

CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: March 5, 2024

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To: Honorable Mayor and City Councilmembers
From: Ana Kwong – Administrative Services Director
Subject: Receive and File of the City’s annual audit for year ended June 30, 2023

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RECOMMENDATIONS:

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, 2023.

EXECUTIVE SUMMARY:

The audit was conducted by Badawi & Associates, a certified public accountant firm, and resulted in an unmodified (clean) opinion on the City's financial statements and compliance. The audit report consists of the Annual Comprehensive Financial Report (ACFR), which provides summary financial information for the City and its operations, as well as supplementary information and statistical data. The ACFR follows the generally accepted accounting principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB), and is submitted to the Government Finance Officers Association (GFOA) for recognition.

BACKGROUND AND DISCUSSION:

The purpose and scope of the report: The report is a summary of the City of Sebastopol's financial statements for the fiscal year 2022-23, audited by an independent firm and submitted to a national association for recognition.

The main findings and recommendations of the audit: The audit found that the City's financial statements are free of material misstatements and comply with the generally accepted accounting principles and standards. The audit also issued an unmodified (clean) opinion.

The auditor has also identified the following significant risks:

- *Risk of management override of internal controls – A risk of management override of internal controls exists at any entity where management can change or decide not to perform that entity’s internal controls.*

City management has been made aware of a significant risk - management override of internal controls. This risk is prevalent in many small-sized entities, and our organization is not exempt from it. We take this finding with utmost seriousness and have been taking steps to address and mitigate any potential impact it may have on the City. However, due to our limited staffing, the segregation of duties has proven to be a challenge. Nevertheless, we are dedicated to doing everything within our capabilities to ensure the continued integrity of our internal controls.

- *Revenue recognition risk – Errors in revenue recognition can affect bond covenant ratios and the net position of the City.*

This is a default risk in all financial audits, meaning that they represent something that could possibly happen. As such, it is necessary for the city to be aware, plan and implement audit procedures to determine if these risks have materialized during the year.

The structure and content of the report: The report consists of three sections: introductory, financial, and statistical. The introductory section provides a letter of transmittal and an overview of the City's financial status and results. The financial section contains the independent auditor's report, the management's discussion and analysis, the basic financial statements, and the notes to the financial statements. The statistical section provides historical and comparative data on the City's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

The difference between government-wide and fund statements: The report presents two types of financial statements: government-wide and fund statements. The government-wide statements report financial information based on when expenses occur and revenue are earned, similar to a private business. The fund statements report financial information based on when cash transactions occur, similar to a budgetary basis. The report reconciles the differences between the two types of statements.

STAFF ANALYSIS:

The ACFR is a detailed document with a lot of information. To make it easier to understand, this summary explains some of the accounting and finance terms used in the report.

While the audit includes extensive financial information, the auditor's purpose is not to offer opinions on the financial condition of the City. Staff plan to present a report with a long term view of the general fund on March 19, 2024. We anticipate that information on a status of the enterprise funds will be included in the forthcoming proposal to increase water and sewer rates.

Brief Summary of Terms

Annual Comprehensive Financial Report (ACFR): is a set of comprehensive financial statements on the financial state of the City as of the fiscal year end.

Audit: an annual examination performed by an independent accountant firm of the City's internal controls and finances.

Enterprise Funds: a part of government that accounts for the goods and services provided to the public for a fee and is self-supporting, similar to a private business. Example includes Water and Sewer operations.

Fiscal Year (FY): a twelve month period July 1 through June 30 to which the annual budget applies, and financial transactions are recorded and subsequently audited.

Fund: a grouping of accounts used to record all the special purpose financial transactions for which the fund was created.

Fund Balance: the difference between assets and liabilities – in essence, what would be left over if the assets were used to pay the liabilities.

Fund Statements: detailed information on the primary governments funds whereby fund assets are expected to be used within a year and current year liabilities are typically expected to be repaid or satisfied with current resources.

General Accepted Accounting Principles (GAAP): uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

Government Finance Officers Association (GFOA): a professional association of state, provincial, and local finance officers in the United States and Canada.

Government-wide Statements: report financial information based on when expenses occur and revenue are earned rather than when cash transactions occur, similar to that of a private business.

Net position: the calculation of all the City's assets minus the current and future liabilities and net pension deferrals.

Restricted Fund Balance: this represents funding that can only be spent for very specific purposes, generally due to laws.

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 City prepares two types of financial statements that measure its finances differently; **Government-wide (page 25)** and **Fund Statements (page 29)**. The **Government-wide statements** are designed to provide readers with broader overview of full City operations in a similar manner to those of a private business; whereas **Fund Statements** provide detailed financials in a short term annual budgetary basis on specific funds.

The Statement of Net Position and Governmental Fund Financial Statements measure different activity. The net change in fund balance of the governmental funds are reconciled to statement of net position on page 35. The Management’s Discussion and Analysis and notes to financial statements explain the differences between fund balance and net position. In short governmental fund statements differ from government-wide net position and includes additional items, like pension liabilities.

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.

COMMUNITY OUTREACH:

This item has been 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 impact for accepting this report.

OPTIONS:

Not Applicable

ATTACHMENTS:

- Audited Annual Comprehensive Financial Report (ACFR) as of June 30, 2023 – City of Sebastopol
- Auditors’ Communication With Those Charged with Governance
- Power Point Document

APPROVALS:

Department Head Approval: Approval Date: 2/26/24

CEQA Determination (Planning): Approval Date: 2/27/24

The proposed action is not a project under the California Environmental Quality Act (CEQA)

Administrative Services (Financial) Approval Date: 2/27/24

Costs authorized in City Approved Budget: Yes No N/A

Account Code (f applicable) _____

City Attorney Approval: Approval Date: 1/24/24

City Manager Approval: Approval Date: 2/27/24

CITY OF SEBASTOPOL

Annual Comprehensive Financial Report

Fiscal Year 2022 - 2023



HERITAGE



AGRICULTURE



LANDMARKS



LOCAL COLOR



COMMUNITY



WILDLIFE

"SEBASTOPOL: A WORLD OF GOOD" MURAL

COURTESY OF 

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City of Sebastopol

Sebastopol, California

Annual Comprehensive Financial Report

For the year ended June 30, 2023

Prepared by:
Administrative Services Department

**City of Sebastopol
Annual Comprehensive Financial Report
For the year ended June 30, 2023**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Table of Contents	i
Letter of Transmittal	v
Directory of City Officials	ix
Organization Chart	x
GFOA Certificate of Achievement for Excellence in Financial Reporting	xi
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	5
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet.....	32
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	35
Proprietary Funds Financial Statements:	
Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Net Position.....	39
Statement of Cash Flows	40
Notes to Basic Financial Statements	41
 Required Supplementary Information (Unaudited):	
Budgets and Budgetary Accounting:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: General Fund	81

**City of Sebastopol
Annual Comprehensive Financial Report
For the year ended June 30, 2023**

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION, Continued:</u>	
Required Supplementary Information (Unaudited), Continued:	
Defined Benefit Pension Plan:	
Schedule of Proportionate Share of the Net Pension Liability	84
Schedule of Contributions	86
Other Postemployment Benefits Plan:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	88
Supplementary Information:	
General Capital Project Fund Budgetary Comparison Schedule	95
Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	104
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Police Grant Special Revenue Fund.....	109
Gas Tax Special Revenue Fund	110
Park in Lieu Special Revenue Fund	111
Traffic Impact Special Revenue Fund.....	112
Street Lighting Assessment Special Revenue Fund.....	113
Asset Forfeiture Special Revenue Fund	114
Downtown Association Special Revenue Fund	115
Art in Lieu Special Revenue Fund	116
Measure M Special Revenue Fund.....	117
Housing General Plan Special Revenue Fund.....	118
Street Reserve Special Revenue Fund.....	119
Vehicle Abatement Special Revenue Fund	120
Inclusionary and Linkage Housing Special Revenue Fund	121
Building Permit Incremental Special Revenue Fund	122
Community Development Block Grant Special Revenue Fund	123
SB1 Road and Maintenance Special Revenue Fund	124
General Government Facilities Fees Special Revenue Fund	125
Fire Facilities Fees Special Revenue Fund.....	126
Stormwater Facilities Fees Special Revenue Fund.....	127
Supplemental Planning Grant (SB2 and LEAP) Special Revenue Fund.....	128
Undergrounding Capital Project Fund	129
Woodstone Assessment District Debt Service Fund	130
Clean Renewable Energy Debt Service Fund	131

**City of Sebastopol
Annual Comprehensive Financial Report
For the year ended June 30, 2023**

Table of Contents

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited):</u>	
Financial Trends:	
Net Position by Component	134
Changes in Net Position.....	136
Fund Balances of Governmental Funds.....	140
Changes in Fund Balances of Governmental Funds	142
Revenue Capacity Information:	
Assessed Value and Estimated Actual Value of Taxable Property.....	144
Direct and Overlapping Property Tax Rates.....	146
Principal Property Taxpayers.....	147
Property Tax Levies and Collections.....	148
Taxable Sales by Category	149
Debt Capacity Information:	
Ratios of Outstanding Debt by Type.....	150
Ratios of General Bonded Debt Outstanding.....	152
Direct and Overlapping Governmental Activities Debt.....	153
Legal Debt Margin Information.....	154
Pledged-Revenue Coverage	155
Demographic and Economic Information:	
Demographic and Economic Statistics.....	158
Principal Employers for City of Sebastopol	159
Operating Information:	
Full-Time Equivalent City Government Employees by Function.....	160
Operating Indicators by Function.....	161
Capital Asset Statistics by Function	162

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City Council

Mayor Diana Rich

Vice Mayor Stephen Zollman

Councilmember Neysa Hinton

Councilmember Sandra Maurer

Councilmember Jill McLewis



Agenda Item Number 5

City Manager

Larry McLaughlin

lmclaughlin@Cityofsebastopol.org

Assistant City Manager/City Clerk, MMC

Mary Gourley

mgourley@Cityofsebastopol.org

City of Sebastopol

February 20, 2024

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, 2023. 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, 2023. 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 7,348 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 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 continues to exceed the national- and state-level indicators for labor force participation rate. This is partially due to Sonoma County’s workforce having a larger share of mature workers. However, younger workers are choosing to begin their careers in more affordable and family-friendly areas. As Sonoma County’s median age continues to rise, demand for healthcare has spiked and healthcare occupations continue to be the fastest growing occupations in the region, followed by government and manufacturing occupations prospects.

The FY 23-24 budget includes a reduction projections for sales tax and a relatively small increased to transient occupancy taxes. Property tax growth during FY22-23, with year-over-year gains attributed to above-normal real estate transactions activity which will at some point, see a decline due to high interest rates.

Sales taxes have a stronger correlation with the local economy than property taxes; and have become a larger share of total revenues. For FY 23-24 sales taxes were 44.5% of the adopted budget’s total revenues; while property taxes represented 30.6% 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 23-24 adopted budget that is accessible on the Administrative Services Department's website.

Future Challenges:

The Fiscal Year 2023-24, the City faces sobering budget challenges and pressures. This year, the City contracted with NHA Advisors, a consulting firm with expertise in municipal finance, who prepared a fiscal sustainability report based on current and projected changes in the city's economic environment. NHA presented a draft report to the Budget Committee on April 5, 2023 and then a final report to the City Council and public on May 16, 2023. Based on current and expected revenue conditions and predicted increases in committed expenditures, funding requests far exceed available resources. The report indicates that the City will be challenged to adhere to Council-adopted fiscal sustainability policies that require maintaining minimum levels of fund balance reserves. As presented in the report, the City faces a structural deficit that will result in a complete depletion of all reserves by FY 2025-26, unless there are substantial changes that bring additional revenue into the City.

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 balanced the FY 23-24 budget the use of \$1,678,000 in reserves while dip below the budget reserve goal of 15% unassigned fund balance as a percentage of expenditures. The unassigned balance at the time the budget was adopted projected to be 14.8% of expenditures at the end of FY 23-24. However, as of the writing of this transmittal letter, based on audited number updated for the amounts in the audited financial statements for fiscal year 2023, the projected unassigned fund balance was 32.9%.

Subsequent to the end of the fiscal year, on November 21, 2023, in light of the ongoing financial challenges facing the City, the City Council declared a fiscal emergency.

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. Provide for "baseline" funding including City core services such as public safety (police or fire), water, and sewer services.
- b. Limit funding that exceeds a baseline budget (prior years' minimum operating requirements, contractual obligations (plus an inflation factor)) only if the services are clearly justified by the cost, given the current strict budgetary constraints.
- c. Create and charge fair prices for services that are provided on an "as requested" basis, such as planning and development services which are regulated through the user fee schedule.
 - i. For FY 2023-24 the City will conduct a water rate study to analyze the cost of service for the enterprise utilities to ensure an equitable distribution of utility costs across customer types.
 - ii. The City's cost allocation plan (CAP) has not been updated since 2000. The FY 2023-24 adopted budget includes funding for a cost allocation plan revision in order to ensure accurate distribution of costs. The CAP guides the distribution of costs between general and end-user services and provides detail on the allocation of costs between the General Fund and enterprise funds that use general government services.

II. Debt financing is limited to achieving operating efficiencies:

- a. Consistent with the City Council's goal to provide stability for ongoing core service programs, this adopted FY 2023-24 budget limits debt financing to fund operating and/or program budgets.
- b. This budget provides very limited additional debt financing to lease public safety equipment, with debt service costs increasing by \$4,000.

- 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, 2022. 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 six consecutive years (fiscal years ended 2017 through 2022).

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.

Respectfully Submitted,



Ana Kwong – Administrative Services Director

CITY OFFICIALS

(as of the date of the Financial Statements)

City Council:

- Neysa Hinton, Mayor
- Diana Rich, Vice Mayor
- Sandra Maurer
- Jill McLewis
- Stephen Zollman

City Staff:

- City Manager | City Attorney.....Lawrence McLaughlin
- Assistant City Manager | City Clerk Mary Gourley
- Administrative Services Director Ana Kwong
- Building Official Vacant (Lead - Steve Brown)
- Engineering Manager..... Vacant (Lead - Toni Bertolero)
- Fire Chief Jack Piccinini (Interim)
- Planning Director Kari Svanstrom
- Police Chief Ronald Nelson
- Public Works Superintendent Dante Del Prete

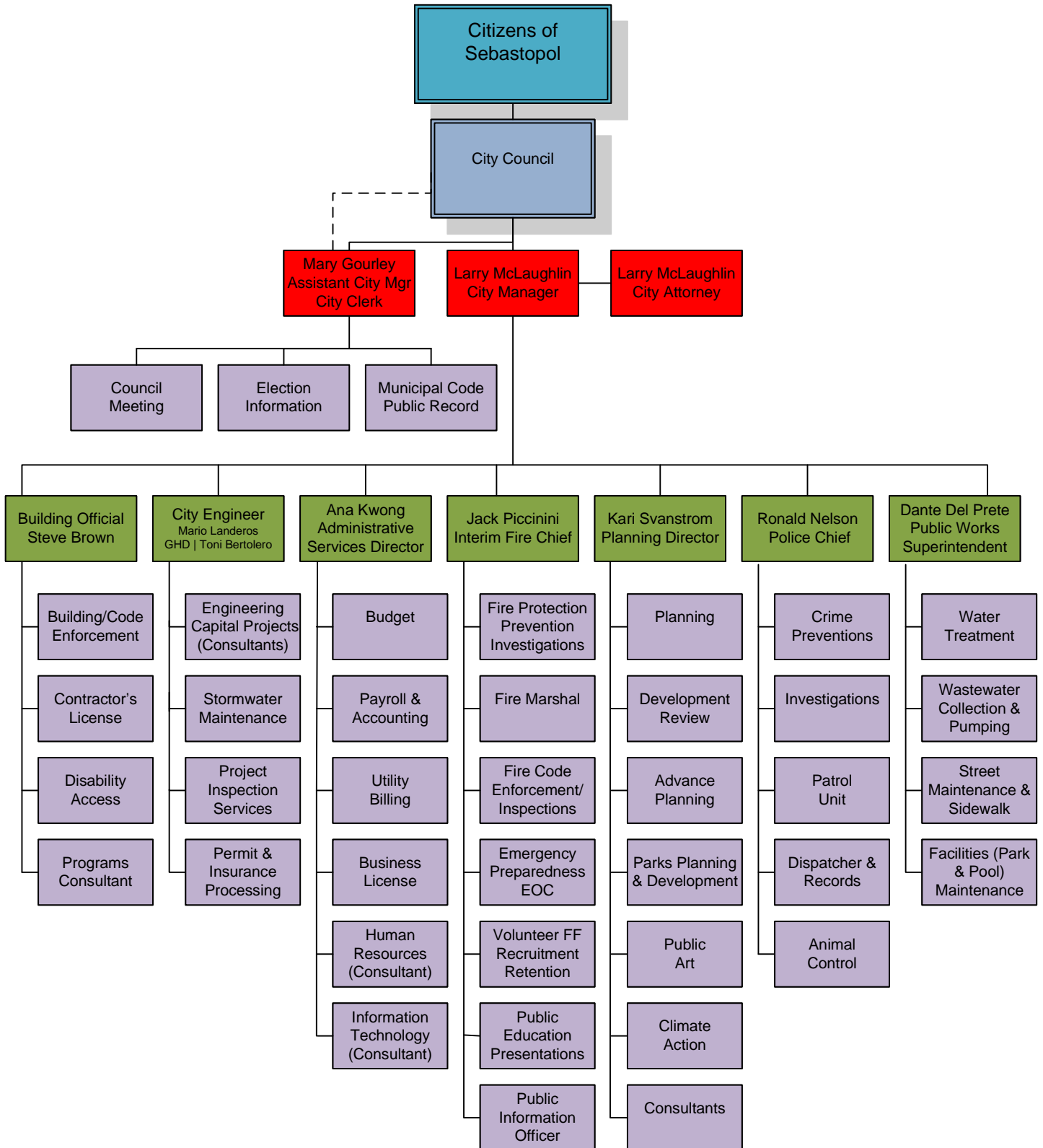
Advisory Commissions or Committees:

- Planning Commission
- Design Review Board
- Public Arts Committee



City Organization

City Wide Organization Chart by Function





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Sebastopol
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2023, 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, 2023, 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.

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

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 5–20 and 81–89 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.

To the Honorable Mayor and Members of the City Council
 Of the City of Sebastopol
 Sebastopol, California
 Page 3

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 general capital projects fund budgetary comparison schedule, 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, general capital projects fund budgetary comparison schedule, 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.

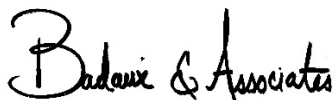
Other Information

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 29, 2023, 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 29, 2023

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CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(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, 2022 and ended June 30, 2023 (FY22-23). 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 \$19,374,000 (net position) at June 30, 2023: Governmental activities' net position was \$13,160,000; and business-type activities' net position was \$6,214,000.
- Total government-wide net position is categorized as follows:
 - \$15,775,000 is the net investment in capital assets;
 - \$2,696,000 is restricted for specific purposes (restricted net position); and,
 - 903,000 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 increased by and decreased by \$5,349,000 and (\$828,000) respectively; accounting for a government-wide increase in net position of \$4,521,000.
- At June 30, 2023, the city's governmental funds reported a combined ending fund balance of \$13,984,000. Governmental funds' balances increased by \$1,570,000 for the year reported.
- The general fund reports fund balance of \$11,971,000 at June 30, 2023; and it is distributed in these categories:
 - 1) \$188,000 is categorized as **non-spendable**, and is comprised of prepaid items.
 - 2) \$1,235,000 is reported as **restricted**; with \$1,039,000 restricted for flood recovery; and \$196,000 restricted for capital projects.
 - 3) \$4,601,000 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, \$903,000;
 - Equipment, vehicle and technology replacement, \$917,000; and,
 - Pension and other post-employment liabilities rate stabilization, \$2,781,000.
 - 4) \$5,947,000 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 \$6,214,000 at June 30, 2023; with \$3,961,000 reported in the water fund; and \$2,253,000 reported in the wastewater fund. The city also reports an internal service fund for insurance benefits, and that fund has a balance of one thousand dollars.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

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.

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

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

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*.

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.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

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, 2023.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 16,511,000	\$ 14,622,000	\$ 4,098,000	\$ 7,220,000	\$ 20,609,000	\$ 21,842,000
Capital assets	12,032,000	10,951,000	9,207,000	7,860,000	21,239,000	18,811,000
Total assets	28,543,000	25,573,000	13,305,000	15,080,000	41,848,000	40,653,000
Deferred outflows of Resources						
Deferred Outflows Pension and OPEB	5,500,000	2,872,000	1,155,000	502,000	6,655,000	3,374,000
Total deferred outflows of resources	5,500,000	2,872,000	1,155,000	502,000	6,655,000	3,374,000
Current Liabilities	3,000,000	2,739,000	784,000	1,025,000	3,784,000	3,764,000
Long-term Liabilities	16,099,000	11,506,000	7,245,000	6,242,000	23,344,000	17,748,000
Total liabilities	19,099,000	14,245,000	8,029,000	7,267,000	27,128,000	21,512,000
Deferred inflows of Resources						
Deferred inflows - Pension and OPEB	1,784,000	6,389,000	217,000	1,273,000	2,001,000	7,662,000
Total deferred inflows of resources	1,784,000	6,389,000	217,000	1,273,000	2,001,000	7,662,000
Net Position						
Invested in capital assets	10,408,000	9,702,000	5,367,000	5,259,000	15,775,000	14,961,000
Restricted	2,696,000	3,599,000	-	-	2,696,000	3,599,000
Unrestricted	56,000	(5,490,000)	847,000	1,783,000	903,000	(3,707,000)
Total net position	\$ 13,160,000	\$ 7,811,000	\$ 6,214,000	\$ 7,042,000	\$ 19,374,000	\$ 14,853,000

Total net position, (assets and deferred outflows, less liabilities and deferred inflows), was \$19,374,000 at June 30, 2023. Governmental activities net position was \$13,160,000; and business-type activities' net position was \$6,214,000.

The largest component of the City's net position is invested in capital assets; and is reported at \$15,775,000. This component represents 81% of total net position as of June 30, 2023. 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.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

An additional portion of the City’s net position represents resources that are subject to external restrictions on how they may be used, with \$2,696,000 reported as restricted at June 30, 2023.

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, 2023 and June 30, 2022.

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

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 1,178,000	\$ 740,000	\$ 5,359,000	\$ 5,574,000	\$ 6,537,000	\$ 6,314,000
Grants and contributions	2,527,000	549,000			2,527,000	549,000
Capital grants and contributions	575,000	715,000			575,000	715,000
General revenues:						
Property taxes	3,469,000	3,334,000			3,469,000	3,334,000
Sales Tax	4,609,000	4,705,000			4,609,000	4,705,000
Transient Occupancy Taxes	544,000	504,000			544,000	504,000
Other Taxes	1,320,000	1,259,000			1,320,000	1,259,000
Other income	877,000	630,000	115,000	(123,000)	992,000	507,000
Total revenues	15,099,000	12,436,000	5,474,000	5,451,000	20,573,000	17,887,000
Expenses						
General government	2,702,000	2,966,000			2,702,000	2,966,000
Public safety	5,109,000	6,742,000			5,109,000	6,742,000
Parks and recreation	1,011,000	1,031,000			1,011,000	1,031,000
Public works	929,000	2,103,000			929,000	2,103,000
Interest	30,000	19,000			30,000	19,000
Water			2,506,000	2,572,000	2,506,000	2,572,000
Wastewater			3,765,000	3,846,000	3,765,000	3,846,000
Total expenses	9,781,000	12,861,000	6,271,000	6,418,000	16,052,000	19,279,000
Increase in net position before transfers and special item	5,318,000	(425,000)	(797,000)	(967,000)	4,521,000	(1,392,000)
Transfers	31,000	31,000	(31,000)	(31,000)	-	-
Increase (decrease) in net position	5,349,000	(394,000)	(828,000)	(998,000)	4,521,000	(1,392,000)
Change in Net Position	5,349,000	(394,000)	(828,000)	(998,000)	4,521,000	(1,392,000)
Net position beginning	7,811,000	8,205,000	7,042,000	8,040,000	14,853,000	16,245,000
Net position, ending	\$ 13,160,000	\$ 7,811,000	\$ 6,214,000	\$ 7,042,000	\$ 19,374,000	\$ 14,853,000

Governmental Activities:

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

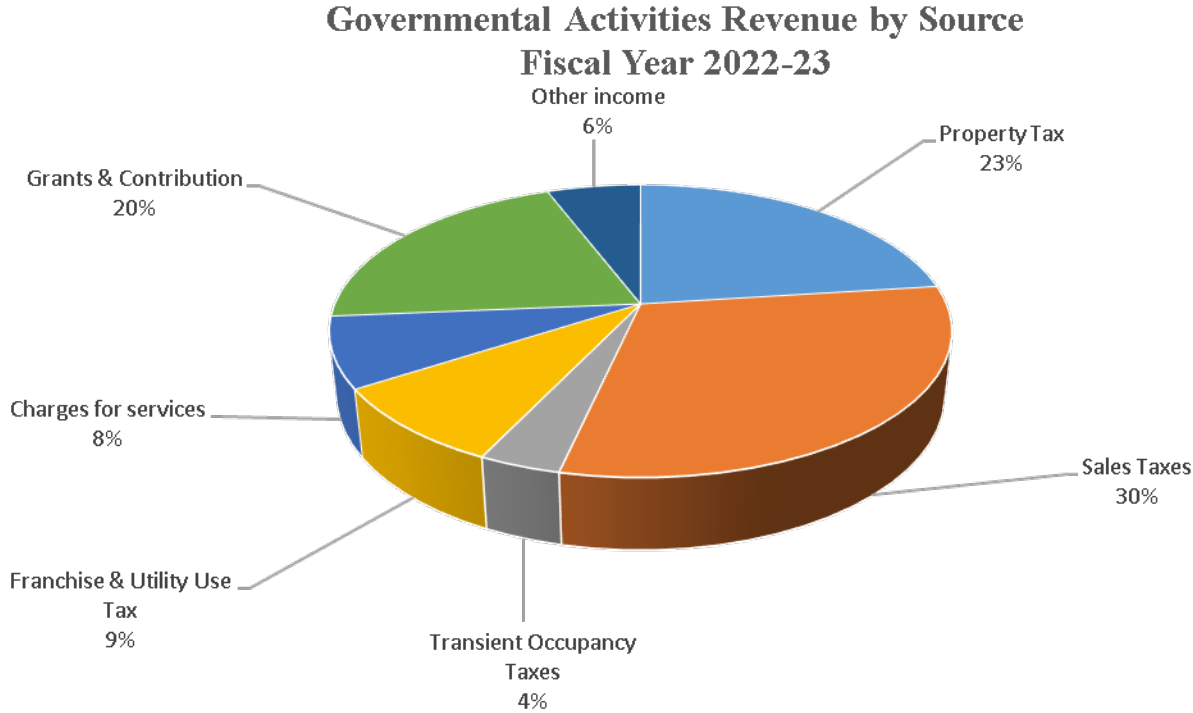
Government-wide net position increased by \$4,521,000; with an increase of \$5,439,000 for governmental activities; and a decrease of (\$828,000) for business-type activities. Reduced retirement benefits expense and the recognition of grant revenue received but not earned in the prior year are the primary causes of increased net position. (See note 11 for more detail about pension expense). Reduced rate revenue and increased wastewater treatment expense charged by a regional system operator caused the net position decrease in business-type activities.

Governmental Activities Revenue:

Governmental activities' services were financed as follows:

- Those who directly benefited from the programs paid charges for service of \$1,178,000;
- Other governments and organizations that subsidized certain programs with operating grants of \$2,527,000 and capital grants of \$575,000; and,
- Tax revenues totaling \$10,059,000 collected from property owners, and for retail sales, utility use, and hotel occupancy.
- Interest earnings, miscellaneous revenues and transfers from other funds totaled \$791,000.
- Tax revenue is the primary funding source for governmental activities. Sales taxes comprise approximately 30% of 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, 23% of total revenue; and franchise fees and utility taxes, 9% of total revenue.
- Grants and contributions; charges for services; and other income account for the remaining 34% of governmental activities' revenue, as reflected in the following chart:

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



**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

Total FY 2022-23 governmental activities' revenues of \$15,099,000 are reported within two categories: Program revenues \$4,280,000, (34%); and general revenues \$10,819,000, (66%). Total governmental activities revenues increased by \$2,663,000, or 15%, over the prior year: General revenues, primarily taxes, increased by \$387,000; and program revenues increased by \$2,276,000.

Tax revenues: Tax revenue category experienced modest growth overall, with a 1.5% year-over-year increase of \$140,000.

Property taxes of \$3,469,000 reflect a increase of \$135,000, or 4.0%, compared to the prior year. 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. Growth in the 2% to 4% range in the norm.

Sales taxes of \$4,609,000 reflect a (\$96,000) decrease, (2%), over the prior year. The year-over-year change is attributed to lowered customer demand in comparison with the prior year spike in activity that followed the lifting of restrictions on gathering that had been put in place in response to Covid-19 safety concerns. Also, in the prior year, the City made one-time investments in marketing programs that were not repeated in the current year.

Transient Occupancy Taxes of \$544,000 increased by \$40,000, or 7.9%, over the prior year; with the increase attributed to successful marketing efforts, and increased entertainment events.

Other taxes of \$1,320,000 increased by \$61,000, or 4.9%, over the prior year; and include user taxes on telecommunications bills and franchise fees. Revenue changes reflect normal growth in customer demand for services.

Program revenues of \$4,280,000 increased by \$2,276,000, or 114%, compared to the prior year due to federal and state grants. Federal economic recovery grant funds that were received in prior years was recognized in the current year when related expenditure requirements were met.

Charges for services revenue increased, and reflects services related to the construction of a new hotel.

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:

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

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

	Expenses by Function		Percentage Change
	2023	2022	2022-2023
General Government	2,702,000	2,966,000	-8.90%
Public Safety	5,109,000	6,742,000	-24.22%
Parks and recreation	1,011,000	1,031,000	-1.94%
Public Works	929,000	2,103,000	-55.83%
Interest on Long term Debt	30,000	19,000	57.89%
Total	<u>9,781,000</u>	<u>12,861,000</u>	<u>-23.95%</u>

The changes in functional areas' shares of total expenses is related to a significant decrease in pension expense. Because pension expenses are allocated based on salary and wages, labor intensive functions received a larger decrease.

Pension expense for a given fiscal year is based based upon changes in actuarial estimates of the net pension liability and related deferred inflows and outflows of economic resources that will be recognized in future periods. (See the financial statement note 11 for more information about the measurement and recognition of pension liabilities and expenses.)

For FY 2022-23 the City reports pension “income” of \$270,000 for governmental activities; and for FY 21-22 the City reported pension “expense” of \$2,2274,000. The overall change in pension expense was a decrease of 2021-22 pension (expense) was (\$2,544,000).

Notably, cash payments to CalPERS for pensions had very little year-to-year change:

Contributions to the CalPERS plan for the fiscal year ended June 30, 2023 were \$1,763,271; and, Contributions to the CalPERS plan for the fiscal year ended June 30, 2022 were \$1,827,570.

Increases in interest on long-term debt reflect are attributable to governmental capital asset additions that were funded by the finance purchase agreement for energy conservation measures.

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.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

Business-Type Activities:

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

Net position of the water enterprise fund was \$3,961,000 and the net position of the wastewater fund was \$2,253,000, for a combined net position of \$6,214,000 for all business-type activity at June 30, 2023. The enterprise funds report net position in two components – Investment in capital assets is reported at \$3,130,000 and \$2,237,000 for the water and wastewater funds, respectively.

For FY22-23 the net position of business-type activities decreased by (\$828,000). The water fund's net position decreased by (\$115,000); and the wastewater fund's net position decreased by (\$713,000). The change in net position represents 11.8% of the combined funds' beginning net position.

Revenue shortfalls are the primary cause of the decreases in net position, and are attributed to lower consumption of utilities in response to conservation initiatives put in place due to drought conditions. The City's latest approved rate schedule was developed in 2019, and it does not include the authority to implement increased "drought" rates when consumption drops significantly. The City is currently engaged in a utility rate study.

Investment in capital assets is the largest category of the business-type activities' net position, with \$5,367,000 and 86.4% of total net position. Unrestricted net position, total net position less net position invested in capital assets is \$847,000 and 13.6% 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, general capital projects 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, 2023, the City's governmental funds reported total fund balances of \$13,984,000 an increase of \$1,571,000 in comparison with the prior year. The total fund balance is reported within these categories:

- \$188,000 is "non-spendable" because the financial resources have been used to prepay expenditures.
- \$2,892,000 is "restricted," and is only available to spend as specified by external funding sources.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

- \$539,000 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.
- \$4,601,000 is “assigned” for a particular future use.
- \$5,764,000 is “unassigned,” and as such is considered available to finance future years’ budgetary needs at the discretion of the City Council.

The June 30, 2023 total governmental funds balance is comprised of the general fund’s fund balance \$11,971,000, general capital project fund’s fund balance of (\$5,000), and the non-major funds’ combined fund balances of \$2,018,000.

General Fund:

The general fund is the chief operating fund of the City. During FY 22-23, the general fund balance increased by \$1,629,000; and is \$11,971,000 as of June 30, 2023. Fund balance is distributed in the following categories:

- \$188,000 is “non-spendable” because the financial resources were used for prepaid items.
- \$1,235,000 is restricted for uses specified by external funding sources or law.
- \$4,601,000 is “assigned” for these stated uses:
 - \$903,000 for buildings and infrastructure;
 - \$917,000 for equipment, technology and vehicle replacement; and,
 - \$2,781,000 for pension and post-employment medical benefits.
- \$5,947,000 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 \$5,947,000 at June 30, 2023 represents 52% of FY 22-23 general fund expenditures of \$11,349,000.

The general fund's total fund balance increased \$1,629,000 during FY 2022-23. The change in attributed to intergovernmental revenue s during the

Intergovernmental revenues increased by \$1,690,000, caused, primarily, by the current year's recognition of federal grant revenue that was received reported as unearned in the prior year.

FY 22-23 general fund expenditures of \$11,349,000 reflect an increase of \$263,000, or 2.4%, over the prior year’s expenditures. The expenditure increase is in line with inflation in the baseline budget.

The general government function's expenditures for contract services increased by \$303,000, in part at least by increased contract services expenditures related to capital assets planning and personnel projects to study workforce requirements and fill vacancies.

The general fund also reported capital outlay expenditures of \$215,000 for FY 22-23, which is a decrease of \$302,000 over the prior year. Note 6B provides details for capital asset activity.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

General Fund Budgetary Highlights

The FY 22-23 general fund's original budget anticipated a decrease in fund balance of (\$1,460,000) and that budget was amended during the year to anticipate a decrease in fund balance of (\$1,254,000).

The FY 22-23 general fund's budgetary financing sources anticipated during the Council's approval of the original budget were increased by \$801,000. Significant revenue budget amendments include an increase in the donations account upon receipt to contribution targeted to benefit public safety programs; and \$300,000 increase in permit fees related to three new development projects.

Appropriations for expenditures approved in the original FY 23-23 general fund budget were increased by \$595,000 by Council amendment. The added appropriations 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 transfers in, and transfers out. The FY 23-23 budgeted amounts for these accounts were not amended.

The FY 22-23 general fund's actual change in fund balance exceeded the final budget estimate \$2,883,000. Revenues exceeded final estimates by \$1,749,000; expenditures were \$1,929,000 less than the final budget's appropriations; and other financial sources (uses) report an unfavorable variance of \$795,000 attributed to budgeting debt service payments within the debt authorization agreement rather than the debt service fund. Favorable tax collections and the recognition of prior year's deferred revenue were the primary reasons the overall revenue variance was positive. Salary savings within the public safety function were a primary contributor to favorable expenditures variances.

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.

General Capital Project Fund:

The general capital projects fund reports June 30, 2023 fund balance of (\$5,700), a decrease of \$2,000 for FY 22-23. The negative balance is caused by current year expenditures that will be reimbursed from the following year's resources outside of the 60 day time period for revenue recognition.

Non-major Governmental Funds:

Non-major governmental funds, in the aggregate reported June 30, 2023 fund balances of \$2,079,000. 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 (\$60,000) during FY 22-23. 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.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)**

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, 2023 is \$6,214,000; with \$5,367,000 representing the net investment in capital assets and \$847,000 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.

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, 2023, and was unchanged by FY 22-23 activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 the City had invested \$21,239,000, (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 \$2,428,000 for FY 22-23.

Governmental activities capital assets, net of accumulated depreciation increased by \$1,081,000 during FY 22-23, due to additions in depreciable assets, \$520,000; an increase in construction in progress, \$1,554,000; and depreciation charges, (\$993,000). 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 \$1,347,000 during FY 22-23, due to additions in depreciable assets, \$438,000; an increase in construction in progress, \$1,620,000; less depreciation charges, (\$711,000). 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.

See 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, 2023
(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	
	2023	2022	2023	2022	2023	2022
Land and CIP	4.84	3.28	3.41	1.78	8.25	5.06
Buildings & structures	7.95	7.85			7.95	7.85
Machinery and equipment	2.83	2.75	0.24	0.24	3.07	2.99
Reservoirs			4.29	3.92	4.29	3.92
Pipelines & water system			4.24	4.24	4.24	4.24
Pipelines & wastewater system			8.37	8.37	8.37	8.37
Vehicles	2.75	2.72	1.02	0.96	3.77	3.68
Infrastructure	9.16	8.86			9.16	8.86
Accumulated depreciation	(15.50)	(14.51)	(12.37)	(11.66)	(27.87)	(26.17)
Total	12.03	10.95	9.20	7.85	21.23	18.80

Changes in Long-term Liabilities – Debt:

For the year reported, general activities' long-term debt obligations decreased by \$340,000, and total \$1,761,000 as of June 30, 2023. Significant transactions included \$340,000 reductions in long-term obligations due to scheduled payments. Detailed information for long-term debt obligations is provided in note 7.A.

For FY 22-23 business-type long term debt obligations decreased by \$440,000, and total \$4,816,000 as of June 30, 2023. Significant transactions consist of normal reductions in debt obligation principal due to scheduled payments, \$440,000.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES:

The general fund tax revenues available to support operating budgets for core public safety and recreation functions appear to have stabilized. Projections for reliable, predictable revenue growth are limited. The City is concerned that the current baseline budget is unable to fund the workforce additions necessary to increase service levels in public safety programs.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(Rounded to the nearest \$1,000)

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.

For the 2024 fiscal year, (starts July 1, 2023 and ends June 30, 2024) the following budgetary highlights are noted:

- The FY 2023-24 general fund adopted budget anticipated a fund balance decrease of (\$1,678,000); based upon estimated revenues and transfers in of \$10,860,000, less expenditures and transfers out of \$12,538,000. The end-of-year fund balance projections slightly below the city council's minimum budgetary reserve policy that requires maintaining general fund unassigned balance equal to 15% of expenditures.
- The FY 2023-24 adopted enterprise fund operating expenses and transfers out total \$3,868,000 for the water fund, and \$4,876,000 for the wastewater fund. The FY 2023-24 estimated change in net position is a (deficit) of (\$1,454,000) for the water fund and deficit of (\$1,767,000) for the wastewater fund. The City is currently conducting a utility rate study to identify necessary revenues, costs of services by customer classification, and recommended rates that achieve a sustainable service level and re-establish the required unrestricted net position consistent with the City Council's minimum balance goals.
- The City of Sebastopol invites interested readers to review the detailed operating budget by visiting the website:

https://www.cityofsebastopol.gov/wp-content/uploads/2023/08/FY23-24-City-of-Sebastopol-Adopted-Budget_6.27.23_Published.pdf

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Sebastopol
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 13,566,537	\$ 1,618,523	\$ 15,185,060
Restricted cash and investments with fiscal agents	195,758	1,139,713	1,335,471
Receivables (net of allowances for uncollectible amount):			
Accounts receivable	341,267	1,043,032	1,384,299
Taxes receivable	1,129,469	-	1,129,469
Interest receivable	50,037	8,264	58,301
Lease receivable	35,897	-	35,897
Prepaid items	737,239	288,480	1,025,719
Total current assets	16,056,204	4,098,012	20,154,216
Noncurrent assets:			
Notes receivable	188,573	-	188,573
Leases receivable	266,457	-	266,457
Capital assets:			
Non-depreciable	4,838,832	3,407,856	8,246,688
Depreciable, net	7,193,251	5,798,954	12,992,205
Total capital assets	12,032,083	9,206,810	21,238,893
Total noncurrent assets	12,487,113	9,206,810	21,693,923
Total assets	28,543,317	13,304,822	41,848,139
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	5,327,146	1,154,593	6,481,739
Deferred outflows of resources - OPEB	173,417	-	173,417
Total deferred outflows of resources	5,500,563	1,154,593	6,655,156
LIABILITIES			
Current liabilities:			
Accounts payable	1,080,135	302,740	1,382,875
Accrued interest payable	9,145	5,444	14,589
Accrued liabilities	256,810	-	256,810
Deposits payable	483,754	8,490	492,244
Unearned revenues	28,083	50,165	78,248
Total OPEB liability - due within one year	90,823	-	90,823
Compensated absences - due within one year	750,000	4,000	754,000
Long term debt - due within one year	301,705	412,805	714,510
Total current liabilities	3,000,455	783,644	3,784,099
Noncurrent liabilities:			
Compensated absences - due in more than one year	284,502	50,448	334,950
Long term debt - due in more than one year	1,459,171	4,403,088	5,862,259
Total OPEB liability - due in more than one year	1,620,739	-	1,620,739
Net pension liability	12,734,942	2,791,171	15,526,113
Total noncurrent liabilities	16,099,354	7,244,707	23,344,061
Total liabilities	19,099,809	8,028,351	27,128,160
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	725,505	217,102	942,607
Deferred inflows of resources - OPEB	760,751	-	760,751
Deferred inflows of resources - leases	297,629	-	297,629
Total deferred inflows of resources	1,783,885	217,102	2,000,987
NET POSITION			
Net investment in capital assets	10,407,888	5,366,755	15,774,643
Restricted for:			
Flood recovery	1,039,142	-	1,039,142
Housing	239,048	-	239,048
Streets	1,100,895	-	1,100,895
Other purposes	316,947	-	316,947
Total restricted	2,696,032	-	2,696,032
Unrestricted	56,266	847,207	903,473
Total net position	\$ 13,160,186	\$ 6,213,962	\$ 19,374,148

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Activities
For the year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,702,550	\$ 218,820	\$ 2,236,883	\$ -	\$ 2,455,703
Public safety	5,108,708	134,997	190,597	-	325,594
Public works	928,845	817,936	-	574,589	1,392,525
Parks and recreation	1,010,731	6,675	100,000	-	106,675
Interest on long-term debt	30,692	-	-	-	-
Total governmental activities	9,781,526	1,178,428	2,527,480	574,589	4,280,497
Business-type activities:					
Water services	2,505,812	2,353,715	-	-	2,353,715
Wastewater services	3,765,130	3,005,604	-	-	3,005,604
Total business-type activities	6,270,942	5,359,319	-	-	5,359,319
Total primary government	\$ 16,052,468	\$ 6,537,747	\$ 2,527,480	\$ 574,589	\$ 9,639,816

General Revenues and Transfers:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy taxes
- Utility user taxes
- Franchise taxes
- Other taxes
- Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (246,847)	\$ -	\$ (246,847)
(4,783,114)	-	(4,783,114)
463,680	-	463,680
(904,056)	-	(904,056)
(30,692)	-	(30,692)
(5,501,029)	-	(5,501,029)
-	(152,097)	(152,097)
-	(759,526)	(759,526)
-	(911,623)	(911,623)
(5,501,029)	(911,623)	(6,412,652)
3,469,046	-	3,469,046
4,608,918	-	4,608,918
544,128	-	544,128
850,624	-	850,624
468,871	-	468,871
117,110	-	117,110
10,058,697	-	10,058,697
(36,045)	114,512	78,467
796,267	-	796,267
31,024	(31,024)	-
10,849,943	83,488	10,933,431
5,348,914	(828,135)	4,520,779
\$ 7,811,272	\$ 7,042,097	\$ 14,853,369
\$ 13,160,186	\$ 6,213,962	\$ 19,374,148

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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.

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

City of Sebastopol
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds		Non-Major	Total
	General Fund	General Capital Project Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash and investments	\$ 10,803,380	\$ 686,526	\$ 2,076,635	\$ 13,566,541
Restricted cash and investments	195,758	-	-	195,758
Accounts receivable	150,976	-	189,826	340,802
Taxes receivable	1,037,270	-	92,198	1,129,468
Accrued interest receivable	40,830	-	9,206	50,036
Notes receivable	-	-	188,573	188,573
Leases receivable	302,354	-	-	302,354
Due from other funds	478,846	-	25,000	503,846
Prepaid items	187,748	-	-	187,748
Total assets	\$ 13,197,162	\$ 686,526	\$ 2,581,438	\$ 16,465,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 421,765	\$ 653,411	\$ 47	\$ 1,075,223
Due to other funds	-	38,802	177,678	216,480
Unearned revenues	19,800	-	8,283	28,083
Deposits	483,754	-	-	483,754
Total liabilities	925,504	692,213	186,008	1,803,725
Deferred inflows of resources:				
Unavailable revenues	2,891	-	377,085	379,976
Deferred inflow of resources - leases	297,629	-	-	297,629
Total deferred inflow of resources	300,520	-	377,085	677,605
Fund Balances:				
Nonspendable	187,748	-	-	187,748
Restricted:				
Flood recovery	1,039,142	-	-	1,039,142
Highways and streets	-	-	1,100,895	1,100,895
Affordable housing	-	-	239,048	239,048
Capital projects	195,758	-	-	195,758
Other	-	-	316,947	316,947
Total restricted	1,234,900	-	1,656,890	2,891,790
Committed:				
Street projects	-	-	539,118	539,118
Total committed	-	-	539,118	539,118
Assigned:				
Buildings, facilities, and infrastructure	903,420	-	-	903,420
Equipment, technology, and vehicle replacement	916,936	-	-	916,936
Pension and OPEB	2,780,769	-	-	2,780,769
Total assigned	4,601,125	-	-	4,601,125
Unassigned	5,947,365	(5,687)	(177,663)	5,764,015
Total fund balances	11,971,138	(5,687)	2,018,345	13,983,796
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,197,162	\$ 686,526	\$ 2,581,438	\$ 16,465,126

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds **\$ 13,983,796**

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	\$ 4,838,832
Depreciable, net	7,193,251
Total capital assets	12,032,083

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. 379,976

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	5,327,146
Deferred outflows of resources - OPEB	173,417
Deferred inflows of resources - pension	(725,505)
Deferred inflows of resources - OPEB	(760,751)

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	(301,705)
Compensated absences - due in more than one year	(284,502)
Long term debt - due in more than one year	(1,459,171)
Total OPEB liability - due within one year	(90,823)
Total OPEB liability - due in more than one year	(1,620,739)
Net pension liability	(12,734,942)
Total long-term liabilities	(17,241,882)

Net Position of Governmental Activities **\$ 13,160,186**

City of Sebastopol
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	Major Funds		Non-Major	Total
	General Capital		Governmental	Governmental
	General Fund	Project Fund	Funds	Funds
REVENUES:				
Property taxes	\$ 3,342,877	\$ -	\$ 126,170	\$ 3,469,047
Sales and use taxes	5,568,941	-	197,844	5,766,785
Transient occupancy tax	544,128	-	-	544,128
Franchise fees	468,871	-	-	468,871
Licenses and permits	728,114	-	8,138	736,252
Fines and forfeitures	28,766	-	-	28,766
Intergovernmental	2,119,229	-	630,274	2,749,503
Interest and rents	2,794	-	7,215	10,009
Charges for services	238,442	-	145,925	384,367
Miscellaneous	788,852	6,453	785	796,090
Total revenues	13,831,014	6,453	1,116,351	14,953,818
EXPENDITURES:				
Current:				
General government	2,853,885	-	218,333	3,072,218
Public safety	6,202,781	-	-	6,202,781
Parks and recreation	928,296	-	-	928,296
Public works	895,540	-	275,780	1,171,320
Capital outlay	214,698	1,454,794	-	1,669,492
Debt service:				
Principal	226,848	-	112,716	339,564
Interest	27,292	-	3,401	30,693
Total expenditures	11,349,340	1,454,794	610,230	13,414,364
REVENUES OVER (UNDER) EXPENDITURES	2,481,674	(1,448,341)	506,121	1,539,454
OTHER FINANCING SOURCES (USES):				
Transfers in	202,500	1,450,430	105,921	1,758,851
Transfers out	(1,055,397)	-	(672,430)	(1,727,827)
Total other financing sources (uses)	(852,897)	1,450,430	(566,509)	31,024
Net change in fund balances	1,628,777	2,089	(60,388)	1,570,478
FUND BALANCES:				
Beginning of year	\$ 10,342,361	\$ (7,776)	\$ 2,078,733	\$ 12,413,318
End of year	\$ 11,971,138	\$ (5,687)	\$ 2,018,345	\$ 13,983,796

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 1,570,478
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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.	2,073,556
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.	(992,590)
Employer contributions for pension paid after the measurement date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.	1,468,123
Employer contributions for 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.	90,823
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.	377,287
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.	
- Principal repayments on long-term liabilities	339,564
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.	(13,890)
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.	165,759
Pension (expense) income 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.	269,804

Change in Net Position of Governmental Activities	\$ 5,348,914
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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, 2023

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 1,225,855	\$ 392,668	\$ 1,618,523	\$ -
Restricted cash and investments	679,132	460,581	1,139,713	-
Accounts receivable	468,578	574,454	1,043,032	465
Interest receivable	5,695	2,569	8,264	-
Prepays	168,592	119,888	288,480	549,491
Total current assets	2,547,852	1,550,160	4,098,012	549,956
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,984,928	1,422,928	3,407,856	-
Depreciable, net	3,754,705	2,044,249	5,798,954	-
Total capital assets	5,739,633	3,467,177	9,206,810	-
Total noncurrent assets	5,739,633	3,467,177	9,206,810	-
Total assets	8,287,485	5,017,337	13,304,822	549,956
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	592,099	562,494	1,154,593	-
Total deferred outflows of resources	592,099	562,494	1,154,593	-
LIABILITIES				
Current liabilities:				
Accounts payable	155,965	146,775	302,740	261,539
Accrued interest payable	2,879	2,565	5,444	-
Deposits payable	8,490	-	8,490	-
Due to other funds	-	-	-	287,366
Unearned revenues	165	50,000	50,165	-
Compensated absences, due within one year	2,000	2,000	4,000	-
Long term debt, due within one year	263,392	149,413	412,805	-
Total current liabilities	432,891	350,753	783,644	548,905
Noncurrent liabilities:				
Compensated absences, due in more than one year	19,779	30,669	50,448	-
Long term debt, due in more than one year	2,923,732	1,479,356	4,403,088	-
Net pension liability	1,431,370	1,359,801	2,791,171	-
Total noncurrent liabilities	4,374,881	2,869,826	7,244,707	-
Total liabilities	4,807,772	3,220,579	8,028,351	548,905
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	111,334	105,768	217,102	-
Total deferred inflows of resources	111,334	105,768	217,102	-
NET POSITION				
Net investment in capital assets	3,129,547	2,237,208	5,366,755	-
Unrestricted	830,931	16,276	847,207	1,051
Total net position	\$ 3,960,478	\$ 2,253,484	\$ 6,213,962	\$ 1,051

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2023

	Enterprise Funds			Insurance and Benefits Internal Service Fund
	Water	Wastewater	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,250,166	\$ 2,957,569	\$ 5,207,735	\$ 1,076,016
Other revenues	103,549	48,035	151,584	-
Total operating revenues	2,353,715	3,005,604	5,359,319	1,076,016
OPERATING EXPENSES:				
Personnel services	279,697	242,407	522,104	-
Interfund charges for services	1,199,387	990,306	2,189,693	-
Contractual and other services	269,385	113,513	382,898	-
Intergovernmental treatment costs	-	1,737,404	1,737,404	-
Utilities	202,114	60,678	262,792	-
Supplies	179,051	70,780	249,831	-
Insurance, claims, and expenses	82,414	61,761	144,175	1,076,016
Depreciation	251,189	459,644	710,833	-
Total operating expenses	2,463,237	3,736,493	6,199,730	1,076,016
OPERATING INCOME	(109,522)	(730,889)	(840,411)	-
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(42,575)	(28,637)	(71,212)	-
Interest and investment revenue	67,805	46,707	114,512	-
Total nonoperating revenues (expenses)	25,230	18,070	43,300	-
INCOME (LOSS) BEFORE TRANSFERS	(84,292)	(712,819)	(797,111)	-
Transfers out	(31,024)	-	(31,024)	-
Total transfers	(31,024)	-	(31,024)	-
Change in net position	(115,316)	(712,819)	(828,135)	-
NET POSITION				
Beginning of year	\$ 4,075,794	\$ 2,966,303	\$ 7,042,097	\$ 1,051
End of year	\$ 3,960,478	\$ 2,253,484	\$ 6,213,962	\$ 1,051

City of Sebastopol
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2023

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,210,720	\$ 3,023,647	\$ 5,234,367	\$ -
Cash payments from other funds	-	-	-	1,075,551
Cash received from others	103,549	48,035	151,584	-
Cash payments to suppliers for goods and services	(843,048)	(2,101,606)	(2,944,654)	(1,332,132)
Cash payments to other funds for services	(1,199,387)	(990,306)	(2,189,693)	-
Cash paid to employees	(429,897)	(384,936)	(814,833)	-
Net cash (used in) operating activities	(158,063)	(405,166)	(563,229)	(256,581)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Temporary loans from other funds	-	-	-	256,581
Transfers out	(31,024)	-	(31,024)	-
Net cash provided by (used in) noncapital financing activities	(31,024)	-	(31,024)	256,581
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(1,321,590)	(735,930)	(2,057,520)	-
Long-term debt repayment	(277,668)	(162,128)	(439,796)	-
Interest paid and fiscal charges	(42,579)	(28,637)	(71,216)	-
Net cash (used in) capital and related financing activities	(1,641,837)	(926,695)	(2,568,532)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	67,476	47,418	114,894	-
Net cash provided by investing activities	67,476	47,418	114,894	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,763,448)	(1,284,443)	(3,047,891)	-
CASH AND CASH EQUIVALENTS - Beginning of year	3,668,435	2,137,692	5,806,127	-
CASH AND CASH EQUIVALENTS - End of year	\$ 1,904,987	\$ 853,249	\$ 2,758,236	\$ -
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 1,225,855	\$ 392,668	1,618,523	\$ -
Restricted cash and investments	679,132	460,581	1,139,713	-
Total	\$ 1,904,987	\$ 853,249	\$ 2,758,236	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ (109,522)	\$ (730,889)	\$ (840,411)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	251,189	459,644	710,833	-
Changes in assets and liabilities:				
Accounts receivable	8,129	66,078	74,207	(465)
Prepays	750	-	750	(189,306)
Deferred outflows - pension	(334,836)	(318,095)	(652,931)	-
Accounts payable	(110,834)	(57,470)	(168,304)	(66,810)
Unearned revenues	165	-	165	-
Deposits payable	(47,740)	-	(47,740)	-
Compensated absences	293	439	732	-
Net pension liability	726,072	689,768	1,415,840	-
Deferred inflows - pension	(541,729)	(514,641)	(1,056,370)	-
Total adjustments	(48,541)	325,723	277,182	(256,581)
Net cash provided by operating activities	\$ (158,063)	\$ (405,166)	\$ (563,229)	\$ (256,581)

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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, 2023

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

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. 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, 2023

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, 2022
Measurement Period	July 1, 2021 to June 30, 2022

S. New Accounting Pronouncements

In 2023, the City adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 91, Conduit Debt Obligations – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement did not apply to the City for the current fiscal year.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

S. New Accounting Pronouncements, Continued

GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP in an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this statement did not apply to the City for the current fiscal year.

GASB Statement No. 96, Subscription-based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement did not apply to the City 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	\$ 13,566,537	\$ 1,618,523	\$ 15,185,060
Restricted cash and investments	195,758	1,139,713	1,335,471
Total cash and investments	\$ 13,762,295	\$ 2,758,236	\$ 16,520,531

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

Cash and investments as of June 30, 2023 consist of the following:

Deposits:	
Cash on hand	\$ 1,075
Deposits with financial institution	3,172,113
Total cash on hand and deposits	<u>3,173,188</u>
Investments	
County of Sonoma investment pool	96,101
Local Agency Investment Pool (LAIF)	5,016,336
Certificates of deposit	3,782,973
Money market	38,157
U.S. Treasury securities	1,872,197
U.S. government bonds	1,206,108
Total investments	<u>12,011,872</u>
Total City Treasury	<u>15,185,060</u>
Restricted cash and investments:	
Cash with fiscal agent	1,335,471
Total restricted cash and investments	<u>1,335,471</u>
Total cash and investments	<u>\$ 16,520,531</u>

B. Cash Deposits

At June 30, 2023, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account, which had a book balance of \$3,172,113 and petty cash of \$1,075. The bank balance in the City's general checking was \$3,372,951, 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, 2023

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, 2023 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	\$ 96,101	\$ 96,101	\$ -
Local Agency Investment Pool (LAIF)	5,016,336	5,016,336	-
Certificates of deposit	3,782,973	-	3,782,973
Money market	38,157	38,157	-
U.S. Treasury securities	1,872,197	488,615	1,383,582
U.S. government bonds	1,206,108	-	1,206,108
Total	\$ 12,011,872	\$ 5,639,209	\$ 6,372,663

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, 2023

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Presented below is the June 30, 2023 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	\$ 1,872,197	\$ 1,872,197
U.S. government bonds	1,206,108	1,206,108
Total Investment subject to ratings	3,078,305	<u>\$ 3,078,305</u>
Assets not subject to credit ratings:		
County of Sonoma investment pool	96,101	
Local Agency Investment Pool (LAIF)	5,016,336	
Certificates of deposit	3,782,973	
Money market	38,157	
Total investments	<u>\$ 12,011,872</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, 2023 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, 2023

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, 2023 are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 3,782,973	\$ -	\$ 3,782,973	\$ -
U.S. Treasury securities	1,872,197	-	1,872,197	-
U.S. government bonds	1,206,108	-	1,206,108	-
Total investments subject to levelling	6,861,278	\$ -	\$ 6,861,278	\$ -
Assets not subject to fair value levelling:				
Money market	38,157			
County of Sonoma investment pool	96,101			
Local Agency Investment Pool (LAIF)	5,016,336			
Total investments	\$ 12,011,872			

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, 2023, cash and investments with fiscal agents totaled \$1,335,471.

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, 2023

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, 2023 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, 2023, the City had \$5,016,336 invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.88% in the previous year.

3. LOANS AND NOTES RECEIVABLE

At June 30, 2023, 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	\$ 188,573

The \$188,573 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

The City reports lease receivables and deferred inflows of resources for the leasing of attachment space for cellular communications. In fiscal year ended June 30, 2023, the City recognized \$37,102 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, 2023 was \$302,354, and related deferred inflow of resources as of June 30, 2023 was \$297,629.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

4. LEASES RECEIVABLE, Continued

Future minimum rental payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 35,897	\$ 5,062	\$ 40,959
2025	36,538	4,421	40,959
2026	37,190	3,769	40,959
2027	37,853	3,106	40,959
2028	38,529	2,430	40,959
2029-2031	116,347	3,115	119,462
Total	<u>\$ 302,354</u>	<u>\$ 21,903</u>	<u>\$324,257</u>
Current	\$ 35,897	\$ 5,062	\$ 40,959
Noncurrent	266,457	16,841	283,298
Total	<u>\$ 302,354</u>	<u>\$ 21,903</u>	<u>\$ 324,257</u>

5. INTERFUND TRANSACTIONS

A. Due To and Due From

At June 30, 2023, the City had the following short-term interfund receivables and payables:

Due to General Fund	Due From Other Funds
General capital projects	\$ 38,802
Non-major funds	177,678
Internal service funds	287,366
Total	<u>\$ 503,846</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, 2023

5. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2023 is as follows:

	Transfer In			Total
	General	General Capital Projects Fund	Non-Major Govt Funds	
Transfer Out				
General Fund	\$ -	\$ 1,037,286	\$ 18,111	\$ 1,055,397
Non-Major Govt'l Funds	202,500	413,144	56,786	672,430
Total Governmental	202,500	1,450,430	74,897	1,727,827
Water	-	-	31,024	31,024
Total Enterprise	-	-	31,024	31,024
Total Transfers out	\$ 202,500	\$ 1,450,430	\$ 105,921	\$ 1,758,851

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

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2023, 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	2,686,884	3,321,416	6,008,300
Total non-depreciable assets	<u>4,838,832</u>	<u>3,407,856</u>	<u>8,246,688</u>
Depreciable assets:			
Buildings and structures	7,954,166	-	7,954,166
Machinery and equipment	2,831,311	240,178	3,071,489
Reservoirs	-	4,290,965	4,290,965
Pipelines and water distribution system	-	4,241,289	4,241,289
Pipelines and wastewater collection system	-	8,374,315	8,374,315
Vehicles	2,750,436	1,025,747	3,776,183
Infrastructure	9,161,554	-	9,161,554
Total depreciable assets	22,697,467	18,172,494	40,869,961
Total accumulated Depreciation	<u>(15,504,216)</u>	<u>(12,373,540)</u>	<u>(27,877,756)</u>
Total depreciable assets, net	<u>7,193,251</u>	<u>5,798,954</u>	<u>12,992,205</u>
Total	<u><u>\$ 12,032,083</u></u>	<u><u>\$ 9,206,810</u></u>	<u><u>\$ 21,238,893</u></u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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, 2023:

	Balance July 1, 2022	Additions	Deletions	Adjustment/ Reclassification	Balance June 30, 2023
Non-depreciable assets:					
Land and improvements	\$ 2,151,948	\$ -	\$ -	\$ -	\$ 2,151,948
Construction in progress	1,132,790	1,858,858	-	(304,764)	2,686,884
Total non-depreciable assets	<u>3,284,738</u>	<u>1,858,858</u>	<u>-</u>	<u>(304,764)</u>	<u>4,838,832</u>
Depreciable assets:					
Buildings and structures	7,851,895	102,271	-	-	7,954,166
Machinery and equipment	2,751,741	79,570	-	-	2,831,311
Vehicles	2,717,579	32,857	-	-	2,750,436
Infrastructure	8,856,790	-	-	304,764	9,161,554
Total depreciable assets	<u>22,178,005</u>	<u>214,698</u>	<u>-</u>	<u>304,764</u>	<u>22,697,467</u>
Less accumulated depreciation:					
Buildings and structures	(5,913,735)	(212,812)	-	-	(6,126,547)
Machinery and equipment	(2,451,757)	(111,050)	-	-	(2,562,807)
Vehicles	(1,720,543)	(212,941)	-	-	(1,933,484)
Infrastructure	(4,425,591)	(455,787)	-	-	(4,881,378)
Total accumulated depreciation	<u>(14,511,626)</u>	<u>(992,590)</u>	<u>-</u>	<u>-</u>	<u>(15,504,216)</u>
Total depreciable assets, net	<u>7,666,379</u>	<u>(777,892)</u>	<u>-</u>	<u>304,764</u>	<u>7,193,251</u>
Total governmental activities, net	<u>\$ 10,951,117</u>	<u>\$ 1,080,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,032,083</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2023 was as follows:

General government	\$ 133,459
Public safety	229,202
Public works	486,092
Parks and recreation	143,837
Total depreciation expense	<u><u>\$ 992,590</u></u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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, 2023:

	Balance July 1, 2022	Additions	Retirements	Adjustment/ Reclassification	Balance June 30, 2023
Non-depreciable assets:					
Land	\$ 86,440	\$ -	\$ -	\$ -	\$ 86,440
Construction in progress	1,701,643	1,993,554	-	(373,781)	3,321,416
Total non-depreciable assets	1,788,083	1,993,554	-	(373,781)	3,407,856
Depreciable assets:					
Reservoirs	3,917,184	-	-	373,781	4,290,965
Pipelines and water distribution system	4,241,289	-	-	-	4,241,289
Pipelines and wastewater collection system	8,374,315	-	-	-	8,374,315
Machinery and equipment	240,178	-	-	-	240,178
Vehicles	961,781	63,966	-	-	1,025,747
Total depreciable assets	17,734,747	63,966	-	373,781	18,172,494
Less accumulated depreciation:					
Reservoirs	(1,603,972)	(139,293)	-	-	(1,743,265)
Pipelines and water distribution system	(3,308,588)	(72,407)	-	-	(3,380,995)
Pipelines and wastewater collection system	(6,179,779)	(417,597)	-	-	(6,597,376)
Machinery and equipment	(28,060)	(17,255)	-	-	(45,315)
Vehicles	(542,308)	(64,281)	-	-	(606,589)
Total accumulated depreciation	(11,662,707)	(710,833)	-	-	(12,373,540)
Total depreciable assets, net	6,072,040	(646,867)	-	373,781	5,798,954
Total capital assets	\$ 7,860,123	\$ 1,346,687	\$ -	\$ -	\$ 9,206,810

Business-type activities depreciation expense for capital assets for the year ended June 30, 2023 was as follows:

Water	\$ 251,189
Wastewater	459,644
Total depreciation expense	\$ 710,833

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Special assessment bonds	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -	\$ -
<u>Lease-leaseback agreements</u>						
Refunding lease 2021 - Truist	338,264	-	(81,211)	257,053	84,746	172,307
Renewable energy	292,767	-	(97,589)	195,178	97,589	97,589
Mobile home park	308,102	-	(50,094)	258,008	52,580	205,428
<u>Finance purchase agreements</u>						
Energy conservation measures	1,126,307	-	(75,670)	1,050,637	66,790	983,847
Total	\$ 2,100,440	\$ -	\$ (339,564)	\$ 1,760,876	\$ 301,705	\$ 1,459,171

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.

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 84,746	\$ 2,595	\$ 87,341
2025	85,681	1,660	87,341
2026	86,626	715	87,341
Total	\$ 257,053	\$ 4,970	\$262,023

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

Lease-leaseback Agreements – Clean Renewable Energy

The City entered into a lease purchase 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
2024	\$ 97,589	\$ -	\$ 97,589
2025	97,589	-	97,589
Total	<u>\$ 195,178</u>	<u>\$ -</u>	<u>\$ 195,178</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.

The annual debt service requirements are as follows

Year Ending June 30,	Principal	Interest	Total
2024	\$ 52,580	\$ 12,004	\$ 64,584
2025	55,186	9,698	64,884
2026	57,925	6,659	64,584
2027	60,797	3,787	64,584
2028	31,520	772	32,292
Total	<u>\$ 258,008</u>	<u>\$ 32,920</u>	<u>\$290,928</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

A. Governmental 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 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
2024	\$ 66,790	\$ 18,596	\$ 85,386
2025	67,972	17,414	85,386
2026	69,175	16,211	85,386
2027	70,400	14,987	85,387
2028	71,646	13,741	85,387
2029-2033	377,704	49,225	426,929
2034-2037	326,950	14,594	341,544
Total	<u>\$ 1,050,637</u>	<u>\$ 144,768</u>	<u>\$1,195,405</u>

B. Business-type Activities

The following is a summary of business-type activity long-term debt transactions during the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Refunding loan 2021 - Truist	\$ 955,734	\$ -	\$ (64,655)	\$ 891,079	\$ 66,021	\$ 825,058
<u>Lease-leaseback agreements</u>						
Refunding lease 2021 - Truist	487,375	-	(121,815)	365,560	120,519	245,041
<u>Finance purchase agreements</u>						
Energy conservation measures	3,812,582	-	(253,328)	3,559,254	226,265	3,332,989
Total	<u>\$ 5,255,691</u>	<u>\$ -</u>	<u>\$ (439,798)</u>	<u>\$ 4,815,893</u>	<u>\$ 412,805</u>	<u>\$ 4,403,088</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

B. Business-type Activities, Continued

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.

Gross revenues, net revenues, and total debt service for the Water Fund were \$2,353,715, \$141,667, and \$320,246 respectively for fiscal year 2023. Net revenues were equal 44% of total debt service for the Water Fund for fiscal year 2023 that was below the required 120%. The City is in the process of undergoing a rate study to ensure compliance with the net revenues covenant in future years.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

7. LONG-TERM DEBT, Continued

B. Business-type Activities, Continued

Refunding Loan 2021 – Truist Bank, Continued

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 66,021	\$ 17,934	\$ 83,955
2025	67,415	16,539	83,954
2026	68,839	15,115	83,954
2027	70,293	13,662	83,955
2028	71,778	12,177	83,955
2027-2031	382,279	37,492	419,771
2032-2035	164,454	3,455	167,909
Total	\$ 891,079	\$ 116,374	\$ 1,007,453

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
2024	\$ 120,519	\$ 3,689	\$ 124,208
2025	121,848	2,360	124,208
2026	123,193	1,015	124,208
Total	\$ 365,560	\$ 7,064	\$372,624

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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
2024	\$ 226,265	\$ 62,999	\$ 289,264
2025	230,270	58,994	289,264
2026	234,346	54,918	289,264
2027	238,494	50,770	289,264
2028	242,716	46,548	289,264
2029-2033	1,279,550	166,764	1,446,314
2034-2037	1,107,613	49,443	1,157,056
Total	<u>\$ 3,559,254</u>	<u>\$ 490,436</u>	<u>\$4,049,690</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, 2023 is as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year	Due in More than One Year
Governmental activities	\$ 1,020,612	\$ 770,500	\$ (756,610)	\$ 1,034,502	\$ 750,000	\$ 284,502
Business-type activities	53,716	40,553	(39,821)	54,448	4,000	50,448
Total	<u>\$ 1,074,328</u>	<u>\$ 811,053</u>	<u>\$ (796,431)</u>	<u>\$ 1,088,950</u>	<u>\$ 754,000</u>	<u>\$ 334,950</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

9. OTHER FUND DISCLOSURES

A. Deficit Balances

At June 30, 2023, 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.

Major governmental Funds:	
General Capital Project	\$ 5,687
Non-major governmental Funds:	
Downtown Association	\$ 66
Supplemental Planning Grant (SB2 & LEAP)	\$ 177,597

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 2023. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no significant uninsured claim liabilities at June 30, 2023.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

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, 2023

11. PENSION PLANS, Continued

B. Benefits Provided, Continued

The rate plan provisions and benefits in effect at June 30, 2023 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	10.870%	7.470%	22.470%
Required unfunded liability payment	\$ 504,360	\$ 6,375	\$ 73,786
	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	22.470%	12.780%	12.780%
Required unfunded liability payment	\$ 717,907	\$ 12	\$ 4,798

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, 2022 were \$1,827,570. The City’s contributions to the Plan for the fiscal year ended June 30, 2023 were \$1,763,271.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

11. PENSION PLANS, Continued

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

As of June 30, 2023, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$15,526,113.

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, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 rolled forward to June 30, 2022 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, 2021 and 2022 were as follows:

Proportion - June 30, 2021	0.16022%
Proportion - June 30, 2022	<u>0.13442%</u>
Change - Increase (Decrease)	-0.02580%

For the year ended June 30, 2023, the City recognized pension income of \$288,278. At June 30, 2023, 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	\$ 1,763,271	\$ -
Changes of assumptions	1,577,245	-
Differences between expected and actual experience	490,097	187,143
Changes in employer's proportion	15,670	366,516
Differences between the employer's contribution and the employer's proportionate share of contributions	2,888	388,948
Net differences between projected and actual earnings on plan investments	<u>2,632,568</u>	<u>-</u>
Total	<u>\$ 6,481,739</u>	<u>\$ 942,607</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

11. PENSION PLANS, Continued

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

\$1,763,271 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Table with 2 columns: Fiscal Year Ending June 30: and Amount. Rows for 2024 (\$ 963,115), 2025 (776,203), 2026 (428,517), and 2027 (1,608,026).

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Table listing actuarial assumptions: Valuation Date (June 30, 2021), Measurement Date (June 30, 2022), Actuarial Cost Method (Entry-Age Normal Cost Method), Actuarial Assumptions (Discount Rate 6.90%, Inflation 2.30%, Projected Salary Increase Varies by entry age and service, Investment Rate of Return (1) 6.90%, 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 6.90% 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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, 2023

11. PENSION PLANS, Continued

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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 ⁽¹⁾⁽²⁾
Global Equity - Non-Cap-Weighted	30.00 %	4.45 %
Global Equity - Cap-Weighted	12.00 %	3.84 %
Private Equity	13.00 %	7.28 %
Treasury	5.00 %	0.27 %
Mortgage-Backed Securities	5.00 %	0.50 %
Investment Grade Corporates	10.00 %	1.56 %
High Yield	5.00 %	2.27 %
Emerging Market Debt	5.00 %	2.48 %
Private Debt	5.00 %	3.57 %
Real Assets	15.00 %	3.21 %
Leverage	-5.00 %	-0.59 %
Total	<u>100.00 %</u>	

⁽¹⁾ An expected inflation of 2.0% used for this period.

⁽²⁾ An expected inflation of 2.92% used for this period.

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

1% Decrease	5.90 %
Net Pension Liability	\$ 22,801,258
Current Discount Rate	6.90 %
Net Pension Liability	\$ 15,526,113
1% Increase	7.90 %
Net Pension Liability	\$ 9,559,887

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

11. PENSION PLANS, Continued

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

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, 2023, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Change in Assumptions

For the measurement period ended June 30, 2022, the discount rate was reduced to 6.90%.

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

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, 2022, the City contributed \$95,469 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

D. Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation dated June 30, 2021 actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Discount Rate	4.09%
Inflation	2.30%
Salary Increases	2.80%
Mortality ⁽¹⁾	Derived by CalPERS membership data for all funds
Healthcare cost trend rates:	4.04% to 5.75%

(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 2.19% to 4.09% for measurement period ended June 30, 2022.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 measurement date.

G. Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	<u>\$ 2,186,427</u>
Changes in the year:	
Service cost	22,458
Interest on the total OPEB liability	47,335
Differences between actual and expected experience	(23,434)
Changes in assumptions	(425,755)
Benefits paid to retirees	(95,469)
Net changes	<u>(474,865)</u>
Balance at June 30, 2022	<u>\$ 1,711,562</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

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, 2022:

1% Decrease - 3.09%	
Total OPEB liability	\$ 1,916,290
Current Discount Rate - 4.09%	
Total OPEB liability	\$ 1,711,562
1% Increase - 5.09%	
Total OPEB liability	\$ 1,540,857

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, 2022:

1% Decrease -	
Total OPEB liability	\$ 1,657,027
Current Rate -	
Total OPEB liability	\$ 1,711,562
1% Increase -	
Total OPEB liability	\$ 1,777,560

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

For the fiscal year ended June 30, 2023, the City recognized OPEB income of \$377,287. For the fiscal year ended June 30, 2023, 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	\$ 90,823	\$ -
Differences between expected and actual experience	-	480,519
Changes of assumptions	82,594	280,232
Total	\$ 173,417	\$ 760,751

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2023

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

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

The \$90,823 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2024. 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:	
2024	\$ (453,474)
2025	(54,899)
2026	(54,899)
2027	(54,894)
2028	(38,062)
Thereafter	(21,929)

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.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2023

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 is the budget comparison schedule for the General Fund

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2023

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	\$ 3,093,610	\$ 3,178,200	\$ 3,293,347	\$ 115,147
Real property transfer	60,000	45,000	49,530	4,530
Transient occupancy tax	400,000	450,000	544,128	94,128
Sales and use	5,769,300	5,639,400	5,568,941	(70,459)
Franchises	370,000	370,000	468,871	98,871
Subtotal	9,692,910	9,682,600	9,924,817	242,217
Licenses, permits and fees:				
Business licenses	135,000	140,000	157,170	17,170
Animal licenses	10,600	10,700	12,850	2,150
Building permits	200,000	500,000	558,094	58,094
Subtotal	345,600	650,700	728,114	77,414
Fines, forfeitures and penalties:				
Vehicle code	8,500	8,500	10,388	1,888
Parking fines	4,500	10,700	18,378	7,678
Subtotal	13,000	19,200	28,766	9,566
Interest and rentals:				
Investment earnings	27,160	29,156	(43,261)	(72,417)
Rent - cell tower	40,000	40,000	39,581	(419)
Rent - other	5,500	5,500	6,474	974
Subtotal	72,660	74,656	2,794	(71,862)
Intergovernmental:				
State motor vehicle in-lieu tax	5,700	5,700	7,710	2,010
Reimbursements	6,100	6,100	7,418	1,318
Other	932,850	969,850	2,104,101	1,134,251
Subtotal	944,650	981,650	2,119,229	1,137,579
Charges for current services:				
Sales of publications	300	300	200	(100)
Planning fees	25,000	28,300	44,217	15,917
Encroachment permits	40,000	40,000	27,074	(12,926)
Public works services	-	-	8,940	8,940
Public safety services	17,500	17,500	35,897	18,397
Fire inspection fees	30,000	40,000	57,534	17,534
Other charges	22,100	22,100	64,580	42,480
Subtotal	134,900	148,200	238,442	90,242
Donations and miscellaneous:				
Donations and contributions	-	423,000	427,775	4,775
Sale of land/building	-	25,000	31,222	6,222
Miscellaneous	77,000	77,000	329,855	252,855
Subtotal	77,000	525,000	788,852	263,852
Total revenues	11,280,720	12,082,006	13,831,014	1,749,008

**City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2023**

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	482,479	502,480	440,684	61,796
City Manager	229,306	229,306	226,816	2,490
City Attorney	222,479	300,679	435,786	(135,107)
City Clerk	392,055	399,492	363,890	35,602
Finance and accounting	339,720	345,345	306,996	38,349
Planning	608,886	608,886	548,669	60,217
Building inspection	182,792	182,792	186,400	(3,608)
General government non-departmental	413,262	430,642	344,644	85,998
Subtotal	2,870,979	2,999,622	2,853,885	145,737
Public safety:				
Police protection	5,732,760	5,850,760	4,988,949	861,811
Animal control	22,100	22,100	13,750	8,350
Fire protection	1,273,505	1,299,080	1,193,875	105,205
Fire emergency procedures	26,000	26,000	6,207	19,793
Subtotal	7,054,365	7,197,940	6,202,781	995,159
Public works:				
Corporation Yard	101,936	101,936	98,343	3,593
Streets Maintenance	482,195	535,670	399,889	135,781
Parking Lots Maintenance	140,350	149,850	133,488	16,362
Engineering	318,134	335,134	263,820	71,314
Subtotal	1,042,615	1,122,590	895,540	227,050
Parks and recreation:				
Parks & Landscaping Maintenance	445,900	445,900	396,528	49,372
Ives Pool	132,925	132,925	146,925	(14,000)
Recreation administration and programs	365,000	424,300	384,843	39,457
Subtotal	943,825	1,003,125	928,296	74,829
Capital outlay	510,100	693,675	214,698	478,977
Debt service:				
Principal	233,591	233,591	226,848	6,743
Interest	28,211	28,211	27,292	919
Subtotal	261,802	261,802	254,140	7,662
Total expenditures	12,683,686	13,278,754	11,349,340	1,929,414
REVENUES OVER (UNDER)				
EXPENDITURES	(1,402,966)	(1,196,748)	2,481,674	3,678,422

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2023

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):				
Transfers in	202,500	202,500	202,500	-
Transfers out	(260,000)	(260,000)	(1,055,397)	(795,397)
Total other financing sources (uses)	(57,500)	(57,500)	(852,897)	(795,397)
Net change in fund balances	\$ (1,460,466)	\$ (1,254,248)	1,628,777	\$ 2,883,025
FUND BALANCES:				
Beginning of year			\$ 10,342,361	
End of year			\$ 11,971,138	

**City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2023**

2. DEFINED BENEFIT PENSION PLAN

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

	2023	2022	2021	2020
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Proportionate share of the net pension liability	\$ 15,526,113	\$ 8,665,009	\$ 13,864,877	\$ 13,028,541
Proportion of the net pension liability	0.13442%	0.16022%	0.12743%	0.12714%
Covered payroll	\$ 4,318,106	\$ 4,348,774	\$ 4,272,937	\$ 4,137,211
Proportionate share of the net pension liability as percentage of covered payroll	359.56%	199.25%	324.48%	314.91%
Plan fiduciary net position as a percentage of the total pension liability	70.72%	88.29%	75.10%	75.26%

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only nine 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. In fiscal year 2023, the discount rate was decreased to 6.9%.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

2019	2018	2017	2016	2015
6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
\$ 12,272,694	\$ 12,460,116	\$ 11,055,177	\$ 8,978,404	\$ 8,365,442
0.12736%	0.12564%	0.12776%	0.13081%	0.13444%
\$ 3,956,662	\$ 3,908,821	\$ 3,816,628	\$ 3,636,221	\$ 3,289,261
310.18%	318.77%	289.66%	246.92%	254.33%
75.26%	73.31%	74.06%	78.40%	79.82%

**City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2023**

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years*

	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	\$ 1,763,271	\$ 1,827,570	\$1,686,413	\$1,530,553
Contribution in relation to the actuarially determined contributions	(1,763,271)	(1,827,570)	(1,686,413)	(1,530,553)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,138,192	\$ 4,318,106	\$ 4,348,774	\$ 4,272,937
Contributions as a percentage of covered payroll	42.61%	42.32%	38.78%	35.82%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Valuation date :	6/30/2020	6/30/2019	6/30/2018	6/30/2017
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%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.00%	7.25%
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.



2019	2018	2017	2016	2015
\$1,343,860	\$1,187,535	\$1,099,458	\$920,324	\$796,771
(1,343,860)	(1,187,535)	(1,099,458)	(920,324)	(796,771)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,137,211	\$ 3,956,662	\$ 3,908,821	\$ 3,816,628	\$ 3,636,221
32.48%	30.01%	28.13%	24.11%	21.91%

6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)
7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)

**City of Sebastopol
Required Supplementary Information
For the Year Ended June 30, 2023**

3. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

	2023	2022	2021	2020
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Total OPEB Liability				
Service Cost	\$ 22,458	\$ 27,917	\$ 27,295	\$ 56,412
Interest on the total OPEB liability	47,335	72,014	73,479	89,484
Differences between expected and actual experience	(23,434)	(551,283)	-	(492,345)
Changes of assumptions	(425,755)	10,152	44,769	75,694
Benefit payments	(95,469)	(102,849)	(97,430)	(99,403)
Net change in total OPEB liability	(474,865)	(544,049)	48,113	(370,158)
Total OPEB Liability - beginning	2,186,427	2,730,476	2,682,363	3,052,521
Total OPEB Liability - ending (a)	<u>\$ 1,711,562</u>	<u>\$ 2,186,427</u>	<u>\$ 2,730,476</u>	<u>\$ 2,682,363</u>
Covered-employee payroll**	\$ 4,299,547	\$ 4,348,774	\$ 4,272,937	\$ 4,137,211
Total OPEB liability as a percentage of covered-employee payroll	39.81%	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 (measurement period ended June 30,):

2022 - Discount rate was changed to 4.09%.

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%.

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

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**BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

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

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City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Capital Projects
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ 6,453	\$ 6,453
Total revenues	-	-	6,453	6,453
EXPENDITURES:				
Capital outlay	3,314,347	3,314,347	1,454,794	1,859,553
Total expenditures	3,314,347	3,314,347	1,454,794	1,859,553
REVENUES OVER (UNDER) EXPENDITURES	(3,314,347)	(3,314,347)	(1,448,341)	1,866,006
OTHER FINANCING SOURCES (USES):				
Transfers in	3,314,347	3,314,347	1,450,430	(1,863,917)
Total other financing sources (uses)	3,314,347	3,314,347	1,450,430	(1,863,917)
Net change in fund balances	\$ -	\$ -	2,089	\$ 2,089
FUND BALANCES:				
Beginning of the year			(7,776)	
End of year			<u>\$ (5,687)</u>	

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.

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, 2023

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
ASSETS				
Cash and investments	\$ 64,978	\$ 26,710	\$ 16,237	\$ 175,279
Accounts receivable	140	-	-	-
Taxes receivable	-	17,080	-	-
Accrued interest receivable	366	115	142	764
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 65,484	\$ 43,905	\$ 16,379	\$ 176,043
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 47	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	-	47	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund Balances:				
Restricted for :				
Highways and streets	-	-	-	176,043
Public safety	65,484	43,858	-	-
Debt service	-	-	-	-
Affordable housing	-	-	-	-
Parks and recreation	-	-	16,379	-
Other	-	-	-	-
Committed for street projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	65,484	43,858	16,379	176,043
Total liabilities, deferred inflows of resources, and fund balances	\$ 65,484	\$ 43,905	\$ 16,379	\$ 176,043

Special Revenue							
Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve	
\$ 29,498	\$ 10,284	\$ -	\$ 98,183	\$ 453,021	\$ 88,156	\$ 429,288	
-	-	-	-	-	37,073	-	
245	-	-	-	45,457	-	-	
92	42	15	414	1,887	299	1,799	
-	-	-	-	-	-	-	
-	-	-	-	-	25,000	-	
<u>\$ 29,835</u>	<u>\$ 10,326</u>	<u>\$ 15</u>	<u>\$ 98,597</u>	<u>\$ 500,365</u>	<u>\$ 150,528</u>	<u>\$ 431,087</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	81	-	-	-	-	
-	8,283	-	-	-	-	-	
-	8,283	81	-	-	-	-	
-	-	-	-	-	35,915	-	
29,835	-	-	-	500,365	-	-	
-	2,043	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	114,613	-	
-	-	-	98,597	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	431,087
-	-	(66)	-	-	-	-	-
<u>29,835</u>	<u>2,043</u>	<u>(66)</u>	<u>98,597</u>	<u>500,365</u>	<u>114,613</u>	<u>431,087</u>	
<u>\$ 29,835</u>	<u>\$ 10,326</u>	<u>\$ 15</u>	<u>\$ 98,597</u>	<u>\$ 500,365</u>	<u>\$ 150,528</u>	<u>\$ 431,087</u>	

**City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023**

	Special Revenue			
	Vehicle Abatement	Inclusionary and Linkage Housing	Building Permit Incremental Fund	Community Development Block Grant
ASSETS				
Cash and investments	\$ 2,573	\$ 123,917	\$ 107,615	\$ 74,481
Accounts receivable	-	-	-	-
Taxes receivable	-	-	-	-
Accrued interest receivable	16	518	416	361
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 2,589	\$ 124,435	\$ 108,031	\$ 74,842
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:				
Restricted for :				
Highways and streets	-	-	-	-
Public safety	2,589	-	-	-
Debt service	-	-	-	-
Affordable housing	-	124,435	-	-
Parks and recreation	-	-	-	-
Other	-	-	-	74,842
Committed for street projects	-	-	108,031	-
Unassigned	-	-	-	-
Total fund balances	2,589	124,435	108,031	74,842
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,589	\$ 124,435	\$ 108,031	\$ 74,842

Special Revenue					Capital Project
SB1 Road and Maintenance	General Government Facilities Fee	Fire Facilities Fee	Stormwater Facilities Fee	Supplemental Planning Grant (SB2 & LEAP)	Undergrounding
\$ 123,495	\$ 2,960	\$ 981	\$ 6,308	\$ -	\$ 239,815
-	12	4	-	152,597	-
29,416	-	-	-	-	-
923	-	-	26	-	1,003
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 153,834</u>	<u>\$ 2,972</u>	<u>\$ 985</u>	<u>\$ 6,334</u>	<u>\$ 152,597</u>	<u>\$ 240,818</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	177,597	-
-	-	-	-	-	-
-	-	-	-	177,597	-
-	-	-	-	152,597	-
153,834	-	-	-	-	240,818
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,972	985	6,334	-	-
-	-	-	-	-	-
-	-	-	-	(177,597)	-
<u>153,834</u>	<u>2,972</u>	<u>985</u>	<u>6,334</u>	<u>(177,597)</u>	<u>240,818</u>
<u>\$ 153,834</u>	<u>\$ 2,972</u>	<u>\$ 985</u>	<u>\$ 6,334</u>	<u>\$ 152,597</u>	<u>\$ 240,818</u>

**City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023**

	Debt Service		Total Non-Major Governmental Funds
	Woodstone Assessment District	Clean Renewable Energy Bonds	
ASSETS			
Cash and investments	\$ -	\$ 2,856	\$ 2,076,635
Accounts receivable	-	-	189,826
Taxes receivable	-	-	92,198
Accrued interest receivable	-	8	9,206
Notes receivable	-	188,573	188,573
Due from other funds	-	-	25,000
Total assets	\$ -	\$ 191,437	\$ 2,581,438
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 47
Due to other funds	-	-	177,678
Unearned revenues	-	-	8,283
Total liabilities	-	-	186,008
Deferred inflows of resources:			
Unavailable revenue	-	188,573	377,085
Fund Balances:			
Restricted for :			
Highways and streets	-	-	1,100,895
Public safety	-	-	113,974
Debt service	-	2,864	2,864
Affordable housing	-	-	239,048
Parks and recreation	-	-	114,976
Other	-	-	85,133
Committed for street projects	-	-	539,118
Unassigned	-	-	(177,663)
Total fund balances	-	2,864	2,018,345
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 191,437	\$ 2,581,438

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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, 2023

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	132,371	196,298	100,000	-
Interest and rents	(1,315)	(535)	(19)	1,935
Charges for services	-	-	-	-
Miscellaneous	785	-	-	-
Total revenues	131,841	195,763	99,981	1,935
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public works	-	169,589	-	-
Debt service:				
Principal	-	-	26,394	-
Interest	-	-	1,108	-
Total expenditures	-	169,589	27,502	-
REVENUES OVER (UNDER) EXPENDITURES	131,841	26,174	72,479	1,935
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(100,000)	-	(59,670)	(37,838)
Total other financing sources (uses)	(100,000)	-	(59,670)	(37,838)
Net change in fund balances	31,841	26,174	12,809	(35,903)
FUND BALANCES:				
Beginning of the year	\$ 33,643	\$ 17,684	\$ 3,570	\$ 211,946
End of year	\$ 65,484	\$ 43,858	\$ 16,379	\$ 176,043

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan	Street Reserve
\$ 126,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	197,844	-	-
-	-	8,138	-	-	-	-
-	-	-	-	-	1,158	-
(14)	43	(42)	897	(1,186)	525	2,205
-	-	-	-	-	79,193	-
-	-	-	-	-	-	-
126,156	43	8,096	897	196,658	80,876	2,205
13,610	-	9,900	9,453	-	44,559	-
106,191	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
119,801	-	9,900	9,453	-	44,559	-
6,355	43	(1,804)	(8,556)	196,658	36,317	2,205
-	-	-	-	-	56,786	-
-	-	-	-	(86,470)	-	(3,684)
-	-	-	-	(86,470)	56,786	(3,684)
6,355	43	(1,804)	(8,556)	110,188	93,103	(1,479)
\$ 23,480	\$ 2,000	\$ 1,738	\$ 107,153	\$ 390,177	\$ 21,510	\$ 432,566
\$ 29,835	\$ 2,043	\$ (66)	\$ 98,597	\$ 500,365	\$ 114,613	\$ 431,087

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2023

	Special Revenue			
	Vehicle Abatement	Inclusionary and Linkage Housing	Building Permit Incremental Fund	Community Development Block Grant
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Interest and rents	102	629	(646)	463
Charges for services	-	-	49,026	-
Miscellaneous	-	-	-	-
Total revenues	102	629	48,380	463
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	102	629	48,380	463
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(2,500)	(73)	-	(27,289)
Total other financing sources (uses)	(2,500)	(73)	-	(27,289)
Net change in fund balances	(2,398)	556	48,380	(26,826)
FUND BALANCES:				
Beginning of the year	\$ 4,987	\$ 123,879	\$ 59,651	\$ 101,668
End of year	\$ 2,589	\$ 124,435	\$ 108,031	\$ 74,842

Special Revenue					Capital Project
SB1 Road and Maintenance	General Government Facilities Fee	Fire Facilities Fee	Stormwater Facilities Fee	Supplemental Planning Grant (SB2 & LEAP)	Undergrounding
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
180,447	-	-	-	20,000	-
2,967	(16)	(6)	(25)	-	1,177
-	-	-	873	-	-
-	-	-	-	-	-
<u>183,414</u>	<u>(16)</u>	<u>(6)</u>	<u>848</u>	<u>20,000</u>	<u>1,177</u>
-	-	-	-	140,811	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	140,811	-
<u>183,414</u>	<u>(16)</u>	<u>(6)</u>	<u>848</u>	<u>(120,811)</u>	<u>1,177</u>
-	-	-	-	-	-
(298,120)	-	-	-	(56,786)	-
(298,120)	-	-	-	(56,786)	-
(114,706)	(16)	(6)	848	(177,597)	1,177
\$ 268,540	\$ 2,988	\$ 991	\$ 5,486	\$ -	\$ 239,641
<u>\$ 153,834</u>	<u>\$ 2,972</u>	<u>\$ 985</u>	<u>\$ 6,334</u>	<u>\$ (177,597)</u>	<u>\$ 240,818</u>

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2023

	Debt Service		Total Non-Major Governmental Funds
	Woodstone Assessment District	Clean Renewable Energy Bonds	
REVENUES:			
Property taxes	\$ -	\$ -	\$ 126,170
Sales and use taxes	-	-	197,844
Licenses and permits	-	-	8,138
Intergovernmental	-	-	630,274
Interest and rents	140	(64)	7,215
Charges for services	-	16,833	145,925
Miscellaneous	-	-	785
Total revenues	140	16,769	1,116,351
EXPENDITURES:			
Current:			
General Government	-	-	218,333
Public works	-	-	275,780
Debt service:			
Principal	35,000	51,322	112,716
Interest	2,293	-	3,401
Total expenditures	37,293	51,322	610,230
REVENUES OVER (UNDER) EXPENDITURES	(37,153)	(34,553)	506,121
OTHER FINANCING SOURCES (USES):			
Transfers in	18,111	31,024	105,921
Transfers out	-	-	(672,430)
Total other financing sources (uses)	18,111	31,024	(566,509)
Net change in fund balances	(19,042)	(3,529)	(60,388)
FUND BALANCES:			
Beginning of the year	\$ 19,042	\$ 6,393	2,078,733
End of year	\$ -	\$ 2,864	\$ 2,018,345

City of Sebastopol

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

Police Grants

For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 105,000	\$ 105,000	\$ 132,371	\$ 27,371
Interest and rents	50	50	(1,315)	(1,365)
Miscellaneous	800	800	785	(15)
Total revenues	105,850	105,850	131,841	25,991
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	105,850	105,850	131,841	25,991
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	-
Net change in fund balances	\$ 5,850	\$ 5,850	31,841	\$ 25,991
FUND BALANCES:				
Beginning of the year			\$ 33,643	
End of year			\$ 65,484	

City of Sebastopol

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

Gas Tax

For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 229,750	\$ 229,750	\$ 196,298	\$ (33,452)
Interest and rents	-	-	(535)	(535)
Total revenues	<u>229,750</u>	<u>229,750</u>	<u>195,763</u>	<u>(33,987)</u>
EXPENDITURES:				
Current:				
Public works	218,475	218,475	169,589	48,886
Total expenditures	<u>218,475</u>	<u>218,475</u>	<u>169,589</u>	<u>48,886</u>
Net change in fund balances	<u>\$ 11,275</u>	<u>\$ 11,275</u>	26,174	<u>\$ 14,899</u>
FUND BALANCES:				
Beginning of the year			<u>\$ 17,684</u>	
End of year			<u>\$ 43,858</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 304,850	\$ 304,850	\$ 100,000	\$ (204,850)
Interest and rents	150	150	(19)	(169)
Charges for services	15,000	15,000	-	(15,000)
Miscellaneous	28,000	28,000	-	(28,000)
Total revenues	348,000	348,000	99,981	(248,019)
EXPENDITURES:				
Debt service:				
Principal	28,200	28,200	26,394	1,806
Interest	1,185	1,185	1,108	77
Total expenditures	29,385	29,385	27,502	1,883
REVENUES OVER (UNDER) EXPENDITURES	318,615	318,615	72,479	(246,136)
OTHER FINANCING SOURCES (USES):				
Transfers in	11,000	11,000	-	(11,000)
Transfers out	(331,849)	(331,849)	(59,670)	272,179
Total other financing sources (uses)	(320,849)	(320,849)	(59,670)	261,179
Net change in fund balances	\$ (2,234)	\$ (2,234)	12,809	\$ 15,043
FUND BALANCES:				
Beginning of the year			\$ 3,570	
End of year			\$ 16,379	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Traffic Impact
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 1,800	\$ 1,800	\$ 1,935	\$ 135
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>1,935</u>	<u>135</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,800</u>	<u>1,800</u>	<u>1,935</u>	<u>135</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(213,847)	(213,847)	(37,838)	176,009
Total other financing sources (uses)	<u>(213,847)</u>	<u>(213,847)</u>	<u>(37,838)</u>	<u>176,009</u>
Net change in fund balances	<u>\$ (212,047)</u>	<u>\$ (212,047)</u>	<u>(35,903)</u>	<u>\$ 176,144</u>
FUND BALANCES:				
Beginning of the year			\$ 211,946	
End of year			<u>\$ 176,043</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Street Lighting Assessment
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 128,156	\$ 128,156	\$ 126,170	\$ (1,986)
Interest and rents	100	100	(14)	(114)
Total revenues	128,256	128,256	126,156	(2,100)
EXPENDITURES:				
Current:				
General government	13,200	13,200	13,610	(410)
Public works	112,300	112,300	106,191	6,109
Total expenditures	125,500	125,500	119,801	5,699
Net change in fund balances	\$ 2,756	\$ 2,756	6,355	\$ 3,599
FUND BALANCES:				
Beginning of the year			23,480	
End of year			\$ 29,835	

City of Sebastopol

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

Asset Forfeiture

For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 43	\$ 43
Total revenues	-	-	43	43
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	\$ -	\$ -	43	\$ 43
FUND BALANCES:				
Beginning of the year			2,000	
End of year			\$ 2,043	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Downtown Association
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 8,700	\$ 8,700	\$ 8,138	\$ (562)
Interest and rents	-	-	(42)	(42)
Total revenues	8,700	8,700	8,096	(604)
EXPENDITURES:				
Current:				
General government	8,700	8,700	9,900	(1,200)
Total expenditures	8,700	8,700	9,900	(1,200)
Net change in fund balances	\$ -	\$ -	(1,804)	\$ (1,804)
FUND BALANCES:				
Beginning of the year			1,738	
End of year			<u>\$ (66)</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 700	\$ 700	\$ 897	\$ 197
Total revenues	<u>700</u>	<u>700</u>	<u>897</u>	<u>197</u>
EXPENDITURES:				
Current:				
General government	-	-	9,453	(9,453)
Total expenditures	<u>-</u>	<u>-</u>	<u>9,453</u>	<u>(9,453)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>700</u>	<u>700</u>	<u>(8,556)</u>	<u>(9,256)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(51,500)	(51,500)	-	51,500
Total other financing sources (uses)	<u>(51,500)</u>	<u>(51,500)</u>	<u>-</u>	<u>51,500</u>
Net change in fund balances	<u>\$ (50,800)</u>	<u>\$ (50,800)</u>	<u>(8,556)</u>	<u>\$ 42,244</u>
FUND BALANCES:				
Beginning of the year			<u>107,153</u>	
End of year			<u>\$ 98,597</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure M
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 190,400	\$ 190,400	\$ 197,844	\$ 7,444
Interest and rents	2,000	2,000	(1,186)	(3,186)
Total revenues	<u>192,400</u>	<u>192,400</u>	<u>196,658</u>	<u>4,258</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>192,400</u>	<u>192,400</u>	<u>196,658</u>	<u>4,258</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(628,651)	(628,651)	(86,470)	542,181
Total other financing sources (uses)	<u>(628,651)</u>	<u>(628,651)</u>	<u>(86,470)</u>	<u>542,181</u>
Net change in fund balances	<u>\$ (436,251)</u>	<u>\$ (436,251)</u>	110,188	<u>\$ 546,439</u>
FUND BALANCES:				
Beginning of the year			<u>390,177</u>	
End of year			<u>\$ 500,365</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing General Plan
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 1,158	\$ 1,158
Interest and rents	500	500	525	25
Charges for services	4,000	4,000	79,193	75,193
Total revenues	4,500	4,500	80,876	76,376
EXPENDITURES:				
Current:				
General government	41,500	41,500	44,559	3,059
Total expenditures	41,500	41,500	44,559	3,059
Net change in fund balances	\$ (37,000)	\$ (37,000)	93,103	\$ 130,103
FUND BALANCES:				
Beginning of the year			21,510	
End of year			\$ 114,613	

City of Sebastopol

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

Street Reserve

For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,095,000	\$ 1,095,000	\$ -	\$ (1,095,000)
Interest and rents	800	800	2,205	1,405
Total revenues	<u>1,095,800</u>	<u>1,095,800</u>	<u>2,205</u>	<u>(1,093,595)</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,095,800</u>	<u>1,095,800</u>	<u>2,205</u>	<u>(1,093,595)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(1,308,500)	(1,308,500)	(3,684)	1,304,816
Total other financing sources (uses)	<u>(1,208,500)</u>	<u>(1,208,500)</u>	<u>(3,684)</u>	<u>1,204,816</u>
Net change in fund balances	<u>\$ (112,700)</u>	<u>\$ (112,700)</u>	<u>(1,479)</u>	<u>\$ 111,221</u>
FUND BALANCES:				
Beginning of the year			<u>432,566</u>	
End of year			<u>\$ 431,087</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Vehicle Abatement
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 10	\$ 10	\$ 102	\$ 92
Charges for services	500	500	-	(500)
Total revenues	510	510	102	(408)
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	510	510	102	(408)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,500)	(2,500)	(2,500)	-
Total other financing sources (uses)	(2,500)	(2,500)	(2,500)	-
Net change in fund balances	\$ (1,990)	\$ (1,990)	(2,398)	\$ (408)
FUND BALANCES:				
Beginning of the year			4,987	
End of year			<u>\$ 2,589</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 700	\$ 700	\$ 629	\$ (71)
Total revenues	<u>700</u>	<u>700</u>	<u>629</u>	<u>(71)</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>700</u>	<u>700</u>	<u>629</u>	<u>(71)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(10,000)	(10,000)	(73)	9,927
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(73)</u>	<u>9,927</u>
Net change in fund balances	<u>\$ (9,300)</u>	<u>\$ (9,300)</u>	556	<u>\$ 9,856</u>
FUND BALANCES:				
Beginning of the year			<u>123,879</u>	
End of year			<u>\$ 124,435</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Building Permit Incremental Fund
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 300	\$ 300	\$ (646)	\$ (946)
Charges for services	10,000	10,000	49,026	39,026
Total revenues	10,300	10,300	48,380	38,080
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	\$ 10,300	\$ 10,300	48,380	\$ 38,080
FUND BALANCES:				
Beginning of the year			59,651	
End of year			\$ 108,031	

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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 376,000	\$ 376,000	\$ -	\$ (376,000)
Interest and rents	-	-	463	463
Total revenues	376,000	376,000	463	(375,537)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	376,000	376,000	463	(375,537)
OTHER FINANCING SOURCES (USES):				
Transfers out	(376,000)	(376,000)	(27,289)	348,711
Total other financing sources (uses)	(376,000)	(376,000)	(27,289)	348,711
Net change in fund balances	\$ -	\$ -	(26,826)	\$ (26,826)
FUND BALANCES:				
Beginning of the year			101,668	
End of year			<u>\$ 74,842</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 174,500	\$ 174,500	\$ 180,447	\$ 5,947
Interest and rents	-	-	2,967	2,967
Total revenues	<u>174,500</u>	<u>174,500</u>	<u>183,414</u>	<u>8,914</u>
EXPENDITURES:				
Current:				
Public works	2,000	2,000	-	(2,000)
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>172,500</u>	<u>172,500</u>	<u>183,414</u>	<u>10,914</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(345,000)	(345,000)	(298,120)	46,880
Total other financing sources (uses)	<u>(345,000)</u>	<u>(345,000)</u>	<u>(298,120)</u>	<u>46,880</u>
Net change in fund balances	<u>\$ (172,500)</u>	<u>\$ (172,500)</u>	<u>(114,706)</u>	<u>\$ 57,794</u>
FUND BALANCES:				
Beginning of the year, as restated			<u>268,540</u>	
End of year			<u>\$ 153,834</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (16)	\$ (16)
Total revenues	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(16)</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(16)	<u>\$ (16)</u>
FUND BALANCES:				
Beginning of the year			<u>2,988</u>	
End of year			<u>\$ 2,972</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	-	-	(6)	(6)
Total revenues	-	-	(6)	(6)
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(6)	<u>\$ (6)</u>
FUND BALANCES:				
Beginning of the year			991	
End of year			<u>\$ 985</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (25)	\$ (25)
Charges for services	-	-	873	873
Total revenues	<u>-</u>	<u>-</u>	<u>848</u>	<u>848</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>848</u>	<u>\$ 848</u>
FUND BALANCES:				
Beginning of the year			<u>5,486</u>	
End of year			<u>\$ 6,334</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 175,000	\$ 175,000	\$ 20,000	\$ (155,000)
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>20,000</u>	<u>(155,000)</u>
EXPENDITURES:				
Current:				
General government	175,000	175,000	140,811	34,189
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>140,811</u>	<u>34,189</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(120,811)</u>	<u>(120,811)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(56,786)	(56,786)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(56,786)</u>	<u>(56,786)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(177,597)</u>	<u>\$ (177,597)</u>
FUND BALANCES:				
Beginning of the year			<u>-</u>	
End of year			<u>\$ (177,597)</u>	

City of Sebastopol
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Undergrounding
For the year ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 1,400	\$ 1,400	\$ 1,177	\$ (223)
Total revenues	<u>1,400</u>	<u>1,400</u>	<u>1,177</u>	<u>(223)</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,400</u>	<u>\$ 1,400</u>	1,177	<u>\$ (223)</u>
FUND BALANCES:				
Beginning of the year			<u>239,641</u>	
End of year			<u>\$ 240,818</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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 140	\$ 140
Total revenues	-	-	140	140
EXPENDITURES:				
Debt service:				
Principal	35,000	35,000	35,000	-
Interest	4,380	4,380	2,293	2,087
Total expenditures	39,380	39,380	37,293	2,087
Net change in fund balances	\$ (39,380)	\$ (39,380)	(19,042)	\$ 20,338
FUND BALANCES:				
Beginning of the year			19,042	
End of year			\$ -	

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, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ (64)	\$ (64)
Charges for services	-	-	16,833	16,833
Total revenues	-	-	16,769	16,769
EXPENDITURES:				
Principal	\$ 20,299	20,299	51,322	(31,023)
Total expenditures	20,299	20,299	51,322	(31,023)
REVENUES OVER (UNDER) EXPENDITURES	(20,299)	(20,299)	(34,553)	(14,254)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31,024	31,024
Total other financing sources (uses)	-	-	31,024	31,024
Net change in fund balances	\$ (20,299)	\$ (20,299)	(3,529)	\$ 16,770
FUND BALANCES:				
Beginning of the year			6,393	
End of year			\$ 2,864	

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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			
	2014	2015	2016	2017
Governmental Activities				
Net Investment In Capital Assets	\$ 7,657,875	\$ 8,085,194	\$ 8,017,313	\$ 8,461,885
Restricted	7,398,898	4,128,962	4,314,008	2,279,908
Unrestricted	1,926,598	(4,937,921)	(3,524,869)	(847,289)
Total Governmental Activities Net Position	\$ 16,983,371	\$ 7,276,235	\$ 8,806,452	\$ 9,894,504
Business-Type Activities				
Net Investment In Capital Assets	\$ 5,232,877	\$ 4,566,315	\$ 4,799,099	\$ 4,705,054
Restricted	523,783	1,544,038	1,404,798	1,468,204
Unrestricted	2,413,672	1,051,968	1,691,465	2,900,417
Total Business-Type Activities Net Position	\$ 8,170,332	\$ 7,162,321	\$ 7,895,362	\$ 9,073,675
Primary Government				
Net Investment In Capital Assets	\$ 12,890,752	\$ 12,651,509	\$ 12,816,412	\$ 13,166,939
Restricted	7,922,681	5,673,000	5,718,806	3,748,112
Unrestricted	4,340,270	(3,885,953)	(1,833,404)	2,053,128
Total Primary Government Net Position	\$ 25,153,703	\$ 14,438,556	\$ 16,701,814	\$ 18,968,179

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					
2018	2019	2020	2021	2022	2023
\$ 9,242,243	\$ 9,448,772	\$ 9,494,832	\$ 9,355,475	\$ 9,702,362	\$ 10,407,888
1,660,668	1,450,299	2,827,215	3,067,342	3,599,203	2,696,032
(3,254,719)	(2,485,538)	(3,011,697)	(4,241,598)	(5,490,293)	56,266
<u>\$ 7,648,192</u>	<u>\$ 8,413,533</u>	<u>\$ 9,310,350</u>	<u>\$ 8,181,219</u>	<u>\$ 7,811,272</u>	<u>\$ 13,160,186</u>
\$ 5,956,258	\$ 5,966,945	\$ 5,594,545	\$ 5,199,403	\$ 5,259,183	\$ 5,366,755
-	-	-	-	-	-
3,430,964	3,563,944	3,204,183	2,840,979	1,782,914	847,207
<u>\$ 9,387,222</u>	<u>\$ 9,530,889</u>	<u>\$ 8,798,728</u>	<u>\$ 8,040,382</u>	<u>\$ 7,042,097</u>	<u>\$ 6,213,962</u>
\$ 15,198,501	\$ 15,415,717	\$ 15,089,377	\$ 14,554,878	\$ 14,961,545	\$ 15,774,643
1,660,668	1,450,299	2,827,215	3,067,342	3,599,203	2,696,032
176,245	1,078,406	192,486	(1,400,619)	(3,707,379)	903,473
<u>\$ 17,035,414</u>	<u>\$ 17,944,422</u>	<u>\$ 18,109,078</u>	<u>\$ 16,221,601</u>	<u>\$ 14,853,369</u>	<u>\$ 19,374,148</u>

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

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental Activities				
General government	\$ 1,327,123	\$ 1,451,524	\$ 1,761,437	\$ 2,055,024
Public safety	4,154,787	4,397,921	4,193,457	5,260,822
Community development	141,771	34,936	9,155	-
Public works	1,207,688	1,331,944	1,376,165	938,036
Parks and recreation	771,708	644,813	1,066,267	749,005
Interest on long-term debt	103,767	91,304	83,446	80,566
Total Governmental Activities Expenses	7,706,844	7,952,442	8,489,927	9,083,453
Business-Type Activities				
Water	1,298,601	1,368,427	1,669,223	1,716,237
Wastewater	2,605,752	2,795,925	2,887,638	2,889,787
Total Business-Type Activities Expenses	3,904,353	4,164,352	4,556,861	4,606,024
Total Primary Government Net Expenses	\$ 11,611,197	\$ 12,116,794	\$ 13,046,788	\$ 13,689,477
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 435,632	\$ 342,911	\$ 915,735	\$ 180,139
Public safety	248,479	278,638	240,886	190,018
Community development	19,942	14,390	162,652	-
Public works	193,334	182,878	305,614	539,617
Parks and recreation	130,691	89,971	100,630	66,739
Operating Contributions and Grants	553,751	579,188	484,480	209,472
Capital Contributions and Grants	288,575	742,670	446,248	525,005
Total Governmental Activities Program Revenues	1,870,404	2,230,646	2,656,245	1,710,990
Business-Type Activities				
Charges for services				
Water	1,709,463	1,933,720	2,061,253	2,457,698
Wastewater	2,688,194	2,959,002	3,116,767	3,324,934
Capital Contributions and Grants	107,307	30,356	142,905	-
Total Business-Type Activities Program Revenues	4,504,964	4,923,078	5,320,925	5,782,632
Total Primary Government Program Revenues	\$ 6,375,368	\$ 7,153,724	\$ 7,977,170	\$ 7,493,622

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 2,278,030	\$ 2,000,974	\$ 2,609,862	\$ 2,657,999	\$ 2,966,273	\$ 2,702,550
5,397,701	5,813,782	6,263,272	6,760,025	6,741,592	5,108,708
-	-	-	-	-	-
1,301,865	1,220,155	1,448,514	1,633,132	2,102,767	928,845
801,006	976,489	1,159,950	965,252	1,030,936	1,010,731
72,765	72,530	70,118	37,858	19,063	30,692
9,851,367	10,083,930	11,551,716	12,054,266	12,860,631	9,781,526
1,893,951	1,933,059	2,393,602	2,490,214	2,572,104	2,505,812
3,090,686	3,333,798	3,562,838	3,519,884	3,845,631	3,765,130
4,984,637	5,266,857	5,956,440	6,010,098	6,417,735	6,270,942
\$ 14,836,004	\$ 15,350,787	\$ 17,508,156	\$ 18,064,364	\$ 19,278,366	\$ 16,052,468
\$ 208,574	\$ 188,613	\$ 214,999	\$ 205,711	\$ 212,591	\$ 218,820
171,292	179,531	152,232	134,888	109,257	134,997
-	-	-	-	-	-
324,193	345,425	421,397	520,283	394,056	817,936
44,247	26,588	50,605	75,314	24,383	6,675
348,082	239,765	1,856,224	799,896	548,966	2,527,480
473,052	380,700	477,809	741,050	715,013	574,589
1,569,440	1,360,622	3,173,266	2,477,142	2,004,266	4,280,497
2,270,224	2,229,367	2,295,614	2,613,289	2,519,592	2,353,715
3,028,330	3,104,920	2,895,155	3,024,497	3,053,622	3,005,604
-	-	-	-	-	-
5,298,554	5,334,287	5,190,769	5,637,786	5,573,214	5,359,319
\$ 6,867,994	\$ 6,694,909	\$ 8,364,035	\$ 8,114,928	\$ 7,577,480	\$ 9,639,816

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

	Fiscal Year		
	2014	2015	2016
Net (Expense)/Revenue			
Governmental Activities	\$ (5,836,440)	\$ (5,721,796)	\$ (5,833,682)
Business-Type Activities	600,611	758,726	764,064
Total Primary Government Net Expense	(5,235,829)	(4,963,070)	(5,069,618)
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						
2017	2018	2019	2020	2021	2022	2023
\$ (7,372,463)	\$ (8,281,927)	\$ (8,723,308)	\$ (8,378,450)	\$ (9,577,124)	\$ (10,856,365)	\$ (5,501,029)
1,176,608	313,917	67,430	(765,671)	(372,312)	(844,521)	(911,623)
(6,195,855)	(7,968,010)	(8,655,878)	(9,144,121)	(9,949,436)	(11,700,886)	(6,412,652)
2,459,296	2,478,979	2,618,913	2,891,222	2,981,745	3,004,264	3,469,046
2,069,199	3,923,850	3,714,794	3,958,244	3,697,726	4,362,811	4,608,918
-	-	-	-	-	-	-
483,738	514,225	529,810	631,742	518,175	402,255	544,128
2,246,817	1,134,089	1,097,589	1,153,243	1,100,380	1,158,279	1,436,605
-	-	-	-	-	-	-
-	67,458	57,812	259,216	343,753	(7,279)	(36,045)
73,826	-	-	-	-	-	-
-	260,341	523,614	563,958	602,464	315,678	796,267
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	10,849,943
-	32,728	31,889	107,261	91,655	25,951	114,512
(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)	83,488
7,332,876	8,411,670	8,574,421	9,564,886	9,335,898	8,061,959	10,933,431
(8,564)	128,038	(148,517)	1,110,199	(301,857)	(2,408,372)	5,348,914
1,145,585	315,622	67,060	(689,434)	(311,681)	(1,230,555)	(828,135)
\$ 1,137,021	\$ 443,660	\$ (81,457)	\$ 420,765	\$ (613,538)	\$ (3,638,927)	\$ 4,520,779

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

	Fiscal Year		
	2014	2015	2016
General Fund			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	458,000	1,015,000	1,015,000
Assigned	-	-	-
Unassigned	1,113,028	2,077,523	3,265,624
Total General Fund	<u>\$ 1,571,028</u>	<u>\$ 3,092,523</u>	<u>\$ 4,280,624</u>
All Other Governmental Funds			
Nonspendable	\$ -	\$ -	\$ -
Restricted	3,169,424	3,573,382	3,827,777
Committed	471,226	595,718	464,800
Unassigned	-	-	-
Total All Other Governmental Funds	<u>3,640,650</u>	<u>4,169,100</u>	<u>4,292,577</u>
Total Governmental Funds	<u><u>\$5,211,678</u></u>	<u><u>\$7,261,623</u></u>	<u><u>\$8,573,201</u></u>

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 11,127	\$ 46,392	\$ 28,818	\$ 76,529	\$ 42,386	\$ 180,191	\$ 187,748
-	-	-	1,186,330	1,161,558	2,013,242	1,234,900
185,000	185,000	-	-	-	-	-
2,785,000	3,335,000	3,579,535	4,610,435	5,049,534	4,601,816	4,601,125
3,669,067	3,882,742	4,993,434	4,269,513	3,028,639	3,547,112	5,947,365
\$ 6,650,194	\$ 7,449,134	\$ 8,601,787	\$ 10,142,807	\$ 9,282,117	\$ 10,342,361	\$ 11,971,138
\$ -	\$ -	\$ -	\$ 2,651	\$ -	\$ 555	\$ -
2,279,908	1,660,668	1,450,299	1,640,885	1,905,784	1,585,961	1,656,890
154,351	279,229	436,477	475,327	491,317	492,217	539,118
(79,673)	(48,819)	(113,745)	(10,535)	(6,926)	(7,776)	(183,350)
2,354,586	1,891,078	1,773,031	2,108,328	2,390,175	2,070,957	2,012,658
\$9,004,780	\$9,340,212	\$10,374,818	\$12,251,135	\$11,672,292	\$12,413,318	\$13,983,796

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

(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Property taxes	\$ 1,392,443	\$ 1,393,024	\$ 2,459,296	\$ 2,681,062
Sales and use taxes	3,214,480	3,652,138	3,940,169	4,454,450
Other taxes	1,070,444	1,218,306	-	-
Transient occupancy taxes	-	-	483,738	514,225
Franchise fees	-	-	351,568	359,466
Licenses and permits	290,026	314,693	488,234	412,678
Fines and forfeits	117,358	158,380	122,235	88,747
Intergovernmental	1,412,805	1,443,193	979,119	676,542
Interest and rents	76,670	43,433	92,985	112,795
Charges for services	922,178	843,764	717,270	428,703
Miscellaneous	54,189	67,948	434,506	294,146
Total Revenues	8,550,593	9,134,879	10,069,120	10,022,814
Expenditures				
Current				
General Government	1,308,096	1,501,999	1,628,362	2,272,637
Public Safety	3,950,740	4,175,290	4,329,264	4,429,352
Community development	140,258	35,436	9,600	-
Parks and recreation	679,488	544,596	524,035	605,061
Public works	1,124,226	1,073,855	1,443,331	930,256
Capital Outlay	240,332	80,472	554,243	1,188,516
Debt Service:				
Principal	357,250	358,175	302,357	233,469
Interest	105,278	93,135	82,796	80,566
Cost of debt issuance	-	-	-	-
Total Expenditures	7,905,668	7,862,958	8,873,988	9,739,857
Excess of Revenues Over (Under) Expenditures	644,925	1,271,921	1,195,132	282,957
Other Financing Sources (Uses)				
Lease financing	-	-	85,423	66,250
Proceeds from debt	-	-	-	-
Payment to escrow	-	-	-	-
Sales of capital assets	-	-	-	799
Transfers In	256,529	256,301	417,645	198,741
Transfers Out	(225,505)	(225,277)	(386,622)	(167,718)
Total Other Financing Sources (Uses)	31,024	31,024	116,446	98,072
Extraordinary/Special Items	-	-	-	-
Net Change In Fund Balances	\$675,949	\$1,302,945	\$1,311,578	\$381,029
Debt Service as a percentage of non-capital expenditures	6.0%	5.8%	4.6%	3.6%

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 2,618,914	\$ 2,891,222	\$ 2,981,746	\$ 3,004,264	\$ 3,333,748	\$ 3,469,047
4,686,751	4,907,892	4,609,379	5,321,931	5,744,161	5,766,785
-	-	-	-	-	-
529,810	631,742	518,175	402,255	504,292	544,128
323,496	358,299	336,738	363,167	405,507	468,871
304,268	324,928	458,640	507,434	454,321	736,252
82,605	55,501	48,171	30,439	27,452	28,766
765,572	540,760	2,213,385	1,401,853	1,071,029	2,749,503
106,357	309,812	390,766	38,129	(257,367)	10,009
320,219	318,062	293,920	361,904	261,074	384,367
523,223	563,549	602,471	315,177	927,480	796,090
10,261,215	10,901,767	12,453,391	11,746,553	12,471,697	14,953,818
1,879,155	1,933,038	2,216,083	2,308,287	2,678,185	3,072,218
4,780,975	4,998,720	5,448,918	6,292,688	6,059,990	6,202,781
-	-	-	-	-	-
639,930	826,945	970,013	792,038	799,261	928,296
868,491	1,051,102	1,062,194	1,161,841	1,293,535	1,171,320
1,471,598	766,230	590,256	680,072	1,797,036	1,669,492
245,128	249,619	250,516	275,351	240,932	339,564
72,766	72,531	70,118	37,858	19,063	30,693
-	-	-	12,842	-	-
9,958,043	9,898,185	10,608,098	11,560,977	12,888,002	13,414,364
303,172	1,003,582	1,845,293	185,576	(416,305)	1,539,454
-	-	-	-	-	-
-	-	-	420,626	1,126,307	-
-	-	-	(397,030)	-	-
-	-	-	-	-	-
1,396,214	2,912,182	632,536	632,536	1,511,475	1,758,851
(1,363,955)	(2,881,158)	(601,512)	(601,512)	(1,480,451)	(1,727,827)
32,259	31,024	31,024	54,620	1,157,331	31,024
-	-	-	(819,039)	-	-
\$335,431	\$1,034,606	\$1,876,317	(\$578,843)	\$741,026	\$1,570,478
3.7%	3.5%	3.2%	3.0%	2.3%	3.3%

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

Table with 7 columns: Fiscal Year, Secured Property, Unsecured Property, SBE Nonunitary, Total Taxable Assessed Value, Estimated Actual Taxable Value, Total Direct Tax Rate. Rows for years 2014-2023.

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

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

Agency	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	0.00520	0.00520	0.00520	0.00520	0.00520	0.00300	0.00300	0.00260	0.00260
Sebastopol Elementary Bonds	0.03810	0.03700	0.03500	0.03300	0.03550	0.03450	0.03350	0.03600	0.06600	0.05700
Sonoma County Junior College	0.02100	0.01800	0.01600	0.01500	0.01400	0.03600	0.01300	0.01300	0.01300	0.01200
Sonoma County Junior College 2014	0.00000	0.00000	0.00000	0.02500	0.02300	0.00000	0.02400	0.02400	0.02400	0.02300
Twin Hills Elementary	0.03700	0.03300	0.03300	0.03200	0.03050	0.03000	0.03000	0.02900	0.02500	0.00000
West Sonoma County Unified High	0.01610	0.01550	0.01900	0.01750	0.01700	0.04850	0.04650	0.04400	0.04000	0.03530
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	1.11570	1.11520	1.13470	1.13220	1.16120	1.15700	1.15600	1.17760	1.13690

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 2023		Fiscal Year 2014	
	Taxable Assessed Value	Percent Of Total Assessed Valuation	Taxable Assessed Value ¹	Percent Of Total Assessed Valuation
Barlow Star LLC	\$ 31,208,607	2.00%	N/A	N/A
H-1 Real Estate LLC Et Al	15,242,087	0.98%	N/A	N/A
Longs Drug Stores California LLC	9,943,581	0.64%	6,828,096	0.68%
Duckhorn Wine Company	7,924,410	0.51%	N/A	N/A
Redwood Marketplace	7,447,360	0.48%	6,417,950	0.64%
970 Gravenstein Hwy LLC	6,665,000	0.43%	N/A	N/A
Maxwell Myers Co & Maxwell A Myers L	5,912,246	0.38%	N/A	N/A
Lok Sebastopol Hotel Co LLC	5,760,472	0.37%	5,202,545	0.52%
Sonoma Real Estate Holdings LLC	5,358,948	0.34%	N/A	N/A
Diajeff LLC Et Al	5,178,693	0.33%	4,462,847	0.44%
Total Top 10 Taxpayers	100,641,404	6.45%	\$ 22,911,438	2.27%
Total Taxable Value	\$ 1,559,954,828	100.00%	\$ 1,007,405,010	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%
2023	3,293,347	-	3,293,347	3,293,347	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Eating and Drinking Places	\$ 39,035	\$ 40,730	\$ 43,265	\$ 33,525	\$ 44,326	\$ 39,036	\$ 36,947	\$ 32,746	\$ 31,626	\$ 29,686
Food Stores	31,691	33,067	35,126	32,999	39,915	44,478	41,357	39,236	39,368	23,074
Apparel Stores	2,399	2,503	2,659	2,840	3,636	3,883	3,784	3,904	3,873	1,044
Auto Dealers and Supplies	9,932	10,363	11,008	9,243	8,837	8,706	9,284	8,252	8,344	158,109
Service Stations	17,525	18,286	19,424	16,734	21,926	19,190	16,825	17,131	20,449	430
Other Retail Stores	32,346	33,751	35,851	31,820	34,202	32,551	31,599	28,826	28,248	3,399
All Other Outlets	27,598	28,796	30,589	27,608	29,984	21,972	21,472	23,529	23,206	31,304
Total	\$ 160,525	\$ 167,497	\$ 177,922	\$ 154,770	\$ 182,826	\$ 169,816	\$ 161,269	\$ 153,625	\$ 155,114	\$ 247,046

City of Sebastopol - Measure Y

Category	Calendar Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Eating and Drinking Places	\$ 36,868	\$ 38,469	\$ 40,863	\$ 33,537	\$ 42,423	\$ 39,585	\$ 37,757	\$ 33,618	\$ 32,338	\$ 29,203
Food Stores	35,413	36,951	39,251	37,966	36,386	38,962	46,524	44,990	42,992	39,556
Apparel Stores	5,600	5,843	6,207	5,293	6,201	6,298	6,676	6,093	6,069	4,950
Auto Dealers and Supplies	38,325	39,990	42,478	33,575	41,451	40,643	44,124	41,412	40,325	40,242
Service Stations	17,876	18,652	19,813	17,106	22,139	19,419	17,085	17,183	19,886	22,676
Other Retail Stores	63,732	66,501	70,639	58,284	53,109	52,863	50,032	47,131	43,757	39,932
All Other Outlets	72,414	75,559	80,262	66,878	68,588	60,692	57,283	56,718	55,486	54,916
Total	\$ 270,228	\$ 281,964	\$ 299,513	\$ 252,641	\$ 270,297	\$ 258,462	\$ 259,481	\$ 247,145	\$ 240,853	\$ 231,474

City of Sebastopol - Measure T

Category	Calendar Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Eating and Drinking Places	\$ 36,868	\$ 38,469	\$ 40,863	\$ 33,537	\$ 42,423	\$ 39,585	\$ 37,757	\$ 33,618	\$ 32,338	\$ 29,203
Food Stores	35,413	36,951	39,251	37,966	36,386	38,962	46,524	44,990	42,992	39,556
Apparel Stores	5,600	5,843	6,207	5,293	6,201	6,298	6,676	6,093	6,069	4,950
Auto Dealers and Supplies	38,325	39,990	42,478	33,575	41,451	40,643	44,124	41,412	40,325	40,242
Service Stations	17,876	18,652	19,813	17,106	22,139	19,419	17,085	17,183	19,886	22,676
Other Retail Stores	63,732	66,501	70,639	58,284	53,109	52,863	50,032	47,131	43,757	39,932
All Other Outlets	72,414	75,559	80,262	66,878	68,588	60,692	57,283	56,718	55,486	54,916
Total	\$ 270,228	\$ 281,964	\$ 299,513	\$ 252,641	\$ 270,297	\$ 258,462	\$ 259,481	\$ 247,145	\$ 240,853	\$ 231,474

City of Sebastopol - Total

Category	Calendar Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Eating and Drinking Places	\$ 112,819	\$ 117,719	\$ 125,046	\$ 100,593	\$ 129,249	\$ 118,216	\$ 112,516	\$ 100,029	\$ 96,436	\$ 89,102
Food Stores	102,478	106,929	113,584	108,895	112,665	122,367	134,383	129,670	125,326	102,265
Apparel Stores	13,550	14,138	15,018	13,380	15,995	16,528	17,077	16,080	15,980	10,921
Auto Dealers and Supplies	86,793	90,563	96,199	76,513	91,855	90,004	97,536	94,005	89,250	238,577
Service Stations	53,276	55,590	59,050	50,907	66,208	58,032	50,997	51,592	61,102	44,970
Other Retail Stores	159,665	166,600	176,969	148,224	140,420	138,145	131,621	122,975	115,389	83,500
All Other Outlets	171,861	179,326	190,487	161,117	166,791	143,070	135,790	136,807	134,947	140,945
Total	\$ 700,443	\$ 730,864	\$ 776,353	\$ 659,628	\$ 723,183	\$ 686,363	\$ 679,920	\$ 651,158	\$ 638,431	\$ 710,281

* 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.

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

Fiscal Year	Governmental Activities					Business-Type Activities	
	Special Assessment Bonds	Finance Purchase Agreements	CEC Loan	Lease- Leaseback Agreements	Total ²	Installment Agreement	Finance Purchase Agreements
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
2023	-	1,050,637	-	710,239	1,760,876	-	3,559,254

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

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

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

n/a: not available

Source: Basic Financial Statements - City of Sebastopol, California

Business-Type Activities									
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		
\$ -	\$ -	\$ -	\$ 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		
365,560	891,079	-	-	4,815,893	9,631,786	2.27%	1,311		

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

Table with 5 columns: Fiscal Year, General Bonded Debt Outstanding (Total), Percentage of Personal Income, Percentage of Total Taxable Assessed Value, and Per Capita. Rows for years 2014-2023, all showing N/A for ratios and - for debt.

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, 2023

	Total Debt June 30, 2023	Percent Applicable ¹	City's Share of Debt as of June 30, 2023
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Sonoma County Joint Community College District	\$ 397,820,000	1.432%	\$ 5,696,782
West Sonoma County Union High School District	80,003,954	13.367%	10,694,129
Sebastopol Union School District	14,909,364	58.717%	8,754,331
Twin Hills Union Shool District	2,710,978	0.730%	19,790
Palm Drive Healthcare District	2,296,145	12.538%	287,891
Palm Drive Healthcare District Parcel Tax Obligations	10,085,480	12.538%	1,264,517
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 26,717,440</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sonoma County Certificates of Participation	\$ 7,046,000	1.442%	\$ 101,603
Sonoma County Pension Obligation Bonds	204,945,000	1.442%	2,955,307
Sonoma County Office of Education Certificates of Participation	2,936,227	1.442%	42,340
West Sonoma County Union High School District General Fund Obligations	842,078	13.367%	112,561
Sebastopol Union School District Certificates of Participation	143,677	58.717%	84,363
Twin Hills Union School District Certificates of Participation	121,792	0.730%	889
City of Sebastopol Obligations	1,760,876	100.000%	1,760,876
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$ 5,057,939</u>
COMBINED TOTAL DEBT			<u><u>\$ 31,775,380</u></u>
TOTAL DIRECT DEBT			\$ 1,760,876
TOTAL OVERLAPPING DEBT			<u>30,014,504</u>
COMBINED TOTAL DEBT			<u><u>\$ 31,775,380</u></u> ²

¹ The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determinating 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 lease obligations

RATIOS TO 2022-23 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.70%
Combined Direct Debt	0.11%
Combined Total Debt	2.02%

CITY OF SEBASTOPOL
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal year			
	2014	2015	2016	2017
Total assessed value of all real and personal property	\$ 1,017,901,561	\$ 1,064,059,320	\$ 1,136,043,498	\$ 1,195,272,022
Debt limit percentage	3.75%	3.75%	3.75%	3.75%
Total debt limit	38,171,309	39,902,225	42,601,631	44,822,701
Amount applicable to debt limit	3,239,143	2,620,429	2,458,334	-
Legal debt margin	\$ 34,932,166	\$ 37,281,796	\$ 40,143,297	\$ 44,822,701
Total net debt applicable to the limit as a percentage of debt limit	8.49%	6.57%	5.77%	0.00%

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					
2018	2019	2020	2021	2022	2023
\$ 1,254,015,048	\$ 1,293,160,893	\$ 1,346,424,183	\$ 1,396,730,880	\$ 1,442,646,754	\$ 1,519,838,181
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
47,025,564	48,493,533	50,490,907	52,377,408	54,099,253	56,993,932
1,990,529	1,740,911	1,490,395	1,238,640	2,059,440	1,760,876
<u>\$ 45,035,035</u>	<u>\$ 45,035,035</u>	<u>\$ 49,000,512</u>	<u>\$ 51,138,768</u>	<u>\$ 52,039,813</u>	<u>\$ 55,233,056</u>
4.23%	3.59%	2.95%	2.36%	3.81%	3.09%

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>
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
2023	-	35,000	2,293	0.00

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

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
PLEGDED 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
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
2023	2,353,715	(2,212,048)	141,667	277,668	42,579	0.44

Note: There were no pledges of non-general obligation debt from 2013 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				
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
2023	7,348	424,918	57,828	95.60%	47.00%	3.6%	49.10

Source:

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

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 2023			Fiscal Year 2014		
	Employees	Percent of Total Employment	Rank	Employees	Percent of Total Employment	Rank
Apple Valley Post Acute Rehab	177	4.66%	1	N/A	N/A	N/A
Sonoma Specialty Hospital	172	4.53%	2	N/A	N/A	N/A
Traditional Medicinals	132	3.47%	3	N/A	N/A	N/A
Safeway	114	3.00%	4	N/A	N/A	N/A
Whole Foods Market	97	2.55%	5	N/A	N/A	N/A
TLC Child and Family Services	93	2.45%	6	N/A	N/A	N/A
West Sonoma County Union High	92	2.42%	7	N/A	N/A	N/A
City of Sebastopol	90.5	2.38%	8	N/A	N/A	N/A
Gravenstein Union District	82	2.16%	9	N/A	N/A	N/A
Sebastopol Hardware Center	70	1.84%	10	N/A	N/A	N/A
	<u>1,120</u>	29.46%				

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	2023
Governmental Activities							
General Government							
City Council	6.00	6.00	6.00	5.00	6.00	6.00	6.00
City Manager	0.75	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	0.25
City Clerk	1.00	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	4.00
Building Inspection	1.50	1.50	1.50	0.50	1.50	0.50	0.50
Planning	3.00	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	25.00
Fire	33.50	33.50	35.50	34.50	35.50	35.50	34.50
Public Works and facilities							
Administration	2.75	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	1.00
Laborer	4.00	4.00	4.00	3.00	3.00	3.00	3.00
Engineering	1.75	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	7.00
Total	98.25	100.25	102.25	89.25	93.25	89.50	90.50

* 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Building										
Residential Building Permits	n/a	302	432	393	278	300	290	323	330	360
Land use entitlement applications	n/a	54	32	25	25	25	25	25	30	57
Police										
Citations issued	n/a	n/a	n/a	872	1,156	906	2,121	1,122	1,224	1,177
Arrests made	n/a	823	623	669	581	519	468	329	299	297
Requests for services	n/a	7,801	7,830	7,703	7,845	8,276	8,251	6,894	7,743	12,384
Fire										
Fire responses	1,055	1,071	1,056	1,150	1,190	1,275	1,200	1,189	1,250	1,325
Fire Inspections	200	200	300	350	375	400	380	375	390	280
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	93	117	98	59	65	74	86	95	60	61
Capital improvement projects	n/a	n/a	n/a	n/a	6	3	3	6	1	2
Park acres overseen	96.00	96.00	96.00	97.70	97.70	97.70	97.70	97.70	97.70	98.70
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	271	325	120	135	275	120
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	2,550	2,470	2,682	2,503	2,451	2,686	2,560	2,506	2,767
Active Commerical Accounts	n/a	477	335	473	381	455	343	335	364	379
Average Daily Water Consumption	n/a	758,904	783,561	838,673	821,096	782,192	817,534	872,883	732,960	718,416
Ground Storage Capacity (gallons)	n/a	\$7.5m	\$7.5m	\$7.5m	\$7.5m	\$7.5m	7.5m	7.5m	7.5m	7.5m
Elevated Storage Capacity (gallons)	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	0 - no elevated tanks
Ground Water Production Capacity (1000 gallons per day)	n/a	3,226	3,226	3,226	3,226	3,312	3,312	3,312	3,312	3,312,000
Pump Capacity (gallons per minute)	n/a	2,240	2,240	2,240	2,240	2,300	2,300	2,300	2,300	2,300
Waste Water Treatment Capacity (1000 gallons per day)	n/a	840	840	840	840	840	840	840	840	840,000

Source: City of Sebastopol Finance Department

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	97.7	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	450	450	450	450	450	450	45	450
Storage capacity (million gallons)	7.50	7.50	7.50	7.50	7.50	7.50	7.5	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

Sebastopol, California

*Auditors' Communication With Those
Charged With Governance*

For the year ended June 30, 2023





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

We have audited the financial statements of the City of Sebastopol (City) as of and for the years ended June 30, 2023, and have issued our report thereon dated December 29, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

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

Significant Risks Identified

We have identified the following significant risks:

- *Risk of management override of internal controls* – A risk of management override of internal controls exists at any entity where management can change or decide not to perform that entity’s internal controls.
- *Revenue recognition risk* – Errors in revenue recognition can affect bond covenant ratios and the net position of the City.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are capital asset depreciation and useful life, and the pension plan and OPEB plan assumptions.

Management’s estimate of capital assets depreciation and useful life and the pension plan and OPEB plan assumptions are based on historical useful lives of such assets, and actuarial assumptions, respectively. We evaluated the key factors and assumptions used to develop the estimate of capital assets depreciation and useful life, and the pension plan and OPEB plan assumptions and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City’s financial statements relate to:

- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Long-Term Debt
- Pension Plans
- Other Postemployment Health Care Benefits

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated December 29, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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

Other Significant Matters, Findings, or Issues

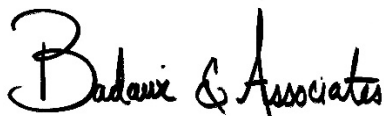
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information Included in the Basic Financial Statement

We applied certain limited procedures to management's discussion and analysis, pension plans and budgetary comparison information (for the general fund and major special revenue funds), which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on budgetary comparison information (excluding the general fund and major special revenue funds) and combining schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.



Badawi & Associates, CPAs
Berkeley, California
December 29, 2023

City of Sebastopol

Presentation to the City Council

March 5, 2024

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



Agenda

- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Auditor's Report and Financial Statements
- Required Communications
- Conclusion & Discussion/Questions

Deliverables and Scope of the Audit

Agenda Item Number 5

- Independent Auditor's Report on the City of Sebastopol's Basic Financial Statements (BFS).
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
- Agreed-Upon Procedures 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 Risk

- 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 (Property Taxes, Sales Taxes, etc.): Improper revenue recognitions
 - Governmental Funds: Confirm/validate property taxes & other significant revenues/receivables.
 - Proprietary Funds: Performed analytical procedures over revenues and receivables
- Pension and OPEB:
 - Reviewed management's journal entries for GASB 68 and GASB 75.
 - Reconciled amounts recorded to reports provided by CalPERS and City's Actuary.
 - Tested the census data used by CalPERS and City's Actuary.
 - Obtained reports from CalPERS auditor's plan information for pension.

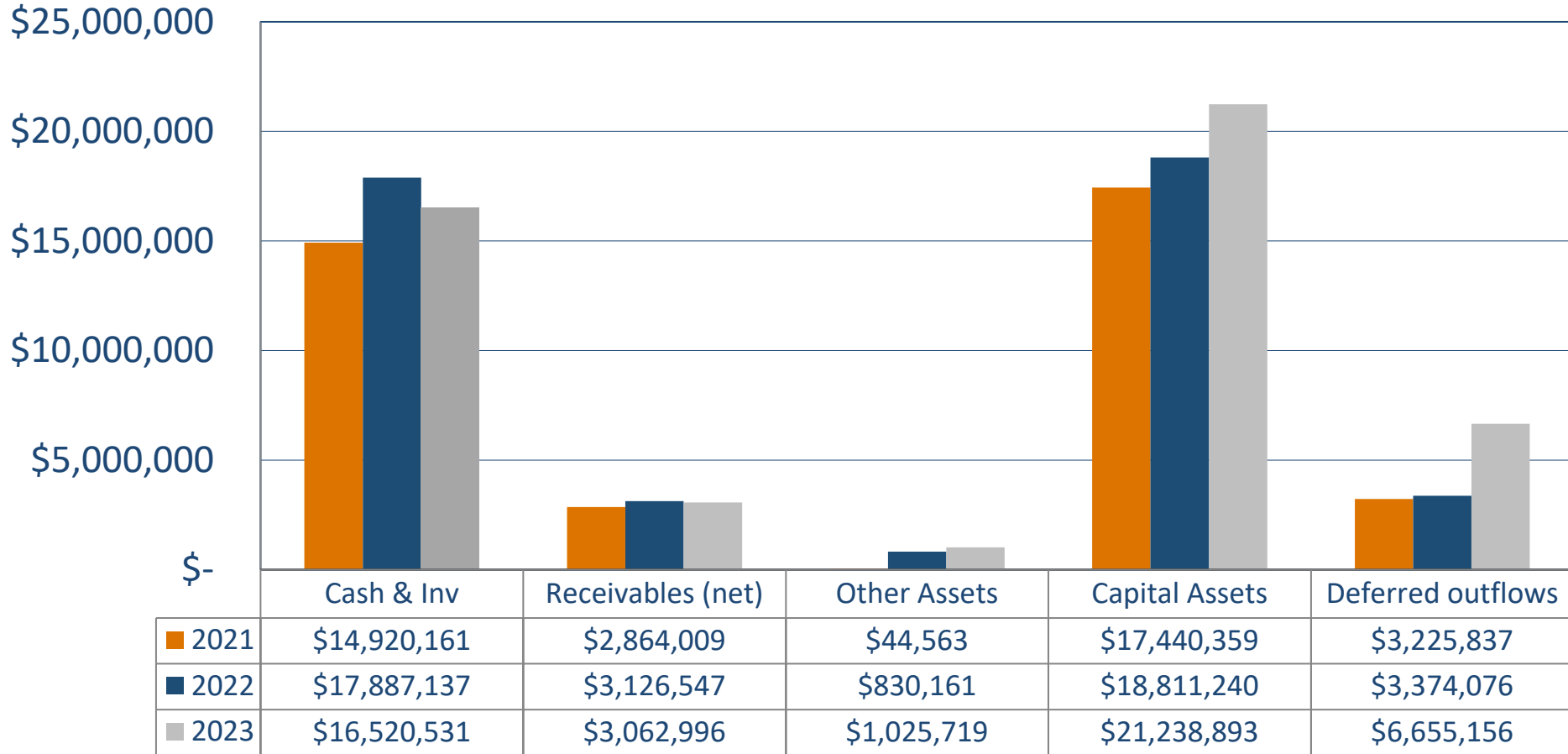
Auditor's Report (Pages 1 to 3) Agenda Item Number 5

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



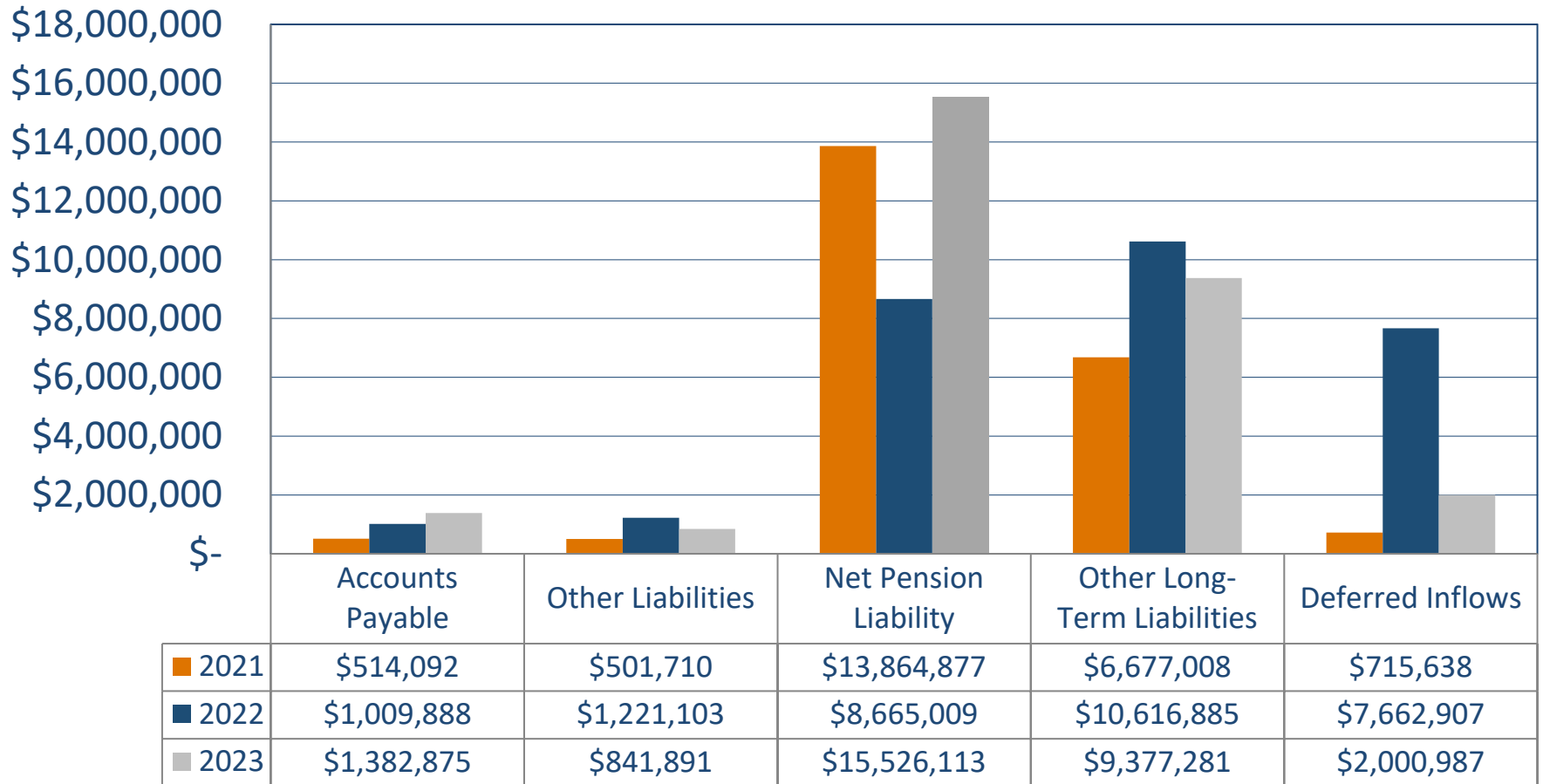
Government-Wide Financial Statements Agenda Item Number 5

Assets and Deferred Outflows of Resources (Page 25)



Government-Wide Financial Statements

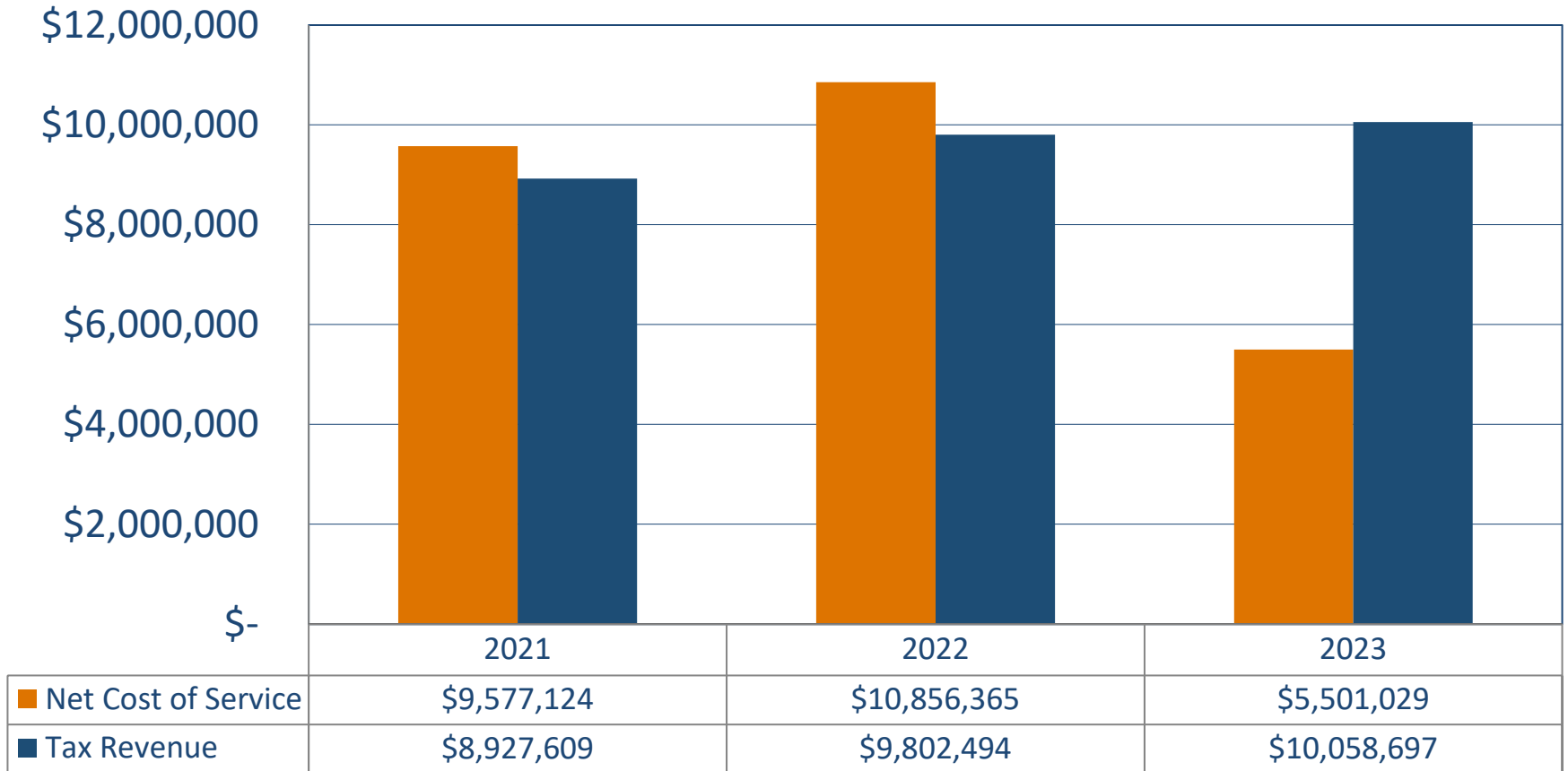
Liabilities and Deferred Inflows of Resources (Page 25)



Government-Wide Financial Statements Agenda Item Number 5

Net Cost of Service to Tax Revenue (Page 27)

*Net Cost of Service relates only to Governmental Activities



General Fund

Expenditure Coverage (Pages 32 and 34)

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Unrestricted Fund Balance	\$ 8,078,173	\$ 8,148,928	\$ 10,548,490
Total Expenditures	\$ 10,579,038	\$ 11,085,582	\$ 11,349,340
Unrestricted Fund Balance as a % of Total Expenditures	<u>76.36%</u>	<u>73.51%</u>	<u>92.94%</u>
Number of months	9	9	11

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

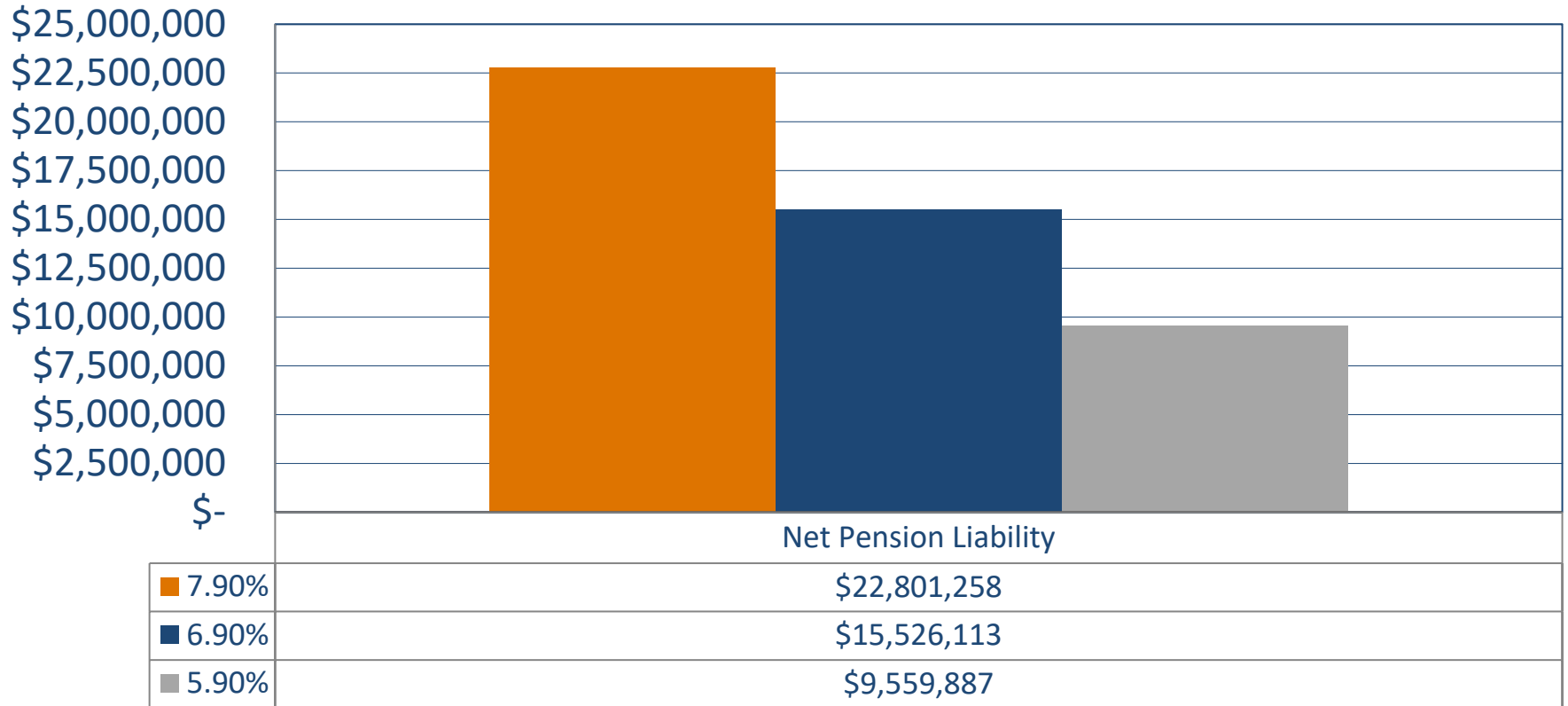
Government Finance Officers
Association (GFOA) recommendation

No less than 2 months

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

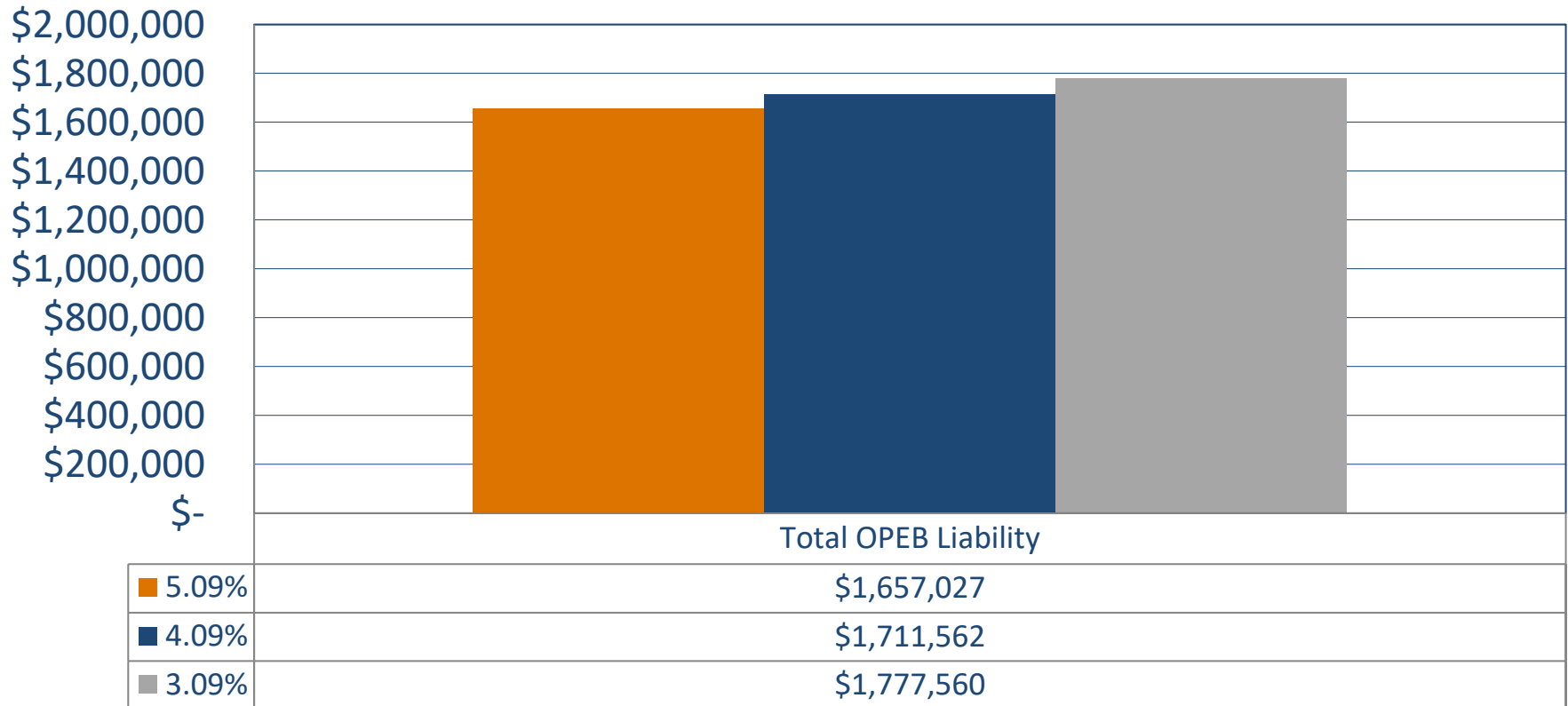
Pension Plan

City's CalPERS Pension Plan Sensitivity to Discount Rate (2022 Measurement Date) (Page 73)



Other Postemployment Benefits

City's OPEB Plan Sensitivity to Discount Rate (2022 Measurement Date) (Page 75)





Required Communications






• Our Responsibility Under U.S. GAAS

- Opinion on whether financial statements are fairly stated in accordance with U.S. GAAP
- Evaluate internal control over financial reporting including tone at the top
- Evaluate compliance with laws, contract and grants
- Ensure financial statements are clear and transparent
- Communicate with the governing body






• Management Responsibility

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

Required Communications

- Independence  It is our responsibility to maintain independence. We maintain our independence by strict adherence to the AICPA and the Board of Accountancy rules
- Timing of the Audit  Within the time frame communicated to the City in our engagement letters
- Management Judgment and Accounting Estimates 
 - Depreciation expense and related accumulated depreciation
 - Defined benefit plan (actuarial assumptions)
 - OPEB plan (actuarial assumptions)
- Representations Requested of Management  We obtained representations from management prior to issuance of our reports.
- Material Uncertainties Related to Events and Conditions  There were no material uncertainties related to events and conditions.

Required Communications

- Difficulties Encountered in Performing the Audit  None
- Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial  None.
- Deficiencies in Internal Control over Financial Reporting  No Material Weaknesses.
- 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.
- Fraud and Illegal Acts  None

Questions



Mitesh Desai
mdesai@b-acpa.com

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

