 214,999	\$ 205,711	\$ 212,591
190,018	171,292	179,531	152,232	134,888	109,257
0	-	-	-	-	-
539,617	324,193	345,425	421,397	520,283	394,056
66,739	44,247	26,588	50,605	75,314	24,383
209,472	348,082	239,765	1,856,224	799,896	548,966
525,005	473,052	380,700	477,809	741,050	715,013
1,710,990	1,569,440	1,360,622	3,173,266	2,477,142	2,004,266
2,457,698	2,270,224	2,229,367	2,295,614	2,613,289	2,519,592
3,324,934	3,028,330	3,104,920	2,895,155	3,024,497	3,053,622
0	-	-	-	-	-
5,782,632	5,298,554	5,334,287	5,190,769	5,637,786	5,573,214
\$ 7,493,622	\$ 6,867,994	\$ 6,694,909	\$ 8,364,035	\$ 8,114,928	\$ 7,577,480

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

	Fiscal Year		
	2013	2014	2015
Net (Expense)/Revenue			
Governmental Activities	\$ (4,924,005)	\$ (5,836,440)	\$ (5,721,796)
Business-Type Activities	405,837	600,611	758,726
Total Primary Government Net Expense	(4,518,168)	(5,235,829)	(4,963,070)
General Revenues and Other Changes in Net Position			
Governmental Activities			
Taxes			
Property taxes	1,602,494	1,392,443	1,393,021
Sales and use taxes	1,673,360	1,713,697	1,748,368
Motor vehicle in lieu taxes	566,513	591,353	621,440
Transient lodging taxes	329,577	359,892	482,164
Other taxes	1,924,257	2,273,971	2,761,809
Incremental property taxes	-	-	-
Investment Earnings	-	-	-
Unrestricted interest and rents	(5,330)	22,017	10,492
Miscellaneous	269,884	257,126	327,178
Transfers	31,023	31,024	31,024
Special item: Dissolution of redevelopment agency	-	-	-
Special item: Contribution of long-term loans to Sonoma County	-	-	(3,602,937)
Extraordinary item: Theft of investment funds	-	-	-
Total Governmental Activities	6,391,778	6,641,523	3,772,559
Business-Type Activities			
Investment Earnings	-	-	-
Transfers	(31,023)	(31,024)	(31,024)
Extraordinary item: Theft of investment funds	-	-	-
Total Business-Type Activities	(31,023)	(31,024)	(31,024)
Total Primary Government	6,360,755	6,610,499	3,741,535
Change in Net Position			
Governmental Activities	555,338	919,727	(2,061,123)
Business-Type Activities	569,588	727,702	733,040
Total Primary Government	\$ 1,124,926	\$ 1,647,429	\$ (1,328,083)

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2016	2017	2018	2019	2020	2021	2022
\$ (5,833,682)	\$ (7,372,463)	\$ (8,281,927)	\$ (8,723,308)	\$ (8,378,450)	\$ (9,577,124)	\$ (10,856,365)
764,064	1,176,608	313,917	67,430	(765,671)	(372,312)	(844,521)
(5,069,618)	(6,195,855)	(7,968,010)	(8,655,878)	(9,144,121)	(9,949,436)	(11,700,886)
2,459,296	2,478,979	2,618,913	2,891,222	2,981,745	3,004,264	3,333,749
2,069,199	3,923,850	3,714,794	3,958,244	3,697,726	4,362,811	4,705,343
-	-	-	-	-	-	-
483,738	514,225	529,810	631,742	518,175	402,255	504,292
2,246,817	1,134,089	1,097,589	1,153,243	1,100,380	1,158,279	1,259,110
-	-	-	-	-	-	-
-	67,458	57,812	259,216	343,753	(7,279)	(298,155)
73,826	-	-	-	-	-	-
-	260,341	523,614	563,958	602,464	315,678	927,480
31,023	31,023	32,259	31,024	31,024	31,024	31,024
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(819,039)	-
7,363,899	8,409,965	8,574,791	9,488,649	9,275,267	8,447,993	10,462,843
-	32,728	31,889	107,261	91,655	25,951	(122,740)
(31,023)	(31,023)	(32,259)	(31,024)	(31,024)	(31,024)	(31,024)
-	-	-	-	-	(380,961)	-
(31,023)	1,705	(370)	76,237	60,631	(386,034)	(153,764)
7,332,876	8,411,670	8,574,421	9,564,886	9,335,898	8,061,959	10,309,079
(8,564)	128,038	(148,517)	1,110,199	(301,857)	(2,408,372)	(393,522)
1,145,585	315,622	67,060	(689,434)	(311,681)	(1,230,555)	(998,285)
\$ 1,137,021	\$ 443,660	\$ (81,457)	\$ 420,765	\$ (613,538)	\$ (3,638,927)	\$ (1,391,807)

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

	Fiscal Year		
	2013	2014	2015
General Fund			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	1,195,000	458,000	1,015,000
Assigned	-	-	-
Unassigned	697,762	1,113,028	2,077,523
Total General Fund	<u>\$ 1,892,762</u>	<u>\$ 1,571,028</u>	<u>\$ 3,092,523</u>
All Other Governmental Funds			
Nonspendable	\$ -	\$ -	\$ -
Restricted	3,025,676	3,169,424	3,573,382
Committed	364,291	471,226	595,718
Unassigned	-	-	-
Total All Other Governmental Funds	<u>3,389,967</u>	<u>3,640,650</u>	<u>4,169,100</u>
Total Governmental Funds	<u><u>\$5,282,729</u></u>	<u><u>\$5,211,678</u></u>	<u><u>\$7,261,623</u></u>

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

2016	2017	2018	2019	2020	2021	2022
\$ -	\$ 11,127	\$ 46,392	\$ 28,818	\$ 76,529	\$ 42,386	\$ 180,191
-	-	-	-	1,186,330	1,161,558	2,013,242
1,015,000	185,000	185,000	-	-	-	-
-	2,785,000	3,335,000	3,579,535	4,610,435	5,049,534	4,601,816
3,265,624	3,669,067	3,882,742	4,993,434	4,269,513	3,028,639	3,547,112
<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>	<u>\$ 9,282,117</u>	<u>\$ 10,342,361</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,651	\$ -	\$ 555
3,827,777	2,279,908	1,660,668	1,450,299	1,640,885	1,905,784	1,585,961
464,800	154,351	279,229	436,477	475,327	491,317	492,217
-	(79,673)	(48,819)	(113,745)	(10,535)	(6,926)	(7,776)
<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>2,390,175</u>	<u>2,070,957</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>	<u>\$11,672,292</u>	<u>\$12,413,318</u>

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

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Property taxes	\$ 1,602,494	\$ 1,392,443	\$ 1,393,024	\$ 2,459,296
Sales and use taxes	2,812,420	3,214,480	3,652,138	3,940,169
Other taxes	1,010,312	1,070,444	1,218,306	-
Transient occupancy taxes	-	-	-	483,738
Franchise fees	-	-	-	351,568
Licenses and permits	364,654	290,026	314,693	488,234
Fines and forfeits	124,941	117,358	158,380	122,235
Intergovernmental	1,337,164	1,412,805	1,443,193	979,119
Interest and rents	12,529	76,670	43,433	92,985
Charges for services	676,416	922,178	843,764	717,270
Miscellaneous	79,048	54,189	67,948	434,506
Total Revenues	8,019,978	8,550,593	9,134,879	10,069,120
Expenditures				
Current				
General Government	876,686	1,308,096	1,501,999	1,628,362
Public Safety	3,746,490	3,950,740	4,175,290	4,329,264
Community development	88,735	140,258	35,436	9,600
Parks and recreation	374,110	679,488	544,596	524,035
Public works	809,017	1,124,226	1,073,855	1,443,331
Education SERAF	-	-	-	-
Capital Outlay	228,939	240,332	80,472	554,243
Intergovernmental	-	-	-	-
Debt Service:				
Principal	349,214	357,250	358,175	302,357
Interest	114,692	105,278	93,135	82,796
Cost of debt issuance	-	-	-	-
Total Expenditures	6,587,883	7,905,668	7,862,958	8,873,988
Excess of Revenues Over (Under) Expenditures	1,432,095	644,925	1,271,921	1,195,132
Other Financing Sources (Uses)				
Capital lease financing	-	-	-	85,423
Sale of property	269,883	-	-	-
Proceeds from debt	-	-	-	-
Payment to escrow	-	-	-	-
Sales of capital assets	-	-	-	-
Transfers In	265,144	256,529	256,301	417,645
Transfers Out	(234,121)	(225,505)	(225,277)	(386,622)
Total Other Financing Sources (Uses)	300,906	31,024	31,024	116,446
Extraordinary/Special Items	-	-	-	-
Net Change In Fund Balances	\$1,733,001	\$675,949	\$1,302,945	\$1,311,578
Debt Service as a percentage of non-capital expenditures	7.3%	6.0%	5.8%	4.6%

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

	2017	2018	2019	2020	2021	2022
\$	2,681,062	\$ 2,618,914	\$ 2,891,222	\$ 2,981,746	\$ 3,004,264	\$ 3,333,748
	4,454,450	4,686,751	4,907,892	4,609,379	5,321,931	5,744,161
	-	-	-	-	-	-
	514,225	529,810	631,742	518,175	402,255	504,292
	359,466	323,496	358,299	336,738	363,167	405,507
	412,678	304,268	324,928	458,640	507,434	454,321
	88,747	82,605	55,501	48,171	30,439	27,452
	676,542	765,572	540,760	2,213,385	1,401,853	1,071,029
	112,795	106,357	309,812	390,766	38,129	(257,367)
	428,703	320,219	318,062	293,920	361,904	261,074
	294,146	523,223	563,549	602,471	315,177	927,480
	10,022,814	10,261,215	10,901,767	12,453,391	11,746,553	12,471,697
	2,272,637	1,879,155	1,933,038	2,216,083	2,308,287	2,678,185
	4,429,352	4,780,975	4,998,720	5,448,918	6,292,688	6,059,990
	-	-	-	-	-	-
	605,061	639,930	826,945	970,013	792,038	799,261
	930,256	868,491	1,051,102	1,062,194	1,161,841	1,293,535
	-	-	-	-	-	-
	1,188,516	1,471,598	766,230	590,256	680,072	1,797,036
	-	-	-	-	-	-
	233,469	245,128	249,619	250,516	275,351	240,932
	80,566	72,766	72,531	70,118	37,858	19,063
	-	-	-	-	12,842	-
	9,739,857	9,958,043	9,898,185	10,608,098	11,560,977	12,888,002
	282,957	303,172	1,003,582	1,845,293	185,576	(416,305)
	66,250	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	420,626	1,126,307
	-	-	-	-	(397,030)	-
	799	-	-	-	-	-
	198,741	1,396,214	2,912,182	632,536	632,536	1,511,475
	(167,718)	(1,363,955)	(2,881,158)	(601,512)	(601,512)	(1,480,451)
	98,072	32,259	31,024	31,024	54,620	1,157,331
	-	-	-	-	(819,039)	-
	\$381,029	\$335,431	\$1,034,606	\$1,876,317	(\$578,843)	\$741,026
	3.6%	3.7%	3.5%	3.2%	3.0%	2.3%

CITY OF SEBASTOPOL
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Property	Unsecured Property	SBE Nonunitary	Total Taxable Assessed Value ¹	Estimated Actual Taxable Value ²	Total Direct Tax Rate ³
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	1,506,046,992	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	1,769,357,484	1.1570%
2021	1,396,730,880	40,985,208	-	1,437,716,088	1,787,188,307	1.1560%
2022	1,442,646,754	42,502,411	-	1,485,149,165	1,939,139,162	1.1776%

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

² Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

³ Total direct tax rate is represented by TRA 05-001, 05-022.

Source: Sonoma County Assessor data, Avenu Insights & Analytics

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

Agency	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	0.00550	0.00550	0.00520	0.00520	0.00520	0.00520	0.00520	0.00300	0.00300	0.00260
Sebastopol Elementary Bonds	0.03810	0.03810	0.03700	0.03500	0.03300	0.03550	0.03450	0.03350	0.03600	0.06600
Sonoma County Junior College	0.02100	0.02100	0.01800	0.01600	0.01500	0.01400	0.03600	0.01300	0.01300	0.01300
Sonoma County Junior College 2014	0.00000	0.00000	0.00000	0.00000	0.02500	0.02300	0.00000	0.02400	0.02400	0.02400
Twin Hills Elementary	0.03700	0.03700	0.03300	0.03300	0.03200	0.03050	0.03000	0.03000	0.02900	0.02500
West Sonoma County Unified High	0.01610	0.01610	0.01550	0.01900	0.01750	0.01700	0.04850	0.04650	0.04400	0.04000
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	1.12470	1.12470	1.11570	1.11520	1.13470	1.13220	1.16120	1.15700	1.15600	1.17760

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.

Source: Sonoma County Assessor data, Avenu Insights & Analytics

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

Taxpayer	Fiscal Year 2022		Fiscal Year 2013	
	Taxable Assessed Value	Percent Of Total Assessed Valuation	Taxable Assessed Value ¹	Percent Of Total Assessed Valuation
Barlow Star LLC	\$ 30,600,884	2.06%	N/A	N/A
H-1 Real Estate LLC	14,943,224	1.01%	N/A	N/A
Longs Drug Stores California	9,791,037	0.66%	2,870,684	0.30%
Duckhorn Wine Company	7,751,750	0.52%	N/A	N/A
970 Gravenstein Hwy LLC	7,515,926	0.51%	N/A	N/A
Redwood Marketplace	7,301,337	0.49%	6,292,114	0.66%
Maxwell Myers Co & Maxwell A M	5,796,322	0.39%	N/A	N/A
LOK Sebastopol Hotel Co LLC	5,760,105	0.39%	5,165,603	0.54%
Sonoma Specialty Hospital LLC	5,253,872	0.35%	N/A	N/A
Pendergast Charles R Tr	5,159,004	0.35%	4,788,120	0.50%
Total Top 10 Taxpayers	99,873,461	6.72%	\$ 19,116,521	1.99%
Total Taxable Value	\$ 1,485,149,165	100.00%	\$ 958,552,965	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%
2021	2,909,941	319,262	3,229,203	3,229,203	100.00%
2022	3,202,351	-	3,202,351	3,202,351	100.00%

¹ Schedule excludes unitary tax.

² The City of Sebastopol participates in the County of Sonoma "Teeter Plan" for property tax distributions. This plan distributes 100% of the secured taxes to participants; and in turn, allows the County to keep related penalties and interest for late tax payments.

* 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	Calendar Year									
	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Eating and Drinking Places	\$ 46,707	\$ 43,265	\$ 33,525	\$ 44,326	\$ 39,036	\$ 36,947	\$ 32,746	\$ 31,626	\$ 29,686	\$ 27,472
Food Stores	37,920	35,126	32,999	39,915	44,478	41,357	39,236	39,368	23,074	23,996
Apparel Stores	2,870	2,659	2,840	3,636	3,883	3,784	3,904	3,873	1,044	3,589
Auto Dealers and Supplies	11,884	11,008	9,243	8,837	8,706	9,284	8,252	8,344	158,109	160,409
Service Stations	20,970	19,424	16,734	21,926	19,190	16,825	17,131	20,449	430	530
Other Retail Stores	38,703	35,851	31,820	34,202	32,551	31,599	28,826	28,248	3,399	5,154
All Other Outlets	33,022	30,589	27,608	29,984	21,972	21,472	23,529	23,206	31,304	31,065
Total	\$ 192,076	\$ 177,922	\$ 154,769	\$ 182,826	\$ 169,816	\$ 161,268	\$ 153,624	\$ 155,114	\$ 247,046	\$ 252,215

City of Sebastopol - Measure Y

Category	Calendar Year									
	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Other Retail Stores	\$ 44,173	\$ 40,918	\$ 33,530	\$ 42,500	\$ 39,595	\$ 37,812	\$ 33,664	\$ 32,472	\$ 30,213	\$ 27,985
Food Stores	42,326	39,207	37,929	36,364	38,928	46,502	45,444	42,966	39,635	34,827
Auto Dealers and Supplies	6,642	6,153	5,246	6,158	6,347	6,617	6,082	6,039	4,927	3,431
Eating and Drinking Places	46,111	42,713	33,695	41,567	40,655	44,128	44,342	40,581	40,226	42,462
Service Stations	21,388	19,812	17,067	22,144	19,423	17,087	17,278	20,768	21,865	23,891
Apparel Stores	76,085	70,478	58,119	53,108	52,730	49,989	47,017	43,383	40,170	40,942
All Other Outlets	85,972	79,636	66,631	68,219	60,406	57,036	56,561	56,255	54,724	56,461
Total	\$ 322,697	\$ 298,917	\$ 252,217	\$ 270,060	\$ 258,084	\$ 259,171	\$ 250,388	\$ 242,464	\$ 231,760	\$ 229,999

City of Sebastopol - Measure T

Category	Calendar Year									
	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Other Retail Stores	\$ 44,114	\$ 40,863	\$ 33,537	\$ 42,423	\$ 39,585	\$ 37,757	\$ 33,618	\$ 32,338	\$ 29,203	\$ 14,531
Food Stores	42,374	39,251	37,966	36,386	38,962	46,524	44,990	42,992	39,556	16,055
Auto Dealers and Supplies	6,700	6,207	5,293	6,201	6,298	6,676	6,093	6,069	4,950	1,636
Eating and Drinking Places	45,858	42,478	33,575	41,451	40,643	44,124	41,412	40,325	40,242	19,979
Service Stations	21,389	19,813	17,106	22,139	19,419	17,085	17,183	19,886	22,676	12,104
Apparel Stores	76,259	70,639	58,284	53,109	52,863	50,032	47,131	43,757	39,932	19,278
All Other Outlets	86,647	80,262	66,878	68,588	60,692	57,283	56,718	55,486	54,916	27,580
Total	\$ 323,341	\$ 299,513	\$ 252,639	\$ 270,297	\$ 258,462	\$ 259,481	\$ 247,145	\$ 240,853	\$ 231,475	\$ 111,163

City of Sebastopol - Total

Category	Calendar Year									
	2022*	2021	2020	2019	2018	2017	2016	2015	2014	2013
Eating and Drinking Places	\$ 134,993	\$ 125,046	\$ 100,593	\$ 129,249	\$ 118,216	\$ 112,516	\$ 100,029	\$ 96,436	\$ 89,102	\$ 69,988
Food Stores	122,620	113,584	108,895	112,665	122,367	134,383	129,670	125,326	102,265	74,878
Apparel Stores	16,213	15,018	13,380	15,995	16,528	17,077	16,080	15,980	10,921	8,656
Auto Dealers and Supplies	103,852	96,199	76,513	91,855	90,004	97,536	94,005	89,250	238,577	222,850
Service Stations	63,747	59,050	50,907	66,208	58,032	50,997	51,592	61,102	44,970	36,524
Other Retail Stores	191,047	176,969	148,224	140,420	138,145	131,621	122,975	115,389	83,500	65,374
All Other Outlets	205,640	190,487	161,117	166,791	143,070	135,790	136,807	134,947	140,945	115,105
Total	\$ 838,113	\$ 776,353	\$ 659,628	\$ 723,183	\$ 686,363	\$ 679,920	\$ 651,158	\$ 638,431	\$ 710,281	\$ 593,374

* Categories of sales activity, and amounts displayed for the current reporting period are estimated based on prior years' activity. Actual amounts and categories are updated when consultant's analysis of sales taxes become available

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

Fiscal Year	Governmental Activities					Business-Type Activities		
	Special Assessment Bonds	Capital Lease/ Finance Purchase	CEC Loan	Lease- Leaseback Agreements	Total ²	Installment Agreement	Capital Lease/ Finance Purchase	
		Agreements		Agreements			Agreements	
2013	\$ 240,000	\$ 3,057,583	\$ 38,131	\$ -	\$ 3,335,714	\$ -	\$ 1,349,964	
2014	225,000	3,001,169	12,974	-	3,239,143	-	1,244,969	
2015	205,000	2,415,429	-	-	2,620,429	1,200,000	1,150,336	
2016	185,000	2,273,334	-	-	2,458,334	1,160,118	1,130,420	
2017	160,000	2,075,657	-	-	2,235,657	1,118,601	1,147,458	
2018	140,000	1,850,529	-	-	1,990,529	1,075,382	990,710	
2019	115,000	1,625,911	-	-	1,740,911	1,030,391	859,552	
2020	90,000	1,400,395	-	-	1,490,395	983,555	737,003	
2021	65,000	1,173,640	-	-	1,238,640	-	627,380	
2022	35,000	1,126,307	-	933,133	2,094,440	-	3,812,582	

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.

³ In fiscal year 2022, capital leases were reclassified to finance purchase and lease-leaseback related payables.
n/a: not available

Source: Basic Financial Statements - City of Sebastopol, California

Business-Type Activities

Lease- Leaseback Agreements	Refunding Loan Payable Truist	State Drinking Water Loan	CEC Loan	Total ²	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
\$ -	\$ -	\$ -	\$ 17,689	\$ 1,367,653	\$ 4,703,367	1.80%	632
-	-	-	6,193	1,251,162	4,490,305	1.82%	604
-	-	142,819	-	2,493,155	5,113,584	1.97%	686
-	-	170,415	-	2,460,953	3,761,788	1.42%	500
-	-	249,339	-	2,515,398	3,912,195	1.38%	516
-	-	148,328	-	2,214,420	3,353,458	1.10%	435
-	-	98,863	-	1,988,806	2,947,221	0.97%	382
-	-	75,481	-	1,796,039	2,608,523	0.84%	337
-	1,019,462	-	-	1,646,842	3,293,684	1.00%	430
487,375	955,734	-	-	5,255,691	10,511,382	2.83%	1,404

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			
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		-	0.00%	0.00%	-
2020		-	N/A	N/A	-
2021		-	N/A	N/A	-
2022		-	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, 2022

	Total Debt June 30, 2022	Percent Applicable ¹	City's Share of Debt as of June 30, 2022
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College District	\$ 324,890,000	1.450%	\$ 4,710,905
West Sonoma County Union High School District	58,218,055	13.494%	7,855,944
Sebastopol Union School District	15,765,600	59.104%	9,318,100
Twin Hills Union Shool District	3,139,964	0.758%	23,801
Palm Drive Healthcare District	2,520,530	12.693%	319,931
Palm Drive Healthcare District Parcel Tax Obligations	10,902,678	12.693%	1,383,877
City of Sebastopol 1915 Act Bonds	35,000	100.000%	35,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 23,647,558</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County Certificates of Participation	\$ 9,189,000	1.461%	\$ 134,251
Sonoma County Pension Obligation Bonds	247,880,000	1.461%	3,621,527
Sonoma County Office of Education Certificates of Participation	3,228,084	1.461%	47,162
West Sonoma County Union High School District General Fund Obligations	863,760	13.494%	116,556
Sebastopol Union School District Certificates of Participation	147,376	59.104%	87,105
Twin Hills Union School District Certificates of Participation	124,928	0.758%	947
City of Sebastopol Obligations	2,059,440	100.000%	2,059,440
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$ 6,066,988</u>
COMBINED TOTAL DEBT			<u>\$ 29,714,547</u>
TOTAL DIRECT DEBT			\$ 2,059,440
TOTAL OVERLAPPING DEBT			27,655,107
COMBINED TOTAL DEBT			<u>\$ 29,714,547</u> ²

¹ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

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

RATIOS TO 2021-22 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.58%
Combined Direct Debt	0.14%
Combined Total Debt	1.99%

CITY OF SEBASTOPOL
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal year			
	2013	2014	2015	2016
Total assessed value of all real and personal property	\$ 969,098,425	\$ 1,017,901,561	\$ 1,064,059,320	\$ 1,136,043,498
Debt limit percentage	3.75%	3.75%	3.75%	3.75%
Total debt limit	36,341,191	38,171,309	39,902,225	42,601,631
Amount applicable to debt limit	3,335,714	3,239,143	2,620,429	2,458,334
Legal debt margin	<u>\$ 33,005,477</u>	<u>\$ 34,932,166</u>	<u>\$ 37,281,796</u>	<u>\$ 40,143,297</u>
Total net debt applicable to the limit as a percentage of debt limit	9.18%	8.49%	6.57%	5.77%

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

2017	2018	2019	2020	2021	2022
\$ 1,195,272,022	\$ 1,254,015,048	\$ 1,293,160,893	\$ 1,346,424,183	\$ 1,442,646,754	\$ 1,442,646,754
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
44,822,701	47,025,564	48,493,533	50,490,907	54,099,253	54,099,253
-	1,990,529	1,740,911	1,490,395	1,238,640	2,059,440
<u>\$ 44,822,701</u>	<u>\$ 45,035,035</u>	<u>\$ 45,035,035</u>	<u>\$ 49,000,512</u>	<u>\$ 52,860,613</u>	<u>\$ 52,039,813</u>
0.00%	4.23%	3.59%	2.95%	2.29%	3.81%

**CITY OF SEBASTOPOL
 PLEDGED REVENUE COVERAGE
 GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS**

Special Assessment Bonds

<u>Fiscal Year</u>	<u>Special Assessments</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
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
2021	32,512	25,000	8,371	0.97
2022	33,131	30,000	6,596	0.91

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
PLEDGED REVENUE COVERAGE
PROPRIETARY FUNDS
LAST TEN FISCAL YEARS

Installment Sale Agreement, State Drinking Water Loan,
Refunding Loan Payable - Truist, Refunding Lease Agreement, and Finance Purchase Agreements

Fiscal Year	Operating Revenue	Adjusted Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	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
2021	2,613,289	(2,245,148)	368,141	74,943	117,541	1.91
2022	2,519,592	(2,300,500)	219,092	133,663	24,535	1.38

Note: There were no pledges of non-general obligation debt from 20013 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 FISCAL YEARS

Fiscal 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				
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%	2.4%	47.20
2020	7,745	328,140	42,368	95.70%	43.80%	20.7%	47.60
2021	7,657	330,501	43,163	95.50%	44.90%	11.90%	46.80
2022	7,489	351,291	49,578	96.10%	44.60%	2.6%	48.50

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

**CITY OF SEBASTOPOL
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2021			Fiscal Year 2013		
	Employees	Percent of Total Employment	Rank	Employees	Percent of Total Employment	Rank
Sonoma Specialty Hospital	178	4.68%	1	N/A	N/A	N/A
Apple Valley Post Acute Rehab	149	3.92%	2	N/A	N/A	N/A
Traditional Medicinals	131	3.45%	3	N/A	N/A	N/A
Safeway	121	3.18%	4	N/A	N/A	N/A
TLC Child and Family Services	105	2.76%	5	N/A	N/A	N/A
West Sonoma County Union High Sch	92	2.42%	6	N/A	N/A	N/A
Whole Foods Market	84	2.21%	7	N/A	N/A	N/A
Gravenstein Union District	82	2.16%	8	N/A	N/A	N/A
Greenacres Homes & Schools	71	1.87%	9	N/A	N/A	N/A
Sebastopol Hardware Center	61	1.61%	10	N/A	N/A	N/A
	1,074	28.26%				

Source: MuniServices, LLC/Avenu Insights & Analytics

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

	Fiscal Year					
	2017	2018	2019	2020	2021	2022
Governmental Activities						
General Government						
City Council	6.00	6.00	6.00	5.00	6.00	6.00
City Manager	0.75	0.75	0.75	0.75	0.75	0.75
City Attorney	0.25	0.25	0.25	0.25	0.25	0.25
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00
Finance	4.00	4.00	4.00	4.00	4.00	4.00
Building Inspection	1.50	1.50	1.50	0.50	1.50	0.50
Planning	3.00	3.00	3.00	3.00	3.00	3.00
Public Safety						
Police	34.75	34.75	34.75	24.75	25.75	23.00
Fire	33.50	33.50	35.50	34.50	35.50	35.50
Public Works and facilities						
Administration	2.75	2.75	2.75	2.75	2.75	2.75
Water	1.00	1.00	1.00	1.00	1.00	1.00
Laborer	4.00	4.00	4.00	3.00	3.00	3.00
Engineering	1.75	1.75	1.75	1.75	1.75	1.75
Maintenance	4.00	6.00	6.00	7.00	7.00	7.00
Total Full-Time Equivalent Employees	98.25	100.25	102.25	89.25	93.25	89.50

* 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	2021	2022
Building										
Residential Building Permits	n/a	n/a	302	432	393	278	300	290	323	330
Land use entitlement applications	n/a	n/a	54	32	25	25	25	25	25	30
Police										
Citations issued	n/a	n/a	n/a	n/a	872	1,156	906	2,121	1,122	1,224
Arrests made	n/a	n/a	823	623	669	581	519	468	329	299
Requests for services	n/a	n/a	7,801	7,830	7,703	7,845	8,276	8,251	6,894	7,743
Fire										
Fire responses	861	1,055	1,071	1,056	1,150	1,190	1,275	1,200	1,189	1,250
Fire Inspections	200	200	200	300	350	375	400	380	375	390
Area served (sq. miles)	1.20	1.20	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	95	60
Capital improvement projects	n/a	n/a	n/a	n/a	n/a	6	3	3	6	1
Park acres overseen		96.00	96.00	96.00	97.70	97.70	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	n/a	n/a
Street maintenance - traffic marking paint (gal.)	n/a	n/a	n/a	n/a	n/a	271	325	120	135	275
Street light repairs	n/a	n/a	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	2,560	2,506
Active Commerical Accounts	n/a	n/a	477	335	473	381	455	343	335	364
Average Daily Water Consumption	n/a	n/a	758,904	783,561	838,673	821,096	782,192	817,534	872,883	732,960
Ground Storage Capacity (gallons)	n/a	n/a	\$7.5m	\$7.5m	\$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	0 - no elevated tanks	0 - no elevated tanks
Ground Water Production Capacity (1000 gallons per day)	n/a	n/a	3,226	3,226	3,226	3,226	3,312	3,312	3,312	3,312
Pump Capacity (gallons per minute)	n/a	n/a	2,240	2,240	2,240	2,240	2,300	2,300	2,300	2,300
Waste Water Treatment Capacity (1000 gallons per day)	n/a	n/a	840	840	840	840	840	840	840	840

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	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	1	1	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	n/a	n/a
Street lights	n/a	n/a	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	2	2
Parks and Recreation										
Office buildings	4	4	4	4	4	4	4	4	4	4
Park acreage	96	96	96	96	97.7	97.7	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	n/a	n/a
Swimming pools	1	1	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	n/a	n/a
Water										
Water mains (miles)	37	37	37	37	37	37	37	37	37	37
Fire hydrants	n/a	n/a	n/a	450	450	450	450	450	450	45
Storage capacity (million gallons)	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.5	7.5	7.5
Treatment capacity (million gallons)										
Wastewater										
Sewer mains (miles)	29	29	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	n/a	n/a

Source: City of Sebastopol Finance Department

City of Sebastopol

Presentation to The City Council

Badawi & Associates
Audit of the
City of Sebastopol

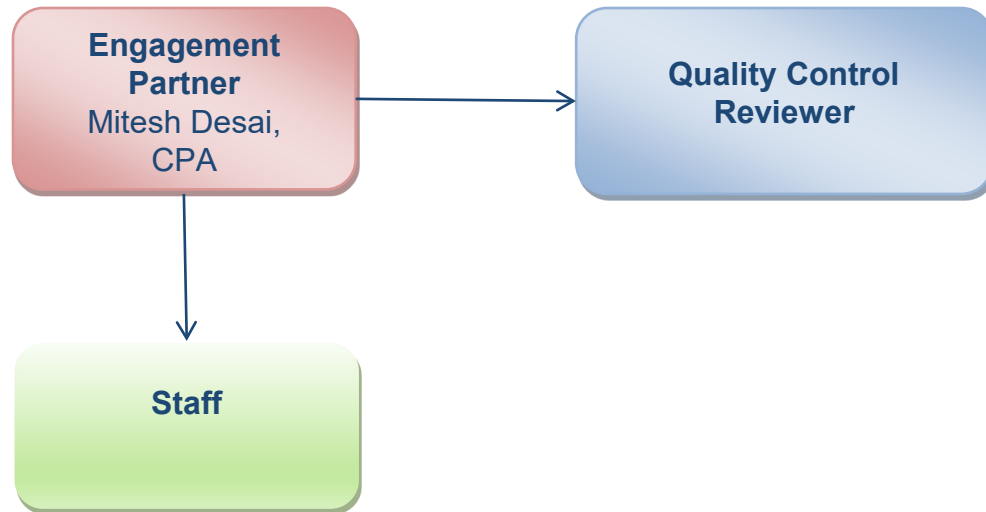
Presented by: Mitesh Desai, CPA
Principal



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

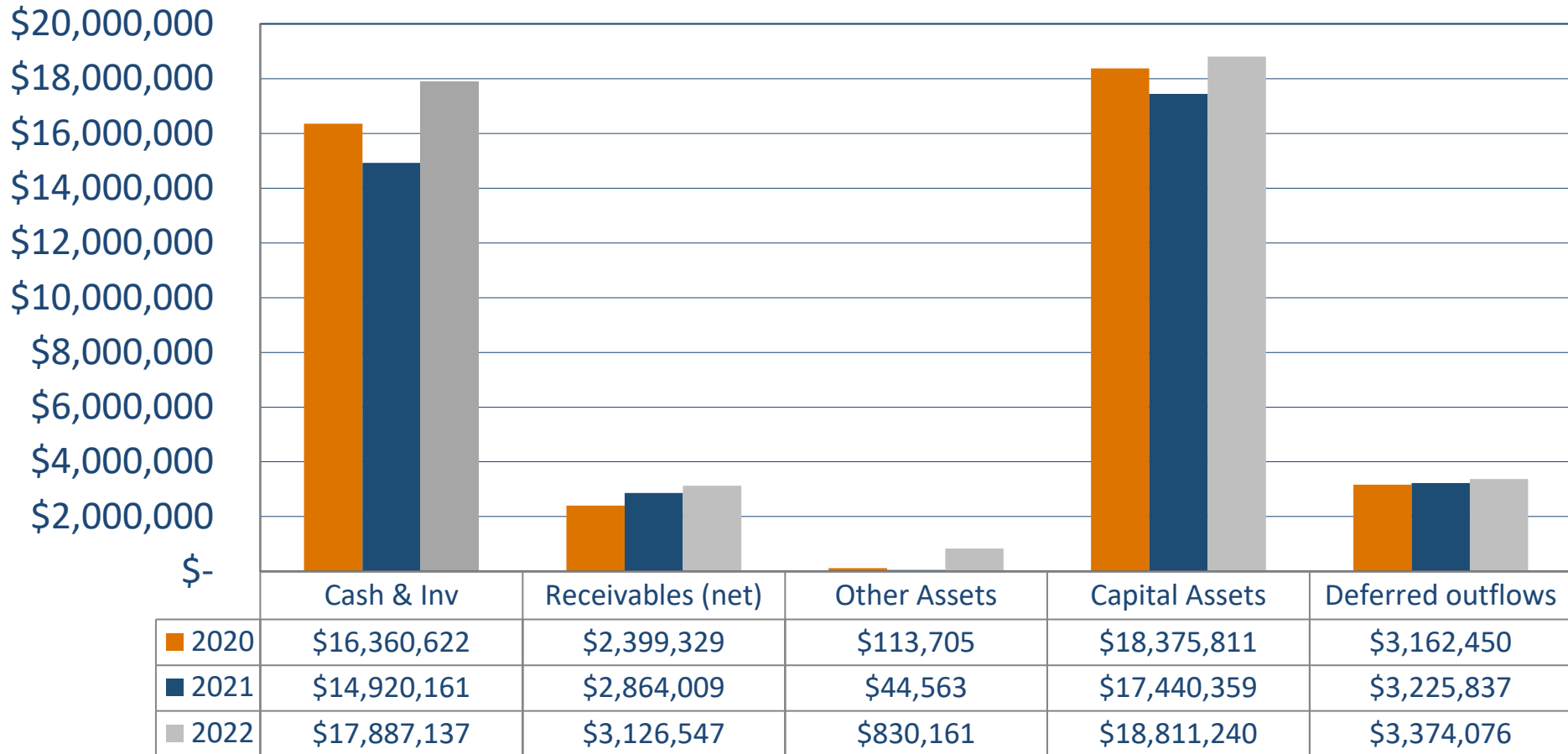
- The risk of management override of controls is addressed by the following procedures:
 - Assignment of audit staff based on consideration of audit risk.
 - Procedures to incorporate an element of unpredictability in the audit from period to period.
 - Consideration of the selection and application 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

- Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards
- Unmodified opinion
- 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

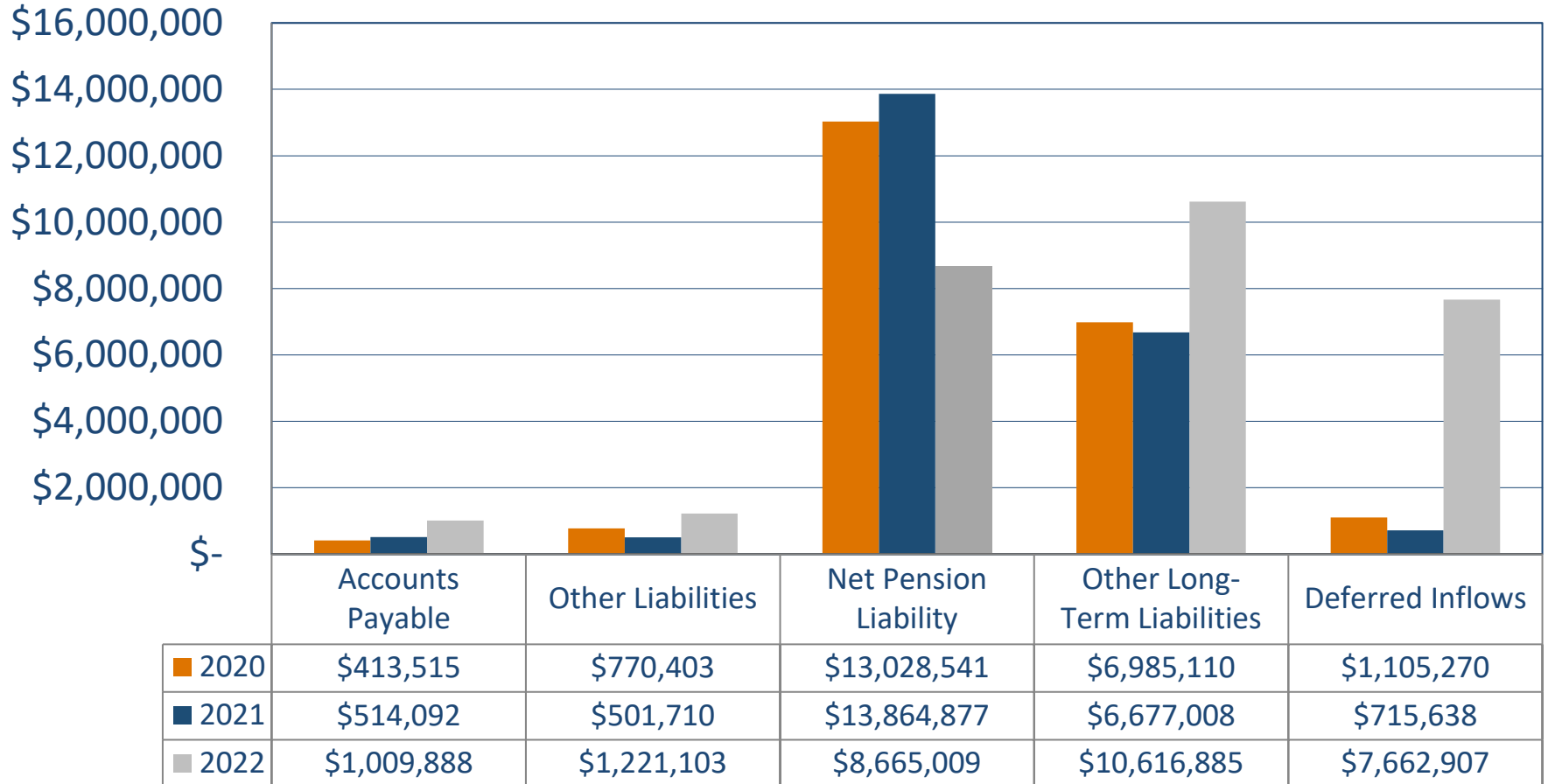
Government-Wide Financial Statements

Assets and Deferred Outflows of Resources



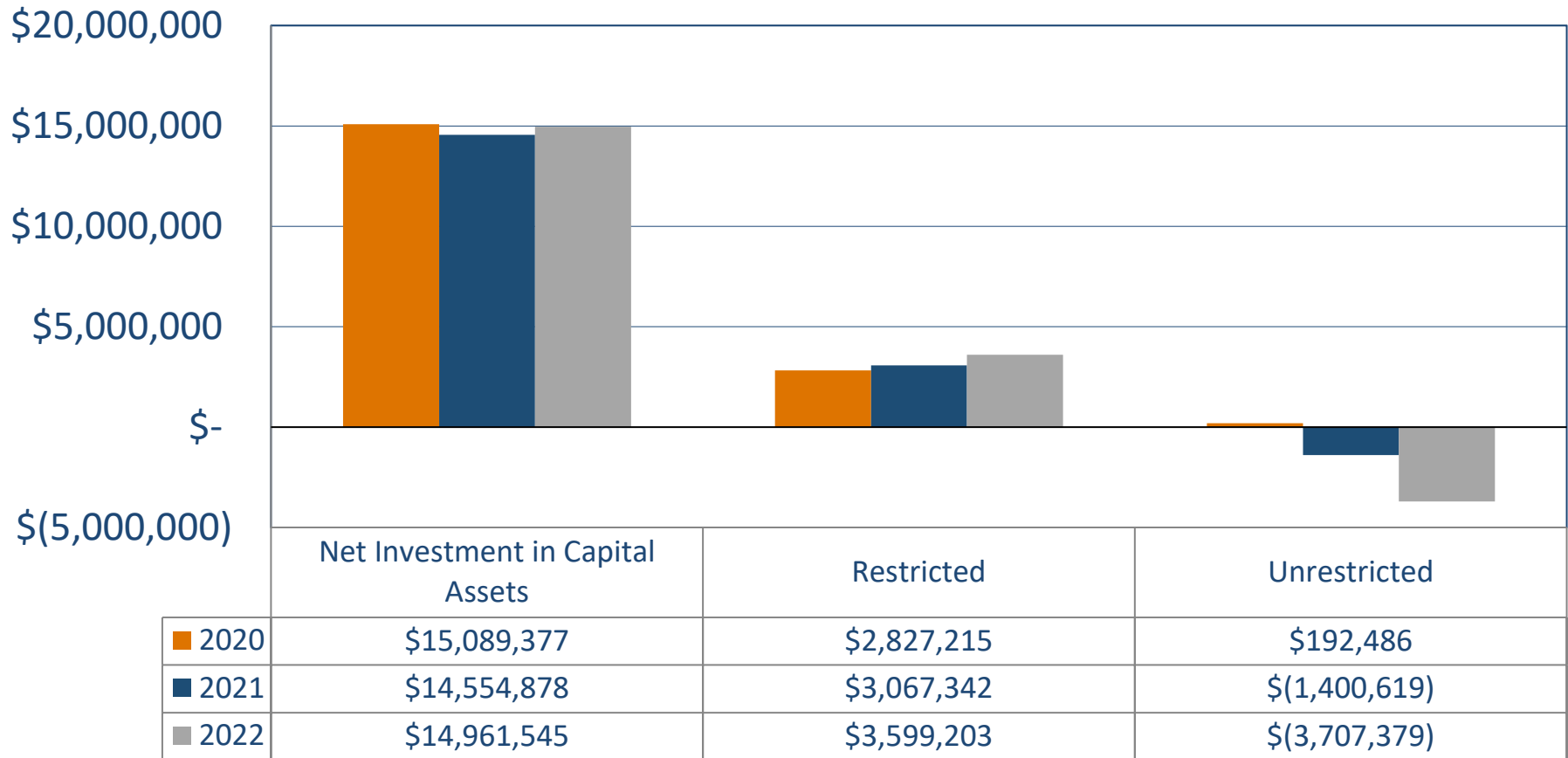
Government-Wide Financial Statements

Liabilities and Deferred Inflows of Resources



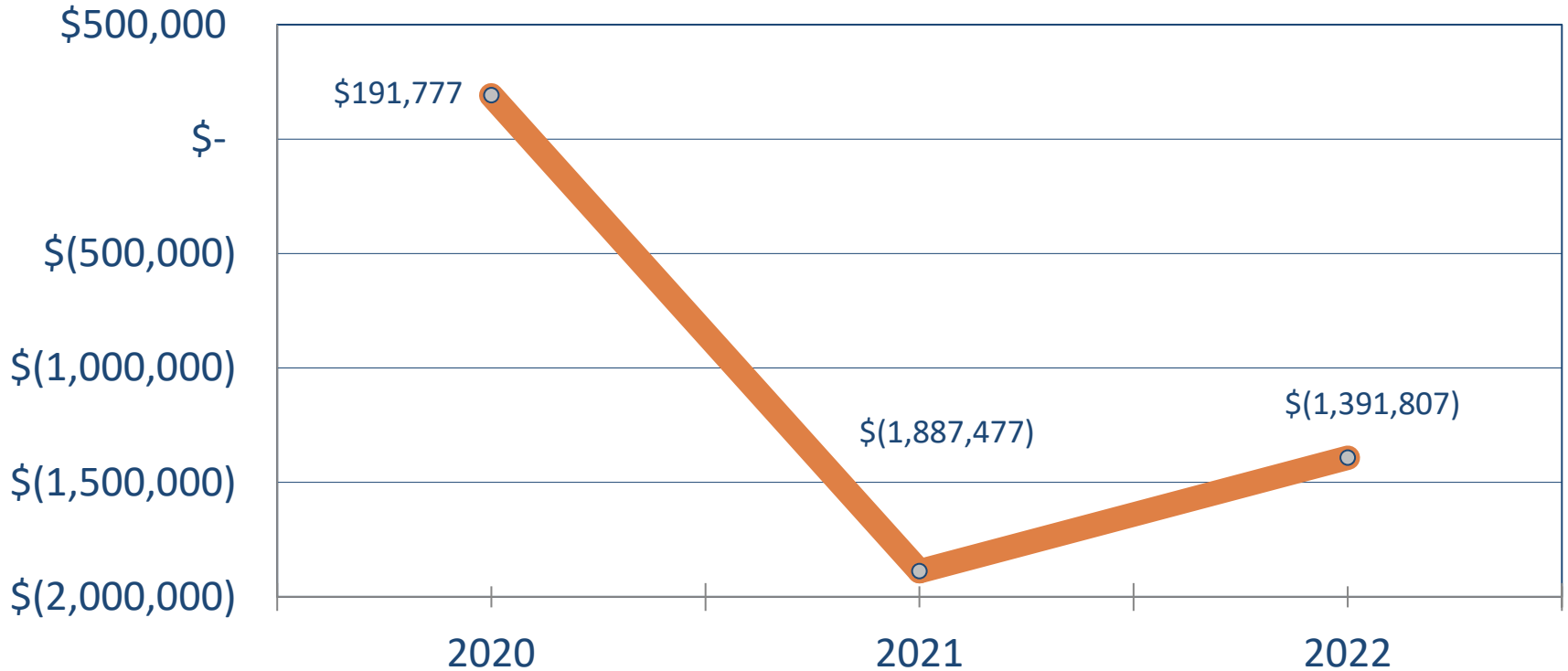
Government-Wide Financial Statements

Net Position



Government-Wide Financial Statements

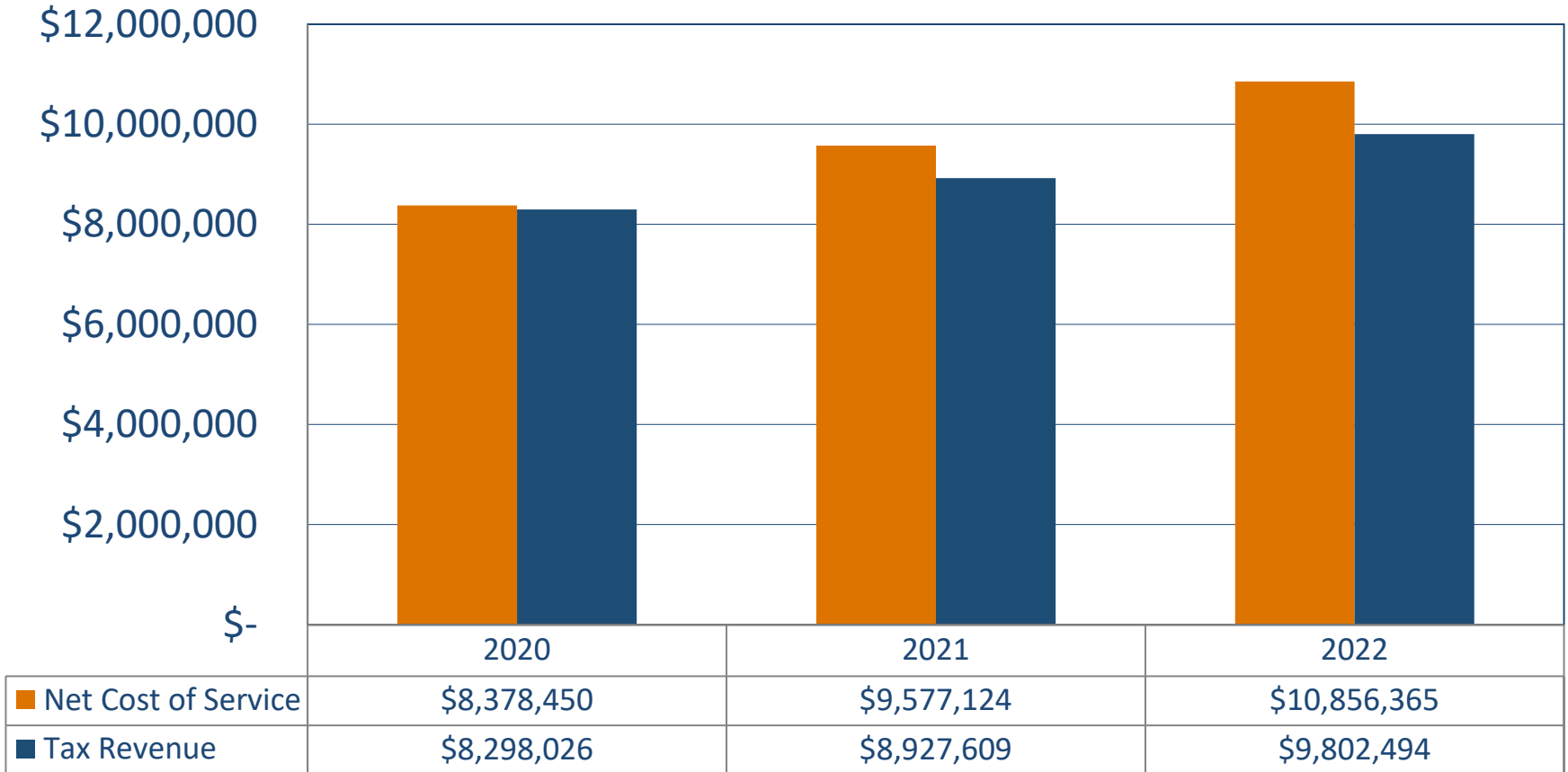
Changes in Net Position



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>2020</u>	<u>2021</u>	<u>2022</u>
Unrestricted Fund Balance	\$ 8,879,948	\$ 8,078,173	\$ 8,148,928
Total Expenditures	\$ 9,599,043	\$ 10,579,038	\$ 11,085,582
Unrestricted Fund Balance as a % of Total Expenditures	<u>92.51%</u>	<u>76.36%</u>	<u>73.51%</u>
Number of months	11	9	9

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

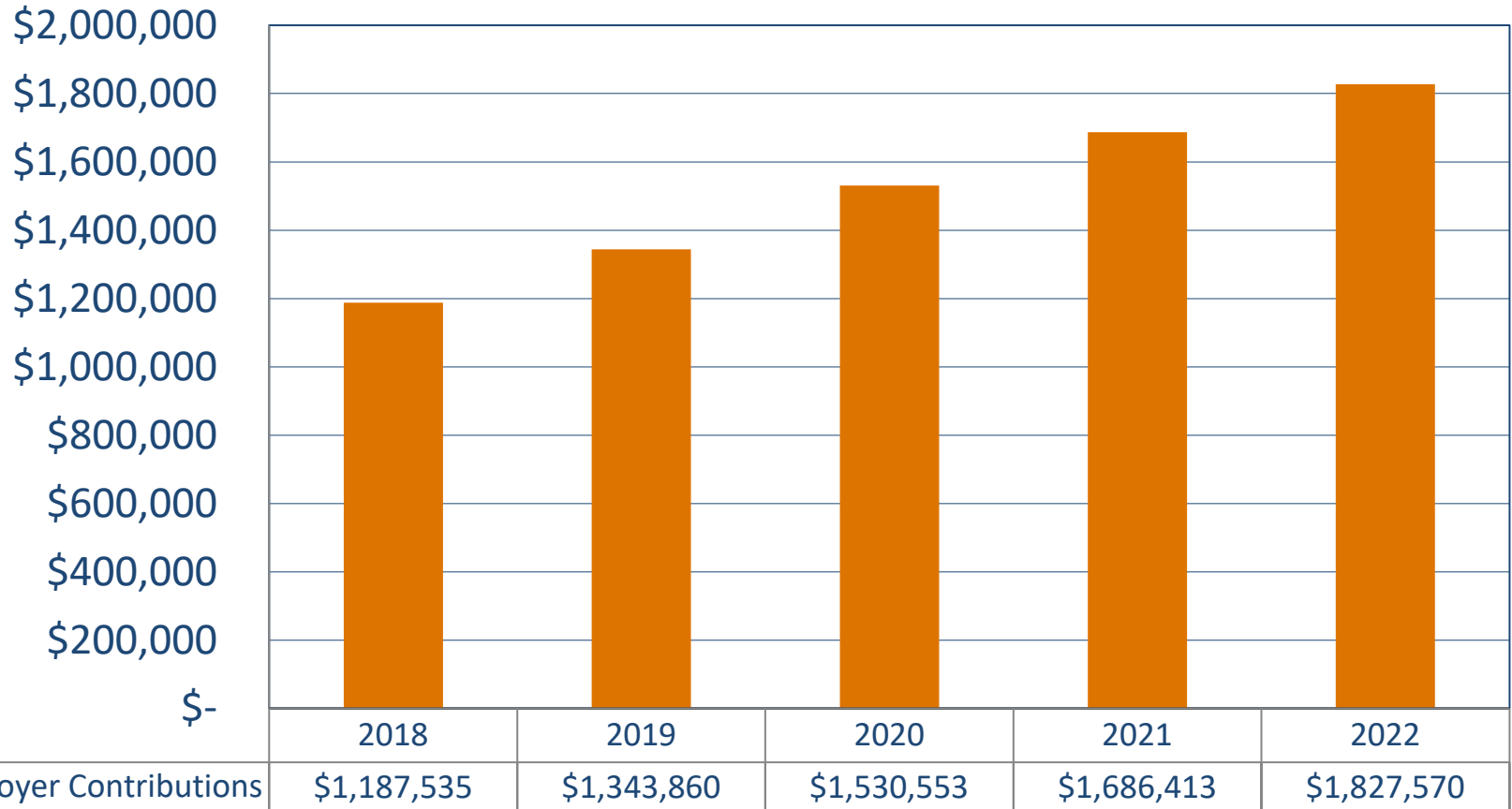
GFOA recommendation

No less than 2 months

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

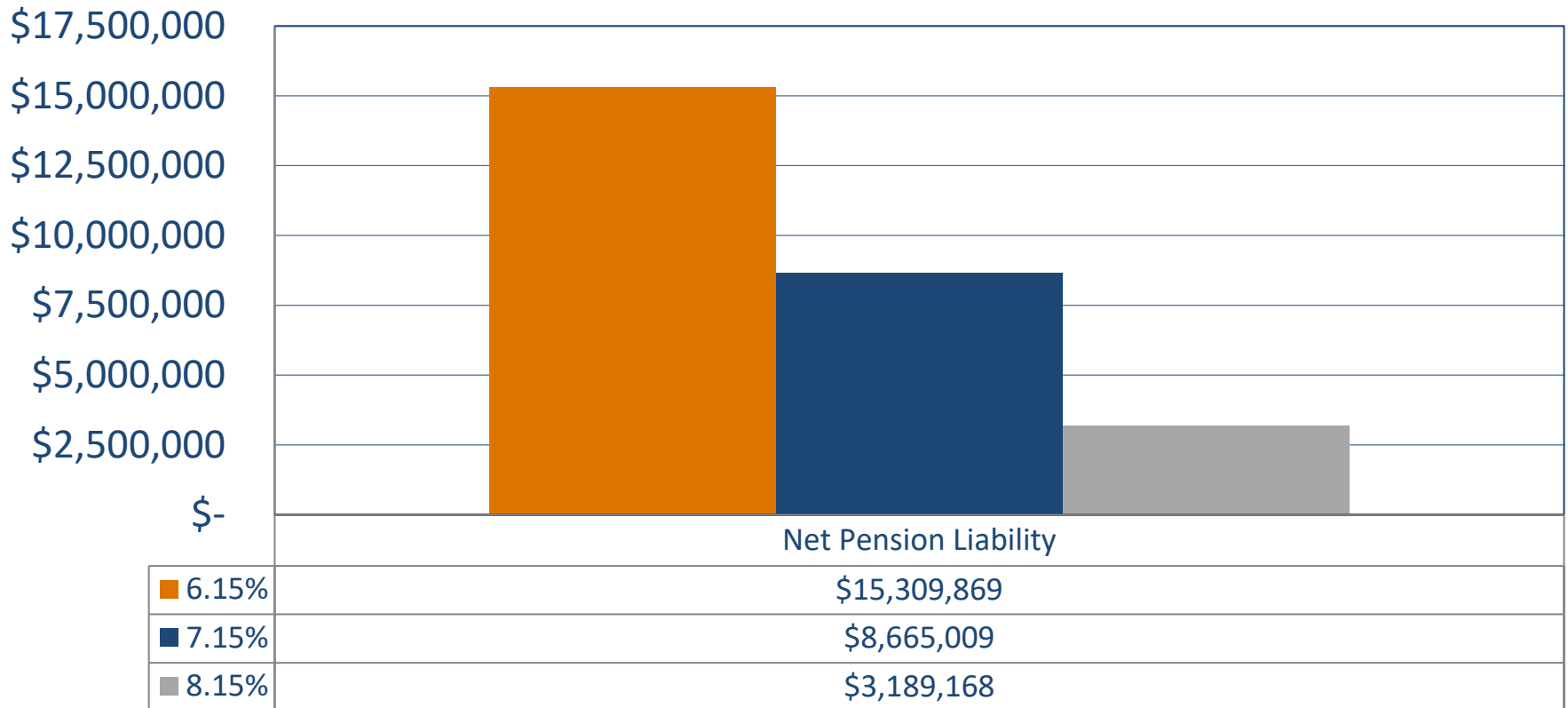
Pension Plan

City's Annual Pension Contributions



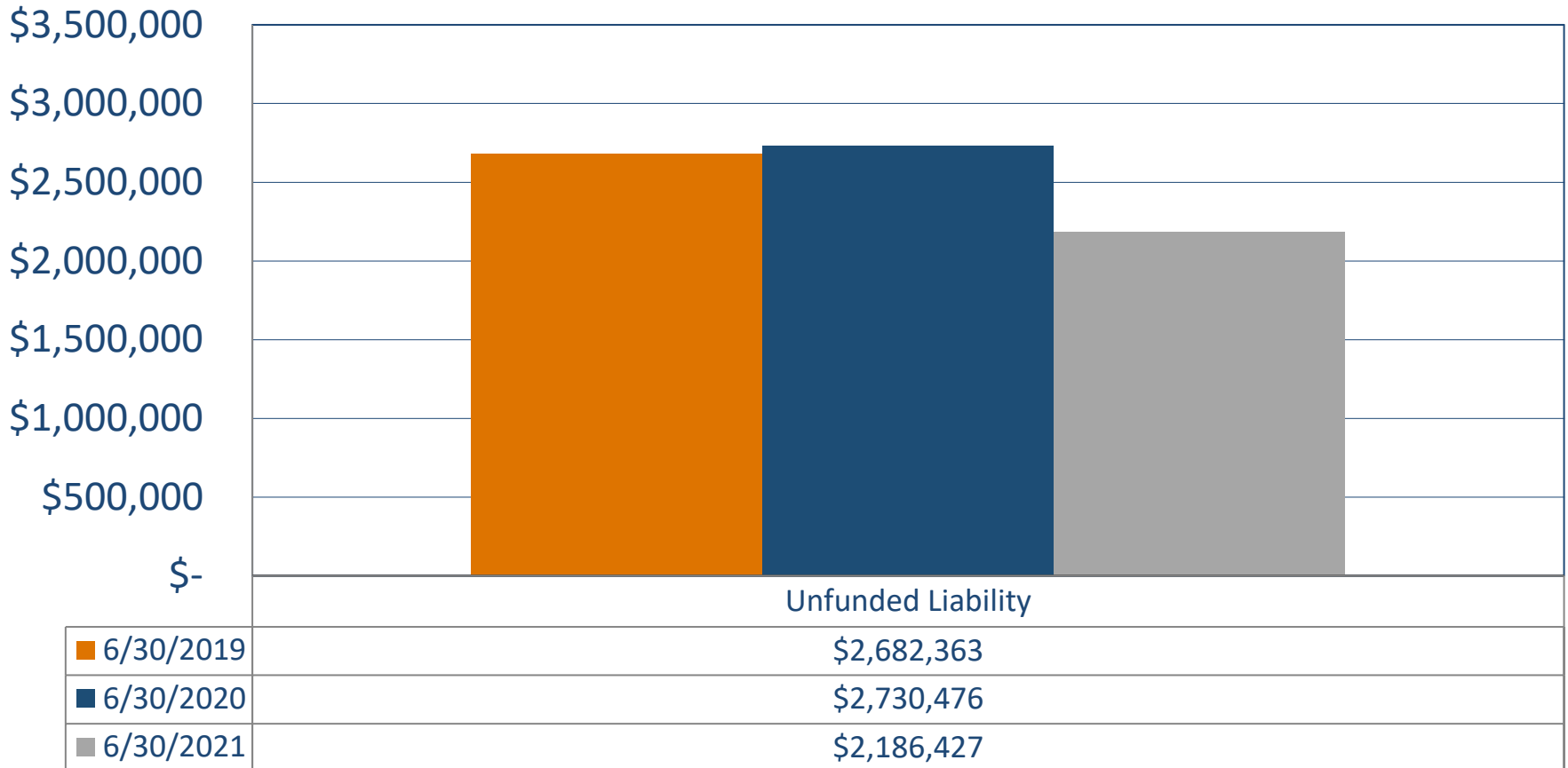
Pension Plan

City's CalPERS Pension Plan Sensitivity to Discount Rate (2021 Measurement Date)



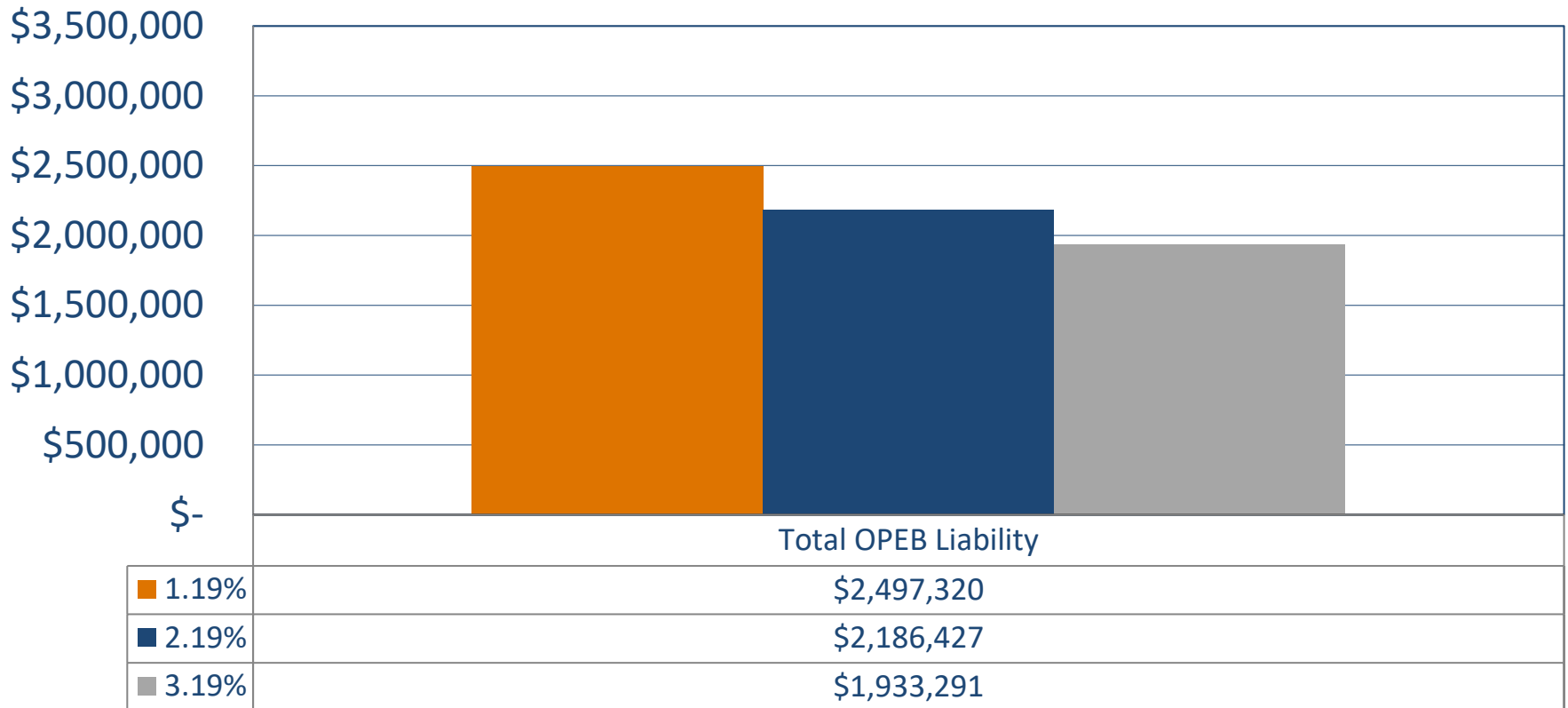
Other Financial Information

City's OPEB Funded Status



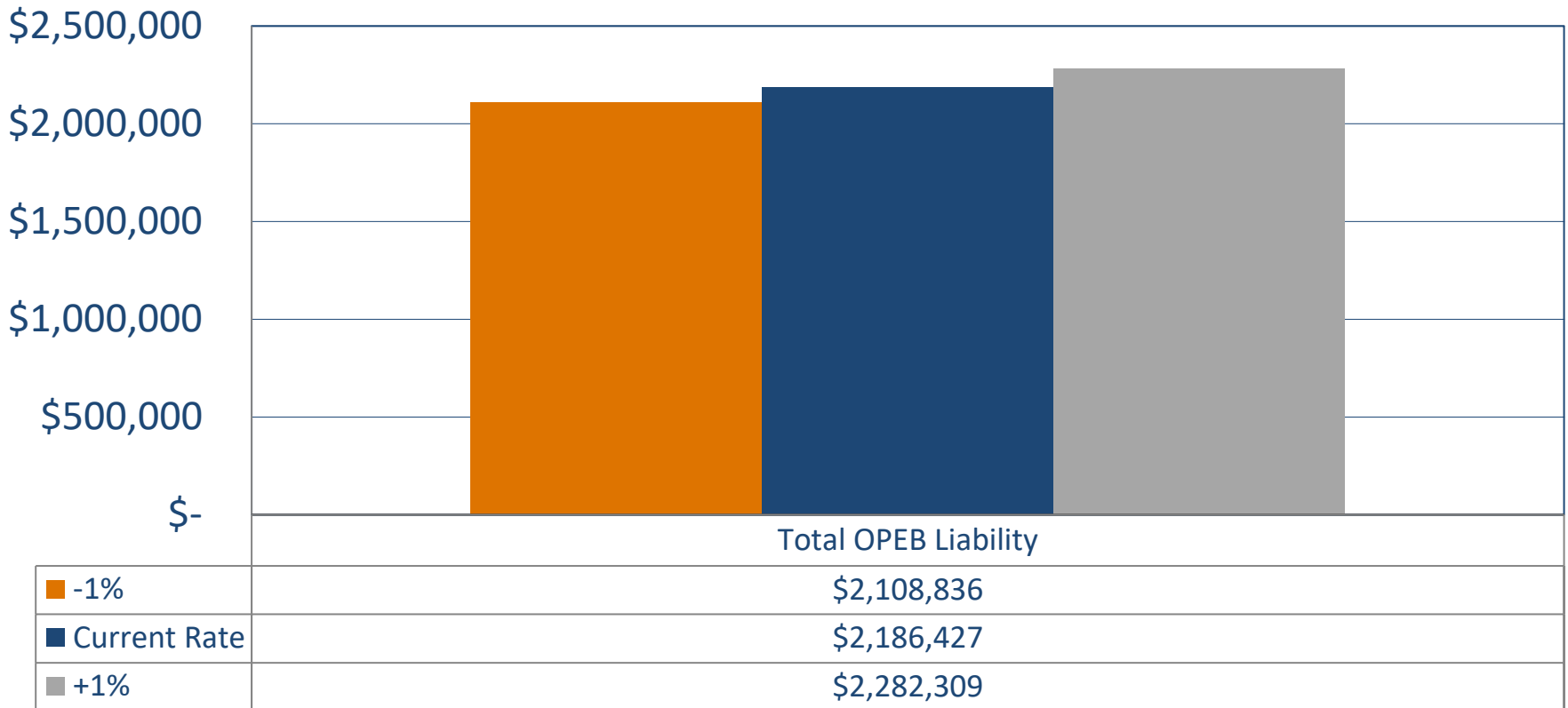
Other Financial Information

City's OPEB Plan Sensitivity to Discount Rate (2021 Measurement Date)



Other Financial Information

City's OPEB Plan Sensitivity to Healthcare Cost Trend Rate (2021 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

- 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

- 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

- 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 audit

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

- Difficulties Encountered in Performing the Audit



No difficulties were encountered during our audits.

- 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

- 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

- 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.

Required Communications

- Significant Accounting Policies and Unusual Transactions



The City adopted the following new accounting pronouncements:

- GASB 87 - Leases
- GASB 89 – Interest Cost During Construction
- GASB 92 – Omnibus
- GASB 99 - Omnibus

- 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

New Accounting Standards

2023

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

2024

- Statement 100 – Accounting Changes and Error Corrections

2025

- Statement 101 – Compensated Absences

Questions



Mitesh M. Desai
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Thank You
For Allowing Us to Provide Audit Services to the City
of Sebastopol