

**City of Sebastopol
Basic Financial Statements
June 30, 2008**

CITY OF SEBASTOPOL, CALIFORNIA
Basic Financial Statements
Fiscal Year Ended June 30, 2008
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FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS



Terry E. Krieg, CPA

Certified Public Accountant

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastopol, California, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Sebastopol's management. My responsibility is to express an opinion on these financial statements based on my audit.

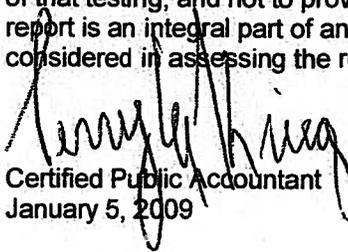
I conducted my audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastopol, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 2 through 11 and pages 39 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sebastopol's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated January 5, 2009 on my consideration of the City of Sebastopol's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.


Certified Public Accountant
January 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the *City of Sebastopol's* annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by about \$4.15 million over the course of this year's operations. The net assets of our business-type activities increased \$604,491, and there was a \$3,553,855 increase in the net assets of our governmental activities funds. A combined increase of about 28% over 2007 ending net asset balances.
- During the year, the City's total expenses were \$3,439,210 more than revenues from user charges, operating and capital grants. This shortfall was funded from general tax revenues such as property taxes, sales taxes, incremental property taxes and other taxes.
- The general fund reported a 2008 year end fund balance of \$1,512,149. The City has designated \$1,161,438 of this fund balance for future projects and financial funding purposes. The redevelopment project fund ended the year with a \$4,890,742 fund balance, and \$2,066,088 of that amount consists of advances made to the Agency's low and moderate income housing fund to provide cash to purchase land. The low and moderate fund ended fiscal 2008 with a deficit of \$2,094,677 as a result of spending for affordable housing projects. The city capital projects fund ended 2008 with \$0.5 million for capital projects, there was \$1.95 million available in the renewable energy fund at the end of 2008, and there was an additional \$2,241,461 in the City's non major funds.
- In our business-type activity funds, there was \$1.3 million in cash and investments set aside for capital improvements and an additional \$3 million in the wastewater fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional 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 funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* 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 a section of 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 single columns in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 section of management's discussion and analysis explains the structure and contents 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>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • 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 Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements of the City are divided into two categories:

- *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, 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

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law such as state gas funds and the low and moderate income housing fund of the Agency. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, grants or fees such as police grants and impact fees. The City has two kinds of funds:
- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The more significant funds of the City were:
 - The city's general fund which fund is used to account for unrestricted resources and general operations of the City
 - The redevelopment agency's administration fund used to account for tax increment revenues and other redevelopment activities.
 - The redevelopment agency's low and moderate income housing fund used to account for tax increment revenues and other resources used for affordable housing purposes.
 - The City's capital projects fund used to account for monies borrowed specifically for capital improvements
 - A clean renewable energy bond fund used to account for the monies borrowed under a special program for renewable energy projects
 - The mobile home park fund used to account for the purchase of land for future open space and affordable housing projects.

All other governmental funds are aggregated together and reported in a separate column.

- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City reports its water enterprise and wastewater enterprise funds as major funds with the financial information for each of these funds reported in a separate column in the proprietary fund's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITYAS A WHOLE

Net Assets. The City's *combined* net assets increased about \$4.15 million between fiscal years 2007 and 2008. (SeeTable A-1)

Table A-1
City of Sebastopol's Net Assets
(in rounded nearest one hundred dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$16,510,800	\$11,421,500	\$4,833,800	\$4,740,500	\$21,344,600	\$16,162,000	32.1%
Capital assets	7,891,600	6,692,300	4,170,000	3,728,100	12,061,600	10,420,400	15.8%
Total assets	24,402,400	18,113,800	9,003,800	8,468,600	33,406,200	26,582,400	25.7%
Long-term debt outstanding	10,738,000	8,692,500	1,720,600	1,948,300	12,458,600	10,640,800	17.1%
Other liabilities	2,041,500	1,352,200	257,600	99,200	2,299,100	1,451,400	58.4%
Total liabilities	12,779,500	10,044,700	1,978,200	2,047,500	14,757,700	12,092,200	22.0%
Net assets							
Invested in capital assets	(62,700)	(736,400)	3,640,800	3,557,200	3,578,100	2,820,800	26.9%
Restricted	10,959,000	7,752,500			10,959,000	7,752,500	41.4%
Unrestricted	726,600	1,053,000	3,384,800	2,863,900	4,111,400	3,916,900	0.5%
Total net assets	\$11,622,900	\$8,069,100	\$7,025,600	\$6,421,100	\$18,648,500	\$14,490,200	28.7%

Net assets of the City's governmental activities increased about 43% percent or about \$3.5 million. About 97% of the net assets relating to governmental activities is represented the City's cash, investments, accounts and notes receivable. The City has about \$10.7 million in long-term debt being used to finance governmental operations; and of that amount \$7.7 million in debt relates to the City's Community Development Agency and related redevelopment activities.

Although the net assets of our business-type activities increased by 8 percent to \$ 7.03 million, these resources cannot be used for governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and wastewater operations.

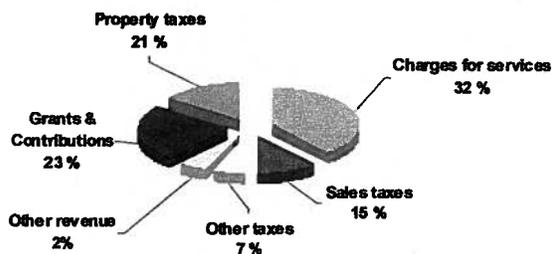
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

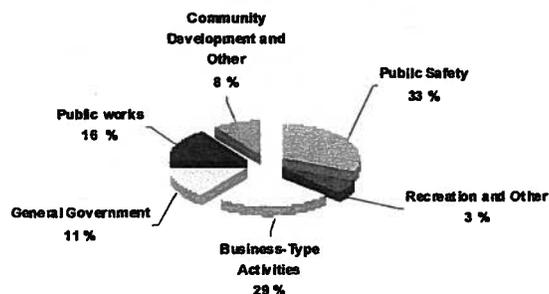
Changes in net assets. The City's total revenues increased to about \$14.6 million (See Table A-2.) in 2008 compared to \$12.3 million in 2007. About 43 percent of the City's revenue comes from property taxes, transient occupancy, sales taxes, and other taxes. Another 32 percent comes from fees charged for services, and most of the rest is state and local aid and grants.

The total cost of all programs and services increased approximately \$1,263,600 or about 12.9 percent to \$11.1 million. The City's expenses cover a range of services, with about 29 percent related to business type activities, 33 percent for public safety services, and the remaining 38.1 percent for general government, public works, parks and community programs.

Sources of Revenue for Fiscal Year 2008



Functional Expenses For Fiscal Year 2008



Governmental Activities

Revenues for the City's governmental activities increased by a net \$2,209,000, while total expenses increased by \$1,097,600 over fiscal year 2007.

Governmental activities recorded greater grant revenues in fiscal 2008 than in fiscal 2007, and that is why there is a \$1,773,200 increase in grants and contributions in fiscal 2008. The City in fiscal 2008 recognized \$800,000 in grant revenues to help finance the mobile home park purchase; and also recognized \$622,000 in grant revenues related to the skate park project. The City also earned \$256,000 in grants for the vehicle collision program in fiscal 2008. There was also a \$486,400 increase in charges for services related to development fees.

After all operations for 2008 were completed, the net assets of our governmental activities increased by about a net \$2.98 million before special items. In addition, there was a special item, gain from the sale of land for affordable housing, which sale was reported as a gain of 575,590. This special item combined with the \$2.98 million increase from operations resulted in the combined \$3,553,855 increase in net assets for fiscal 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table A-2

Changes in City of Sebastopol's Net Assets
(in rounded nearest one hundred dollars)

	Governmental Activities		Business Type Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program revenues							
Charges for services	\$1,318,800	\$832,400	\$3,369,800	\$3,337,400	\$4,688,600	\$4,169,800	12.4%
Grants and contributions	2,513,500	740,300	422,400	100,500	2,935,900	840,800	249.2%
General revenues							
Property taxes	3,048,000	2,955,000	12,500	229,600	3,060,500	3,184,600	-3.9%
Other taxes	3,559,900	3,685,400			3,559,900	3,685,400	-3.4%
Other	401,500	419,600			401,500	419,600	-4.3%
Total revenues	10,841,700	8,632,700	3,804,700	3,667,500	14,646,400	12,300,200	19.1%
Expenses							
General government	1,257,100	1,060,500			1,257,100	1,060,500	18.5%
Public safety	3,662,500	3,507,800			3,662,500	3,507,800	4.4%
Community development	282,800	552,700			282,800	552,700	-48.8%
Public works	1,749,800	837,000			1,749,800	837,000	109.1%
Parks and recreation	334,700	374,400			334,700	374,400	-10.6%
Water			1,198,900	1,089,300	1,198,900	1,089,300	10.1%
Wastewater			2,002,600	1,946,200	2,002,600	1,946,200	2.9%
Interest	575,260	432,200			575,300	432,200	33.1%
Total expenses	7,862,200	6,764,600	3,201,500	3,035,500	11,063,700	9,800,100	12.9%
Increase in Net assets	2,979,500	1,868,100	603,200	632,000	3,582,700	2,500,100	43.3%
Transfers	(1,300)		1,300				
Special item:							
Gain on sale of land	575,600				575,600		100.0%
Change in net assets	3,553,800	1,868,100	604,500	632,000	4,158,300	2,500,100	66.3%
Net assets, beginning	8,069,100	6,201,000	6,421,100	5,789,100	14,490,200	11,990,100	
Net asset, ending	\$11,622,900	\$8,069,100	\$7,025,600	\$6,421,100	\$18,648,500	\$14,490,200	29.3%

Table A-3 presents the cost of each of the City's largest governmental programs – administration or general government, safety, community development, and public works.

- The cost of all *governmental* activities this year was \$7.86 million, about \$1,097,600 greater than the total cost as reported in fiscal year 2007. About 83 percent of the cost increases in fiscal 2008 was \$912,800 in public works for street maintenance and other projects not meeting the City's criteria for capitalization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

- Of the \$7.86 million cost of the City's governmental activities programs, our taxpayers paid for \$4.03 million of the program costs. Some of the cost was paid by:
 - Those who directly benefited from the programs; \$1,318,795 or
 - Other governments and organizations that subsidized certain programs with grants and contributions; \$2,513,500
- The City paid for the \$4.03 million "public benefit" portion by using about 57% of the City's general tax revenues.

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General Government	\$1,257,100	\$1,060,500	18.5%
Public Safety	3,662,500	3,507,800	4.4%
Community development	282,800	552,700	-48.8%
Public Works	1,749,800	837,000	109.1%
Parks and recreation	334,700	374,400	-10.6%
All other	575,300	432,200	33.1%
Total	<u><u>\$7,862,200</u></u>	<u><u>\$6,764,600</u></u>	<u><u>16.2%</u></u>

The most significant cost increase in fiscal 2008 in terms of dollars was in public works as the City increased spending for traffic improvements through grant programs in this area. General government costs increases also related to higher employer pension contributions to the PERS and legal costs.

Business-type Activities

Revenues of the City's business-type increased by about \$60,000 as a result of one-time type revenues such as contributions, capital connection fees and settlements. Expenses increased about \$166,000 to about \$3.2 million as a result of increased operating costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of \$9 million, about a \$125,000 decrease compared to the end of fiscal 2007. The reason for the decrease in fiscal 2008 compared to an increase in fiscal 2007 was that monies were expended in 2008 for development of public works projects and solar energy installations.

The City's spending for general fund operations was about \$172,000 more than general fund revenues. The general fund ended fiscal 2008 with a fund balance of about \$1.5 million. Of that fund balance, about \$1.16 million is designated for anticipated future financial needs and for emergencies that might arise in compliance with the financial management policy adopted by the City Council.

There was an additional \$4.90 million fund balance at year end in the Redevelopment Agency's Administration fund. Of that amount, about \$2.1 million is *not available* because of cash advanced to the low and moderate income housing fund to help finance the purchase of land for affordable housing projects. The Agency intends that the cash advance will be repaid over the next several years from the 20 percent of tax increment revenues to be set aside in the low and moderate fund.

The City's capital projects fund had an additional \$477,767 in lease financing proceeds available for capital improvements. In addition, we had \$1.95 million available in our clean renewable energy bond fund for energy conservation projects; the result of a special borrowing program where the City is charged zero interest on the borrowed funds. The mobile home park fund had a zero fund balance; but the fund used \$800,000 in grant revenues and \$817,500 in capital lease financing to make the park purchase. The City's non major special revenue funds ended the fiscal 2008 year with a combined fund balance of about \$2.24 million.

The City's water and wastewater funds ended the 2008 fiscal year with about \$466,260 and \$866,349 in short-term investments, respectively in unexpended lease financing proceeds available for future capital projects. In addition, the wastewater fund ended the 2008 fiscal year with an additional \$3.04 million in cash and investments.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into two categories:

- Changes made at the midyear budget review for unanticipated revenues and costs.
- Increases in appropriations to prevent budget overruns.

Even with these adjustments, actual expenditures and transfers out were \$545,234 more than final budget amounts. These excess expenditures, primarily for legal, employee benefits, and public works purposes, were funded from available general fund resources. General fund revenues were about \$229,000 more than the final budget as a result of transfers from other funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008 the City had invested \$12 million in a broad range of capital assets, including equipment, vehicles, streets, buildings, park facilities, and water and wastewater systems. (See Table A-4.) This amount represents a net increase (including additions and deductions) of about \$1.6 million or 15.4 percent, over last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 2.6	\$ 2.9	\$.1	\$.1	\$ 2.7	\$3.0	-10%
Buildings	5.5	5.5	-	-	5.5	5.5	0%
Machinery and equipment	1.6	1.2	.4	.4	2.0	1.6	25%
Vehicles	2.3	2.2	-	-	2.3	2.2	4.5%
Infrastructure and systems	2.1	.8	8.2	7.5	10.3	8.3	24.1%
Accumulated depreciation	(6.3)	(5.9)	(4.5)	(4.0)	(10.8)	(10.2)	5.9%
Total	\$ 7.8	\$ 6.7	\$ 4.2	\$ 3.7	\$ 12.0	\$10.4	15.4%

This year's major capital assets additions included:

- About \$1,373,000 expended for Skate Park improvements
- About \$386,000 expended for solar power installations

Additional information about capital assets can be found starting on page 29 of the notes to the basic financial statements.

Long-term Debt

On an overall basis, the City increased its long-term debt obligations by about \$2 million in fiscal 2008. The increase was the result primarily of a new \$2.07 million lease financing arrangement for energy conservation projects with zero interest on the borrowed funds for the life of the loan and the \$817,500 lease financing for the mobile home park purchase; both net of scheduled retirements.

In addition, the City's redevelopment agency advanced refunded and retired \$4.64 million in tax allocation bonds by issuing \$4.57 million in 2007 tax allocation bonds. The Agency did the advance refunding in order to take advantage of lower interest rates and to reduce the aggregate total of future debt service payments.

Additional information about the City's long-term obligations can be found starting on page 31 of the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2009 fiscal year, general fund revenue projections have been conservative compared to higher revenue projections in the past years.

- The budget projects that there will only be about a 0.5 percent increase in general fund revenues
- The budget is balanced using \$18,000 of general fund resources available in unallocated reserves.
- A small increase in utility user fee rates are proposed for fiscal 2009, based on a user fee study
- No tax increases are proposed for fiscal 2009
- Selected general fund user fee increases are proposed for fiscal 2009

General fund 2009 budgeted appropriations are set at \$ 5.2 million. This is about a 1.3 percent increase over fiscal 2008 actual general fund expenditures.

The 2009 budget has proposed capital project spending of about \$464,000 with \$100,000 for street related projects.

As to the City's business-type activities, about \$3.4 million is expected to be spent in 2009 to conduct operations and make capital improvements. In this regard the City expects to:

- Increase water and wastewater rates by a small percentage
- Pay for operating costs from charges for services to system users

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 Finance Director, City of Sebastopol, 7120 Bodega Avenue, Sebastopol, CA 95472.

CITY OF SEBASTOPOL
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,329,498	\$ 3,044,941	\$ 9,374,439
Net receivables	1,568,261	476,270	2,044,531
Total current assets	7,897,759	3,521,211	11,418,970
Noncurrent assets:			
Cash and cash equivalents	2,434,370	1,312,609	3,746,979
Long-term notes receivable	5,638,712	-	5,638,712
Other long-term receivables	305,000	-	305,000
Debt issuance costs	234,966	-	234,966
Net capital assets	7,891,615	4,170,021	12,061,636
Total noncurrent assets	16,504,663	5,482,630	21,987,293
Total assets	\$ 24,402,422	\$ 9,003,841	\$ 33,406,263
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,108,811	\$ 80,517	\$ 1,189,328
Compensated absences	300,000	40,536	340,536
Deposits	239,273	10,124	249,397
Accrued interest payable	37,533	5,311	42,844
Bonds, leases, and agreements due within one year	898,531	121,155	1,019,686
Total current liabilities	2,584,148	257,643	2,841,791
Long-term liabilities due in more than one year:			
Tax allocation bonds	4,050,000	-	4,050,000
Special assessment bonds	295,000	-	295,000
Agreements and loans	128,299	181,794	310,093
Capital lease obligations	5,366,177	1,538,844	6,905,021
Loss on advance refundings	(114,281)	-	(114,281)
Compensated absences	470,166	-	470,166
Total long-term liabilities	10,195,361	1,720,638	11,915,999
Total liabilities	12,779,509	1,978,281	14,757,790
NET ASSETS			
Invested in capital assets, net of related debt	(62,775)	3,640,837	3,578,062
Restricted for:			
Capital projects	3,141,074	-	3,141,074
Housing	5,546,671	-	5,546,671
Debt service	364,174	-	364,174
Public safety	546,204	-	546,204
Streets	1,360,881	-	1,360,881
Unrestricted	726,684	3,384,723	4,111,407
Total net assets	11,622,913	7,025,560	18,648,473
Total liabilities and net assets	\$ 24,402,422	\$ 9,003,841	\$ 33,406,263

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Activities
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	City Government		
				Governmental Activities	Business-type Activities	Total
City government						
Governmental activities:						
General government	1,257,095	\$ 418,504	\$ -	\$ (838,591)	\$ -	\$ (838,591)
Public safety	3,662,497	231,549	435,977	(2,913,755)	-	(2,913,755)
Community development	282,863	-	81,216	(282,863)	-	(282,863)
Public works	1,749,796	579,199	168,266	(742,969)	-	(742,969)
Parks and recreation	334,684	89,543	435	1,323,535	-	1,323,535
Interest on long-term debt	575,260	-	-	(575,260)	-	(575,260)
Total governmental activities	7,862,195	1,318,795	604,678	(4,029,903)	-	(4,029,903)
Business-type activities:						
Water	1,198,851	1,128,518	-	-	12,257	12,257
Wastewater	2,002,629	2,241,253	-	-	578,436	578,436
Total business-type activities	3,201,480	3,369,771	-	-	590,693	590,693
Total City government	\$ 11,063,675	\$ 4,688,566	\$ 604,678	(4,029,903)	590,693	(3,439,210)
General revenues and transfers						
Taxes:						
Property taxes				\$ 1,042,208	\$ 12,522	\$ 1,054,730
Sales taxes				1,580,007	-	1,580,007
Motor vehicle in lieu taxes				593,251	-	593,251
Transient occupancy taxes				318,636	-	318,636
Other taxes				1,067,988	-	1,067,988
Incremental property taxes				2,005,780	-	2,005,780
Unrestricted interest and investment earnings				235,897	-	235,897
Other general revenues				165,677	-	165,677
Transfers				(1,276)	1,276	-
Total general revenues and transfers				7,008,168	13,798	7,021,966
Special item: Gain on sale of land				575,590	-	575,590
Change in net assets				3,553,855	604,491	4,158,346
Net assets, beginning				8,069,058	6,421,069	14,490,127
Net assets, ending				\$ 11,622,913	\$ 7,025,560	\$ 18,648,473

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Redevelopment Administration Fund	Redevelopment Low and Moderate Income Housing	City Capital Projects	Clean Renewable Energy Bonds	Mobile Home Park	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 850,584	\$ 2,833,598	\$ -	\$ 477,767	\$ 1,956,603	\$ -	\$ 2,645,316	\$ 8,763,868
Taxes receivable	161,924	-	-	-	-	-	-	161,924
Due from other governments	-	-	-	-	-	800,000	606,337	1,406,337
Assessments receivable	-	-	-	-	-	-	305,000	305,000
Notes receivable	-	63,452	5,575,260	-	-	-	-	5,638,712
Advances to other funds	895,649	2,086,088	-	-	-	-	-	2,961,737
Total assets	\$ 1,908,157	\$ 4,963,138	\$ 5,575,260	\$ 477,767	\$ 1,956,603	\$ 800,000	\$ 3,556,653	\$ 19,237,578

LIABILITIES AND FUND BALANCES

	General Fund	Redevelopment Administration Fund	Redevelopment Low and Moderate Income Housing	City Capital Projects	Clean Renewable Energy Bonds	Mobile Home Park	Other Governmental Funds	Total Governmental Funds
LIABILITIES								
Liabilities:								
Accounts payable	\$ 70,248	\$ 8,944	\$ 28,589	\$ -	\$ -	\$ -	\$ 914,543	\$ 1,022,324
Due to other governments	86,487	-	-	-	-	-	-	86,487
Advances from other funds	-	-	2,066,088	-	-	800,000	95,649	2,961,737
Deposits	239,273	-	-	-	-	-	-	239,273
Deferred revenue	-	63,452	5,575,260	-	-	-	305,000	5,943,712
Total liabilities	396,008	72,396	7,669,937	-	-	800,000	1,315,192	10,253,533
Fund balances:								
Reserved	-	2,066,088	-	-	-	-	59,174	2,125,262
Unreserved, designated	1,161,438	10,866	-	477,767	1,956,603	-	-	3,606,674
Unreserved, undesignated	350,711	2,813,788	(2,094,677)	-	-	-	-	1,069,822
Unreserved reported in nonmajor:								
Capital projects funds	-	-	-	-	-	-	252,968	252,968
Special revenue funds	-	-	-	-	-	-	1,929,319	1,929,319
Total fund balances	1,512,149	4,880,742	(2,094,677)	477,767	1,956,603	-	2,241,461	8,984,045
Total liabilities and fund balances	\$ 1,908,157	\$ 4,963,138	\$ 5,575,260	\$ 477,767	\$ 1,956,603	\$ 800,000	\$ 3,556,653	\$ 19,237,578

Total Governmental Fund Balances

Amounts reported for governmental activities in the statement of net assets are different because:

- Capital assets used in governmental activities and debt issue costs are not financial resources and therefore are not reported in the funds
- Other long-term assets are not available to pay for current-period expenditures and are therefore offset by deferred revenue in the funds
- Debt issuance costs are recorded as an resource outflow in the funds, but are capitalized and amortized to expense in the statement of activities
- Interest payable is accrued as a liability in the statement of net assets but is reported as a liability in the funds only when due
- Some liabilities including tax allocation notes, claims and compensated absences are not due and payable in the current period and therefore are not reported in the funds

Net Assets of Governmental Activities

See accompanying notes to the basic financial statements

\$ 8,984,045

7,891,615

5,943,712

234,966

(37,533)

(11,399,892)

\$ 11,622,913

CITY OF SEBASTOPOL
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General Fund	Redevelopment			City Capital Projects	Clean Renewable Energy Bonds	Mobile Home Park	Other Governmental Funds	Total Governmental Funds
		Redevelopment Administration Fund	Low and Moderate Income Housing	Redevelopment Moderate Income Housing					
REVENUES									
Property taxes	\$ 1,042,207	\$ 1,531,063	\$ 474,717	\$ -	\$ -	\$ -	\$ -	\$ 3,047,987	
Sales taxes	1,580,007	-	-	-	-	-	568,485	2,148,492	
Other taxes	739,034	-	-	-	-	-	-	739,034	
Licenses and permits	380,756	-	-	-	-	-	-	380,756	
Fines and forfeits	86,898	-	-	-	-	-	-	86,898	
Intergovernmental	605,778	-	-	-	-	800,000	1,583,860	2,989,638	
Interest and rents	108,768	116,861	11,045	30,107	10,434	-	86,276	363,491	
Charges for services	355,840	-	-	-	-	-	531,378	887,218	
Miscellaneous	63,247	13,538	48,200	-	-	-	73,237	198,222	
Total revenues	4,962,535	1,661,462	533,962	30,107	10,434	800,000	2,843,236	10,841,736	
EXPENDITURES									
Current:									
General government	1,239,899	-	-	-	-	-	-	1,239,899	
Public safety	3,209,259	-	-	-	-	-	174,753	3,384,012	
Community development	-	249,228	4,304,051	-	-	-	7,194	4,560,473	
Parks and recreation	289,091	-	-	-	-	-	25,560	314,651	
Public works	396,423	-	-	-	-	-	1,062,311	1,458,734	
Capital outlay	-	-	-	-	-	1,654,777	2,623,483	4,278,260	
Debt service:									
Payment to refunded bond escrow agent	-	490,742	26,813	-	-	-	-	517,555	
Costs of debt issuance	-	234,966	-	-	127,831	17,500	-	380,297	
Principal	-	584,333	14,328	-	-	24,828	157,858	781,347	
Interest	-	164,670	12,963	-	-	30,076	99,422	307,131	
Total expenditures	5,134,672	1,723,939	4,358,155	-	127,831	1,727,181	4,150,581	17,222,359	
Excess (deficiency) of revenues over expenditures	(172,137)	(62,477)	(3,824,193)	30,107	(117,397)	(927,181)	(1,307,345)	(6,380,623)	
OTHER FINANCING SOURCES (USES)									
Sale of capital assets	-	-	3,120,000	-	-	-	-	3,120,000	
Proceeds of long-term debt	-	4,575,000	-	-	2,074,000	817,500	-	7,466,500	
Payment to refunded bond escrow agent	-	(4,329,490)	-	-	-	-	-	(4,329,490)	
Transfers in	184,341	-	-	-	-	109,681	1,754,602	2,048,624	
Transfers out	(310,834)	-	(109,681)	(786,048)	-	-	(943,337)	(2,049,900)	
Total other financing sources (uses)	(126,493)	245,510	3,010,319	(786,048)	2,074,000	927,181	911,265	6,255,734	
Net change in fund balances	(298,630)	183,033	(813,874)	(755,941)	1,956,603	-	(396,080)	(124,889)	
Fund balances, July 1	1,810,779	4,707,709	(1,280,803)	1,233,708	-	-	2,637,541	9,108,934	
Fund balances, June 30	\$ 1,512,149	\$ 4,890,742	\$ (2,094,677)	\$ 477,767	\$ 1,956,603	\$ -	\$ 2,241,461	\$ 8,984,045	

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (124,889)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$4,075,509 exceeded depreciation \$331,813 in the current period.	3,743,696
Governmental funds report interest on long-term debt when payment is due, but interest expenses is accrued as incurred in the statement of activities	405
Governmental funds report long-term receivables but defer revenue from them until collections are actually received. In the statement of activities, principal collections on receivables are not reported as revenues. Disbursements made for long-term loans are recorded as expenditures in the funds, but are not recorded as additions to receivables in the statement of activities	4,277,610
Governmental funds report payments on long-term debt as expenditures, but such payments reduce liabilities in the statement of net assets and therefore are not recorded as expenses in the statement of activities	5,420,985
Governmental funds report proceeds of long-term debt as a current financial inflow but issuing debt increases liabilities in the statement of net assets and therefore is not reported in the statement of activities	(7,466,500)
Proceeds from the sale of land are reported at gross in the funds' statements but only the gain is reported in the statement of activities	(2,544,409)
Debt issuance costs are reported as financial outflows in the fund statements, but are capitalized and amortized to expense in the statement of activities	204,888
Losses on debt refundings are reported as a financial outflow in the fund statements but are capitalized and amortized to expense in the statement of activities	114,281
Long-term obligations such as claims and compensated are recorded in the governmental funds only when due, but are recorded as liabilities in the statement of net assets when incurred	<u>(72,212)</u>
Net adjustment to reconcile to changes in net assets	<u>3,678,744</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,553,855</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,044,941	\$ 3,044,941
Accounts receivable	197,365	278,905	476,270
Total current assets	<u>197,365</u>	<u>3,323,846</u>	<u>3,521,211</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	446,260	866,349	1,312,609
Advances to other funds	-	503,619	503,619
Net other assets	<u>446,260</u>	<u>1,369,968</u>	<u>1,816,228</u>
Capital assets:			
Land	86,440	-	86,440
Pipelines and distribution system	4,148,377	-	4,148,377
Collection system	-	2,671,351	2,671,351
Reservoir	1,400,613	-	1,400,613
Equipment	67,037	361,700	428,737
Less accumulated depreciation	<u>(2,561,395)</u>	<u>(2,004,102)</u>	<u>(4,565,497)</u>
Net capital assets	<u>3,141,072</u>	<u>1,028,949</u>	<u>4,170,021</u>
Total noncurrent assets	<u>3,587,332</u>	<u>2,398,917</u>	<u>5,986,249</u>
Total assets	<u>\$ 3,784,697</u>	<u>\$ 5,722,763</u>	<u>\$ 9,507,460</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 44,205	\$ 36,312	\$ 80,517
Compensated absences	16,214	24,322	40,536
Accrued interest payable	5,311	-	5,311
Advances from other funds	503,619	-	503,619
Deposits	10,124	-	10,124
Long-term debt due in one year	95,527	25,628	121,155
Total current liabilities	<u>675,000</u>	<u>86,262</u>	<u>761,262</u>
Long-term debt due in more than one year:			
Capital lease obligations	814,683	724,161	1,538,844
Installment agreement	120,694	-	120,694
Loans	61,100	-	61,100
Total long-term debt due in more than one year	<u>996,477</u>	<u>724,161</u>	<u>1,720,638</u>
Total liabilities	<u>1,671,477</u>	<u>810,423</u>	<u>2,481,900</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,495,328	1,145,509	3,640,837
Unrestricted	<u>(382,108)</u>	<u>3,766,831</u>	<u>3,384,723</u>
Total net assets	<u>\$ 2,113,220</u>	<u>\$ 4,912,340</u>	<u>\$ 7,025,560</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 1,078,974	\$ 2,055,390	\$ 3,134,364
Other operating revenues	4,732	41,547	46,279
Total operating revenues	<u>1,083,706</u>	<u>2,096,937</u>	<u>3,180,643</u>
OPERATING EXPENSES			
Personnel services	211,484	163,000	374,484
Interfund charges for services	393,667	299,789	693,456
Contractual and other services	232,294	53,585	285,879
Intergovernmental treatment costs	-	1,303,544	1,303,544
Utilities	92,310	-	92,310
Supplies	52,812	37,690	90,502
Insurance, claims, and expenses	2,760	8,279	11,039
Depreciation	155,150	99,584	254,734
Total operating expenses	<u>1,140,477</u>	<u>1,965,471</u>	<u>3,105,948</u>
Operating income (loss)	<u>(56,771)</u>	<u>131,466</u>	<u>74,695</u>
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	-	12,522	12,522
Interest and investment revenue	44,812	144,316	189,128
Interest expense	(58,374)	(37,158)	(95,532)
Net non-operating revenues (expenses)	<u>(13,562)</u>	<u>119,680</u>	<u>106,118</u>
Income before contributions and transfers	<u>(70,333)</u>	<u>251,146</u>	<u>180,813</u>
Contributions and transfers			
Transfers	-	1,276	1,276
Capital contributions	82,590	339,812	422,402
Total contributions and transfers	<u>82,590</u>	<u>341,088</u>	<u>423,678</u>
Change in net assets	12,257	592,234	604,491
Total net assets, July 1	<u>2,100,963</u>	<u>4,320,106</u>	<u>6,421,069</u>
Total net assets, June 30	<u>\$ 2,113,220</u>	<u>\$ 4,912,340</u>	<u>\$ 7,025,560</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,102,246	\$ 2,017,262	\$ 3,119,508
Payments to suppliers	(371,470)	(1,370,482)	(1,741,952)
Payments to employees	(209,964)	(160,718)	(370,682)
Payments to other funds for services	(393,667)	(299,789)	(693,456)
Other operating receipts	4,732	41,547	46,279
Net cash provided by (used for) operating activities	<u>131,877</u>	<u>227,820</u>	<u>359,697</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	-	1,276	1,276
Property taxes	-	12,522	12,522
Repayment of advances from other funds	(110,533)	110,533	-
Net cash provided by noncapital financing activities	<u>(110,533)</u>	<u>124,331</u>	<u>12,522</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	82,590	339,812	422,402
Principal payments on long-term debt	(80,723)	(25,783)	(106,506)
Interest paid on long-term debt	(60,290)	(43,368)	(103,658)
Purchases of capital assets	(502,428)	(194,197)	(696,625)
Net cash provided by (used for) capital and related financing activities	<u>(560,851)</u>	<u>76,464</u>	<u>(484,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	44,812	144,316	189,128
Net cash provided by investing activities	<u>44,812</u>	<u>144,316</u>	<u>189,128</u>
Net increase (decrease) in cash and cash equivalents	(494,695)	572,931	78,236
Cash and cash equivalents beginning of the year	940,955	3,338,359	4,279,314
Cash and cash equivalents-end of the year	<u>\$ 446,260</u>	<u>\$ 3,911,290</u>	<u>\$ 4,357,550</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (56,771)	\$ 131,466	\$ 74,695
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	155,150	99,584	254,734
Change in assets and liabilities:			
Receivables, net	23,002	(38,128)	(15,126)
Accounts payable	8,706	32,616	41,322
Other liabilities	1,790	2,282	4,072
Net cash provided by (used for) operating activities	<u>\$ 131,877</u>	<u>\$ 227,820</u>	<u>\$ 359,697</u>

Noncash capital financing activities:

None.

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements June 30, 2008

1. Summary of Significant Accounting Policies

A. 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 Redevelopment Agency of the City of Sebastopol is a legally separate entity for which the City is financially accountable and it is governed by the elected City Council. The financial activities of the Agency are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

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.

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The City's *Capital Projects Fund* accounts for debt proceeds restricted for capital projects. The *Clean Renewable Energy Bonds Fund* is used to account for the money borrowed under this zero interest leasing program. The *Mobile Home Park Fund* is used to account for grants and lease financing used to purchase potential open space parcels of land.

The *Redevelopment Agency's Capital Projects Administration Fund* is maintained to account for the tax increment revenues used to fund debt service and other redevelopment activities. The *Low and Moderate Income Housing Fund* is used to account for resources that are restricted for use in affordable housing programs and activities.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water treatment and distribution system. The *wastewater fund* accounts for the operation of the City's wastewater collection activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 or applicants for goods, services, or privileges provided, 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.

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

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City is authorized by its most recent investment policy 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.

Investments for the City are reported at fair value. The Sonoma County Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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 market 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.

3. 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.

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. 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 estimated fair market 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.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

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

5. Compensated Absences

It is the government'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. 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.

6. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans in compliance with adopted general financial policies of the City and are tentative and are subject to change

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$ 7,891,615 difference are as follows:

Capital assets and debt issuance costs	\$ 14,153,331
Less: Accumulated depreciation	<u>(6,261,716)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 7,891,615</u>

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$11,393,892 difference are as follows:

Long-Term Debt Obligations:	
Tax allocation bonds	\$ 4,300,000
Refunding capital lease	1,826,138
Installment agreement	1,106,497
Special assessment bonds	305,000
CEC Loan	148,438
Capital lease obligations-equipment	185,262
Capital lease obligations –Clean renewable energy bonds	2,074,000
Capital lease obligation – Mobile Home Park	792,672
Loss on advance refunding	(114,281)
Compensated absences	<u>770,166</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	<u>\$ (11,393,892)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 3,678,744 difference and other significant components of the difference are as follows:

Capital outlay	\$ 4,075,509
Depreciation expense	(331,813)
Repayment of long-term debt principal	5,420,985
Long-term receivables deferred in the funds	4,277,610
Proceeds of long-term debt	(7,466,500)
Proceeds from the sale of land	(2,544,409)
Other items	<u>247,362</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,678,744</u>

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental 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. Expenditure budgets were significantly exceeded by the General Fund \$545,234; Measure M \$298,664, Federal funds \$255,071, Mobile Home Park Fund \$1,727,181, Skate Park \$936,529, CEC Loan and Solar \$610,322, Fire grants \$89,043, Parks projects \$72,580, Vehicle collision grant \$256,265, traffic congestion \$149,145 and redevelopment low and moderate housing by \$2,275,867. The expenditures were funded by available resources.

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2008 consisted of the following:

Pooled demand deposits	\$ 338,914
Pooled investments	12,733,541
Investments with trustees	<u>48,963</u>
 Total deposits and investments	 <u>\$13,121,418</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than five years. At June 30, 2008, \$ 369,496 of the City's bank balances of \$ 517,147 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 369,496</u>
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Investments - At June 30, 2008, the City had the following investments.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Sonoma County Investment Pool	Average 394 days	\$ 8,986,561
GS Fin Sq Gov Fund - Mutual Fund	Average 43 days	1,956,603
FIMM Treasury Fund - Mutual Fund	Average 60 days	1,790,377
First American Treasury - Mutual Fund	Average 60 days	<u>48,963</u>
 Totals		 <u>\$ 12,782,504</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to investments have a maturity date of five years or less at the time of purchase. The investments in mutual funds are investments made pursuant to trust indentures for related debt.

Credit Risk - State law limits investments in various securities to certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with State law as regards securities ratings. The City's investment in mutual funds was rated AAA by Moody's Investor Service. The County Investment Pool was unrated.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments(Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$3,795,943 investment other than the County Pool, the entire \$3,795,943 is held by the investment's counterparty in the name of the City. The City's investment policy specifies that securities are to be held by a third party, other than the counterparty, in the City's name, whenever possible.

B. Composition of Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Redevelopment Funds</u>	<u>Other Funds</u>	<u>Total Governmental</u>	<u>Water</u>	<u>Wastewater</u>
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 197,365	\$ 278,905
Taxes	161,924	-	-	161,924	-	-
Governments	-	-	1,406,337	1,406,337	-	-
Notes/loans	-	5,638,712	-	5,638,712	-	-
Assessments	-	-	305,000	305,000	-	-
Totals	\$ 161,924	\$ 5,638,712	\$ 1,711,337	\$ 7,511,973	\$ 197,365	\$ 278,905

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers of June 30, 2008, is as follows:

	<u>General Fund</u>	<u>Mobile Home Park</u>	<u>Nonmajor Funds</u>	<u>Water and Wastewater</u>	<u>Total Transfers Out</u>
Transfers In:					
Transfers Out:					
General fund	\$ -	\$ -	\$ 310,834	\$ -	\$ 310,834
Low Moderate	-	109,681	-	-	109,681
City Capital Project	-	-	786,048	-	786,048
Nonmajor funds	184,341	-	657,720	1,276	843,337
Totals	\$184,341	\$ 109,681	\$ 1,754,602	\$ 1,276	\$ 2,049,900

The transfers out of the general fund and the capital projects fund were made primarily to fund routine project costs.

2. The composition of interfund balances was:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Redevelopment admin	Redevelopment low moderate income housing	\$ 2,066,088
General fund	Nonmajor funds	95,649
General fund	Mobile Home Park	800,000
Wastewater enterprise	Water enterprise	503,619
	Total	\$ 3,465,356

The cash advances to the low and moderate income housing fund were made to fund land purchases, and the advance to the water fund was made to fund cash flow operating needs. The \$2.06 million advance to the low moderate fund is long-term to be repaid from future tax increment revenues.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

D. Long-Term Notes and Loans Receivable

<u>Party to Loan</u>	<u>Purpose of Loan</u>	<u>Amount</u>
Individual homeowners	Individual home rehabilitation	\$ 382,712
Burbank Housing Corporation	Acquisition and construction loan	1,600,000
Burbank Housing Corporation	Property acquisition loan	300,000
Affordable Housing Associates	Acquisition and construction loan	3,340,000
Chamber of Commerce	Business development loan	16,000
	Totals	<u>\$5,638,712</u>

The \$382,712 housing rehabilitation loans bear interest at 3 to 6 percent with some loans deferred with no interest. Repayable loans are to be repaid in monthly installments of principal and interest taken together over terms of 15 to 30 years.

The City's Redevelopment Agency has an agreement with Burbank Housing Corporation for the development and construction of affordable housing units within the City. Among other matters, the agreement provides that the City shall loan Burbank up to \$50,000 for each of 20 units to be constructed; and the \$1,000,000 may be used for any approved project costs. In addition, the City is to consider additional strategies to provide up to an additional \$600,000 of project financing. The \$1,000,000 initial loan is ultimately to be assumed on a proportionate basis by the homebuyers of the affordable units.

If Burbank is unable to obtain additional financing to complete the project, the project may be returned to the City's Redevelopment Agency and all Agency loans may be forgiven. The monies advanced to Burbank as of June 30, 2008 have been primarily for project design costs and construction. Under the arrangement, the Agency is to sell a two acre parcel of land to Burbank as the Project site. The sales price shall be \$900,000 or a lesser price if agreed to by the parties. At June 30, 2008, the escrow for the purchase of the two acre parcel had closed.

The homebuyers are to execute a deed of trust in favor of the City's Redevelopment Agency for their proportionate share of the Agency's provided funding. The deeds of trust shall be junior to any first or second mortgage deeds of trust. The related Agency loan shall be repayable if the housing units are sold to non-qualifying buyers or there are otherwise violations of the affordability restrictions and covenants.

The \$300,000 property acquisition loan bears interest at 3 percent and is to be repaid partially upon the sale of each unit of affordable housing to be constructed on the site. The entire balance of the loan is due in full five years after closing of escrow on the land parcel. The City's Agency at its option may further extend the maturity date of this loan.

The Agency has an agreement with Affordable Housing Associates for the development of affordable housing including a \$1,920,000 loan for land acquisition and \$1,420,000 loan for construction financing. The loan bears interest at 3 percent per annum payable out of residual receipts from operation of the facility, should residual receipts be generated and in any event all unpaid principal and interest is due and payable 55 years after a certificate of occupancy is issued for the facility. The loan is secured by a deed of trust and a regulatory agreement.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,891,696	\$ -	\$ 2,544,409	\$ 347,287
Mobile Home Park land parcel	-	1,628,372	-	1,628,372
Construction in progress	-	595,900	-	595,900
Total capital assets, not being depreciated	<u>2,891,696</u>	<u>2,224,272</u>	<u>2,544,409</u>	<u>2,571,559</u>
Capital assets, being depreciated:				
Buildings	5,493,175	-	-	5,493,175
Machinery and equipment	1,248,882	386,629	-	1,635,511
Vehicles	2,196,646	90,671	-	2,287,317
Infrastructure – parks and skate parks	-	1,373,939	-	1,373,939
Infrastructure-Street system	791,831	-	-	791,831
Total capital assets being depreciated	<u>9,730,534</u>	<u>1,851,239</u>	<u>-</u>	<u>11,581,773</u>
Less accumulated depreciation for:				
Buildings	(3,856,522)	(75,862)	-	(3,932,384)
Infrastructure	(28,342)	(28,342)	-	(56,684)
Machinery and equipment	(730,245)	(86,687)	-	(816,932)
Vehicles	(1,314,796)	(140,921)	-	(1,455,717)
Total accumulated depreciation	<u>(5,929,905)</u>	<u>(331,812)</u>	<u>-</u>	<u>(6,261,717)</u>
Total capital assets, being depreciated, net	<u>3,800,629</u>	<u>1,519,427</u>	<u>-</u>	<u>5,320,056</u>
Governmental activities capital assets, net	<u>\$ 6,692,325</u>	<u>\$ 3,743,699</u>	<u>\$ 2,544,409</u>	<u>\$ 7,891,615</u>

Construction in progress costs of \$595,900 relates to a solar energy implementation project.

CITY OF SEBASTOPOLE

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 86,440	\$ -	\$ -	\$ 86,440
Total capital assets, not being depreciated	<u>86,440</u>	<u>-</u>	<u>-</u>	<u>86,440</u>
Capital assets, being depreciated:				
Reservoirs	1,400,613	-	-	1,400,613
Pipelines and distribution system	3,645,949	502,428	-	4,148,377
Pipelines and collection system	2,477,154	194,197	-	2,671,351
Equipment	<u>428,737</u>	<u>-</u>	<u>-</u>	<u>428,737</u>
Total capital assets being depreciated	<u>7,952,453</u>	<u>696,625</u>	<u>-</u>	<u>8,649,078</u>
Less accumulated depreciation for:				
Reservoirs	(526,080)	(30,439)	-	(556,519)
Pipelines and distribution system	(1,844,663)	(116,390)	-	(1,961,053)
Pipelines and collection system	(1,577,447)	(99,968)	-	(1,677,415)
Equipment	<u>(362,573)</u>	<u>(7,937)</u>	<u>-</u>	<u>(370,510)</u>
Total accumulated depreciation	<u>(4,310,763)</u>	<u>(254,734)</u>	<u>-</u>	<u>(4,565,497)</u>
Total capital assets, being depreciated, net	<u>3,641,690</u>	<u>441,891</u>	<u>-</u>	<u>4,083,581</u>
Business-type activities capital assets, net	<u>\$ 3,728,130</u>	<u>\$ 441,891</u>	<u>\$ -</u>	<u>\$ 4,170,021</u>

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

E. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 17,196
Public safety	206,270
Public works	88,313
Parks and recreation	<u>20,033</u>
Total depreciation expense-governmental activities	<u>\$ 331,812</u>
Business-type activities:	
Water	\$ 155,150
Wastewater	<u>99,584</u>
Total depreciation expense-business type activities	<u>\$ 254,734</u>

F. Long-Term Debt

Capital Lease Obligation - Advance Refunding Lease

In March of 2004, the City and its Development Agency entered into a capital lease arrangement with West America Bank in an original amount of \$3,217,000 in order to obtain financing to advance refund and defease the Agency's \$3,485,000 1994 Certificates of Participation. The lease bears interest at 4.05 percent and is payable in semi-annual installments of about \$203,500 each June and December 1 through June 1,2013.

Future minimum lease payment requirements are:

<u>Fiscal Year</u>	<u>Total</u>
2009	\$ 407,191
2010	407,121
2011	407,191
2012	407,191
2013	<u>407,121</u>
 Total minimum lease payments	 2,035,815
 Less amounts representing interest	 <u>(209,677)</u>
 Present value of net minimum lease payments	 <u>\$ 1,826,138</u>

All 1994 Certificates have been retired.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

F. Long-Term Debt(Continued)

The City has covenanted to make annual appropriations in its budget to provide funds for all lease payments. The lease receivable by the Agency and lease payable by the City to the Agency have been eliminated from the accompanying financial statements as the Agency is a component unit of the City.

Tax Allocation Refunding Bonds 2007 Series

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

The Agency issued the 2007 bonds to advance refund the 1997 tax allocation bonds having interest rates of 3.5 to 5.2 percent by issuing \$4,575,000 in the 2007 bonds with interest rates of 3.3 to 4.0 percent. Net refunding bond proceeds of \$4,329,490 (after a net \$62,808 issue discount and depositing \$182,702 into an issuance costs fund) plus \$517,555 from the 1997 bond trustee and reserve funds were deposited into an irrevocable escrow account to provide for the full retirement of the 1997 bonds. The Agency effectively reduced its aggregate debt service payments by almost \$717,752 over the next 14 years and obtained an economic gain (the difference between the net present values of the old and the new debt service payments) of \$92,214. The bonds are secured by a pledge of the Agency's tax increment revenues. Future debt service requirements are:

Fiscal Year	Principal	Interest	Total
2009	\$ 250,000	\$ 154,243	\$404,243
2010	255,000	145,993	400,993
2011	290,000	137,147	427,147
2012	300,000	127,348	427,348
2013	305,000	117,298	422,298
2014-2018	1,710,000	413,276	2,123,276
2019-2021	1,190,000	84,610	1,274,610
Totals	\$ 4,300,000	\$ 1,719,915	\$ 5,479,915

Special Assessment Bonds With Governmental Commitment

The special assessment bonds were issued in an original amount of \$732,475 for the purpose of facilitating improvements to the Woodstone Center. The bonds are secured solely by assessments levied against property owners within the assessment district and from monies on deposit in a reserve fund. The City has no obligation to advance funds for payment of bond debt service. The City has indicated, however, that it may at its own option and in its sole discretion elect to advance funds to pay bond debt service to the extent of delinquencies. The bonds consist of 4.25 to 6.7 percent serial bonds maturing through September 2, 2022. Future debt service is:

Fiscal Year	Principal	Interest	Total
2009	\$ 10,000	\$ 19,585	\$ 29,585
2010	10,000	18,985	28,985
2011	10,000	18,385	28,385
2012	20,000	17,785	37,785
2013	15,000	15,670	30,670
2014-2018	100,000	66,850	166,850
2019-2023	140,000	29,790	169,790
Totals	\$ 305,000	\$ 187,050	\$ 492,050

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Installment Sale Agreement

The City entered into an installment sale agreement with an original amount of \$550,000 for the purpose of facilitating construction of a water well. The agreement bears interest at 6.39 percent per annum and is payable in semi-annual installments of \$28,773 through October 23, 2011. Future debt service is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 46,912	\$ 10,633	\$ 57,545
2010	49,956	7,589	57,545
2011	53,200	4,345	57,545
2012	27,730	1,033	28,763
Totals	\$ 177,798	\$ 23,600	\$ 201,398

Capital Lease Obligations - Equipment

The City has entered into four capital lease agreements for the purpose principally of purchasing a fire truck, other equipment and constructing a water reservoir (\$810,000). The fire truck lease bears interest at 3.38 percent and is payable in annual installments of \$97,058. The water asset lease is payable in semiannual installments in amounts sufficient to retire the obligation by November 1, 2005. The assets have been capitalized in the governmental and business activities capital assets. Future debt service is:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-Type</u>
2009	\$ 97,058	-
2010	97,058	-
Total minimum lease payments	194,116	-
Less amount representing interest	(8,854)	-
Present value net minimum lease payments	\$ 185,262	-

CEC Loan

The City obtained a loan from the California Energy Commission in an original principal amount of \$242,898. The loan is repayable in semi-annual installments of \$19,631 including principal and interest through fiscal year 2015 and bears interest at 4.5 percent per annum. Future debt service on the loan is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 29,730	\$ 9,531	\$ 39,261
2010	31,682	7,579	39,261
2011	32,497	6,764	39,261
2012	33,963	5,298	39,261
2013	35,521	3,740	39,261
2014-2015	55,736	3,156	58,892
Totals	\$ 219,129	\$ 36,068	\$ 255,197

The loan is being repaid by the water enterprise (33.26%) and by a governmental type fund, the special sales tax fund (66.74%) from available revenues.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Capital Lease Obligation – Capital Projects

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

Future minimum lease payment requirements are:

<u>Fiscal Year</u>	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
2009	\$ 92,825	\$ 133,744	\$ 226,569
2010	92,825	133,744	226,569
2011	92,825	133,744	226,569
2012	92,825	133,744	226,569
2013	92,825	133,744	226,569
2014-2018	464,125	668,720	1,132,845
2019-2023	464,125	668,720	1,132,845
2024-2026	278,475	401,232	679,707
Total minimum lease payments	1,670,850	2,407,392	4,078,242
Less amounts representing interest	(564,353)	(814,088)	(1,378,441)
Present value of net minimum lease payments	\$ 1,106,497	\$1,593,304	\$ 2,699,801

Clean Renewable Energy Bond Lease and Mobile Home Park Capital Lease

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

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

CITY OF SEBASTOPOLE

**Notes to the Basic Financial Statements
June 30, 2008**

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Clean Renewable Energy Bond Lease and Mobile Home Park Capital Lease

Future debt service payments on these two leases are as follows:

<u>Fiscal Year</u>	<u>Renewable Energy Lease</u>	<u>Mobile Home Park Lease</u>	<u>Total</u>
2009	\$ 122,000	\$ 64,584	\$ 186,584
2010	122,000	64,584	186,584
2011	122,000	64,584	186,584
2012	122,000	64,584	186,584
2013	122,000	64,584	186,584
2014-2018	610,000	322,920	932,920
2019-2023	610,000	322,920	932,920
2024-2027	244,000	258,336	502,336
Total minimum lease payments	2,074,000	1,227,096	3,301,096
Less amounts representing interest	-	(434,404)	(434,404)
Present value of net minimum lease payments	\$ 2,074,000	\$ 792,692	\$ 2,866,692

Changes in Long-term liabilities:

Long-term debt activity for the 2008 fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
1997 tax allocation refunding bonds	\$ 4,640,000	\$ -	\$ 4,640,000	\$ -	\$ -
2007 tax allocation refunding bonds	-	4,575,000	275,000	4,300,000	250,000
Special assessment bonds	315,000	-	10,000	305,000	10,000
Capital lease- capital projects	1,143,905	-	37,408	1,106,497	39,683
Capital lease-advance refunding	2,149,600	-	323,462	1,826,138	336,300
Capital lease obligations-equipment	279,448	-	94,186	185,262	94,350
CEC Loan	164,539	-	16,101	148,438	20,139
Capital lease – renewable energy	-	2,074,000	-	2,074,000	122,000
Capital lease – mobile home park	-	817,500	24,828	792,672	26,059
Compensated absences	697,951	272,215	200,000	770,166	300,000
Total	\$ 9,390,443	\$ 7,738,715	\$ 5,620,985	\$ 11,508,173	\$ 1,198,531
Business-Type Activities:					
Installment agreement	\$ 221,850	\$ -	\$ 44,052	\$ 177,798	\$57,104
Capital lease –capital projects	1,648,090	-	54,786	1,593,304	54,460
CEC Loan	78,359	-	7,668	70,691	9,591
Totals	\$ 1,948,299	\$ -	\$ 106,506	\$ 1,841,793	\$ 121,155

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements June 30, 2008

5. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City, due to the costs of available coverage, participates as a member of the Redwood Empire Municipal Insurance Fund (REMIF).

REMIF provides joint protection programs for public entities covering automobile, general liability, errors and omissions, property and workers compensation claims. Under the program, the City has a \$5,000 retention limit similar to a deductible with the REMIF being responsible for losses above that amount up to \$500,000 for liability losses, \$300,000 for workers compensation claims, and \$25,000 for property damage. The Fund carries purchased excess commercial liability insurance of \$9.5 million in excess of its \$500,000 limit, and a commercial property policy for \$200 million. Financial information pertaining to REMIF can be obtained from its administrative offices at 414 W. Napa Street, Sonoma, California 95476. Liabilities of the City are reported in the statement of net assets for the when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The City's only exposure to claim liabilities would be for losses, if any, not covered by REMIF. There have been not significant changes in insurance coverages in fiscal 2008. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no claim liabilities at June 30, 2008.

B. Contingencies and Commitments

Litigation. The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and allocations. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. 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 agreements:

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

CITY OF SEBASTOPOLE

**Notes to the Basic Financial Statements
June 30, 2008**

5. Other Information(Continued)

D. Public Employees Retirement System

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

Funding Policy and Annual Pension Cost. The contribution requirements of plan members and the City are established by and may be amended by PERS. Plan members are required to contribute 7 percent of their annual covered salary for regular employees and 9 percent for safety employees. The City is required to make contributions at actuarially determined rates. The current rates were 13.603 percent for regular employees, 19.792 percent for fire employees, and 30.005 percent for police employees. The City's annual pension cost for the most recent three year is as follows:

Three-year Trend of Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
<i>Regular employees</i>	6/30/06	\$ 224,634	100%	\$ -
	6/30/07	\$ 244,371	100%	\$ -
	6/30/08	\$ 269,646	100%	\$ -
<i>Safety employees</i>	6/30/06	\$ 314,331	100%	\$ -
	6/30/07	\$ 337,931	100%	\$ -
	6/30/08	\$ 373,021	100%	\$ -

The City also pays the employee's share of required contributions which amounts are not included in the above schedule.

E. Other Post Employment Benefits

The City provides post employment health insurance benefits, as per the requirements of a local resolution, for retirees and their dependents. The benefits are paid at amounts specified by a City resolution for retirees having at least 10 years of employment with the City. For the fiscal year ended June 30, 2008, there were 23 retired employees receiving such benefits and the City paid \$43,254 in premiums. The City funds these costs on a pay as you go basis. All annual required contributions (ARC) were paid during the year and the City has no net benefit obligation at year end.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2008**

5. Other Information (Continued)

F. Restricted Net Assets and Designated Fund Balances

The \$ 11,122,368 restricted amount in the governmental activities statement net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments. Reserved fund balances consisted of the following:

Purpose	<u>General Fund</u>	<u>Redevelopment Admin Fund</u>	<u>Nonmajor Funds</u>
Debt service	\$ -	\$ -	\$ 59,174
Advances to other funds	-	2,066,088	-
	<u>\$ -</u>	<u>\$ 2,066,088</u>	<u>\$ 59,174</u>

Portions of unreserved fund balances in the fund financial statements may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances were:

Purpose	<u>General Fund</u>	<u>Capital Projects</u>
Retirees medical premiums	\$ 100,000	\$ -
Employee vacation and sick leave	572,413	-
Workers compensation	50,000	-
Capital projects	-	2,445,236
Equipment replacements	269,025	-
Buildings	170,000	-
Totals	<u>\$ 1,161,438</u>	<u>\$ 2,445,236</u>

G. Deficit Fund Balances

The City's low and moderate income housing fund has a \$2,094,677 fund deficit and the City's Measure M fund has a \$155,242 fund deficit. The City expects to current both deficits from future fund revenues.

H. Prior Period Adjustment

The beginning of year net assets of the City have been restated to record a loan payable inadvertently and partially omitted from the 2007 financial statements. The effect of this correction is:

	<u>Governmental Activities</u>	<u>BusinessType Activities</u>	<u>Total City</u>
Net Assets As Originally Reported June 30, 2007	\$8,147,881	\$6,499,428	\$14,647,309
Correction to record Balance CEC loan	<u>(78,823)</u>	<u>(78,359)</u>	<u>(157,182)</u>
Net Assets As Restated June 30, 2007	<u>\$8,069,058</u>	<u>\$6,421,069</u>	<u>\$14,490,127</u>

The beginning of year long-term debt was also restated to report the \$157,182 in loans payable. There was no impact on the governmental fund type fund balances, and the water enterprise net assets was restated and reduced by the \$78,359 as of June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
CITY OF SEBASTOPOL
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 1,810,779	\$ 1,810,779	\$ 1,810,779	\$ -
Resources (inflows):				
Property taxes	1,020,000	1,020,000	1,042,207	22,207
Sales taxes	1,586,000	1,586,000	1,580,007	(5,993)
Transient occupancy taxes	305,000	305,000	318,636	13,636
Other taxes	411,200	411,200	420,398	9,198
License permits	356,000	356,000	380,756	24,756
Fines and forfeits	78,200	78,200	86,898	8,698
Interest and rents	160,500	160,500	108,768	(51,732)
Intergovernmental	592,270	592,270	605,778	13,508
Charges for services	309,360	346,860	355,840	8,980
Miscellaneous	61,980	61,980	63,247	1,267
Transfers	-	-	184,341	184,341
Amounts available for charges to appropriations	<u>6,691,289</u>	<u>6,728,789</u>	<u>6,957,655</u>	<u>228,866</u>
Charges to appropriations:				
General government:				
Legislative	52,239	52,239	63,648	(11,409)
Manager	214,830	214,830	211,785	3,045
Finance	178,503	180,103	174,706	5,397
Legal	184,614	184,614	290,753	(106,139)
Insurance	-	-	(15,780)	15,780
Miscellaneous	-	32,271	43,199	(10,928)
Nondepartmental	32,271	-	6,678	(6,678)
Employee benefits	-	-	84,466	(84,466)
Government buildings	45,381	45,381	41,121	4,260
Community support	49,198	49,198	51,016	(1,818)
Planning	294,188	276,602	288,307	(11,705)
Business improvement	8,600	-	-	-
Public safety:				
Police	2,692,429	2,733,433	2,730,102	3,331
Animal control	13,000	13,000	10,483	2,517
Emergency	2,900	2,900	2,969	(69)
Fire	472,301	473,268	465,705	7,563
Public Works:				
Building inspection	140,936	147,046	158,865	(11,819)
Engineering	105,433	105,433	97,239	8,194
Corporation yard	78,361	49,039	72,676	(23,637)
Streets	43,967	43,967	46,943	(2,976)
Streets other	36,218	-	-	-
Parking	22,774	22,774	20,700	2,074
Street lighting	9,618	-	-	-
Parks and recreation				
Parks	149,168	149,168	147,997	1,171
Pool	78,889	82,689	97,123	(14,434)
Recreation	42,317	42,317	43,971	(1,654)
Transfers out	-	-	310,834	(310,834)
Total charges to appropriations	<u>4,948,135</u>	<u>4,900,272</u>	<u>5,445,506</u>	<u>(545,234)</u>
Fund Balance, June 30	<u>\$ 1,743,154</u>	<u>\$ 1,828,517</u>	<u>\$ 1,512,149</u>	<u>\$ (316,368)</u>

**Required Supplementary Information
CITY OF SEBASTOPOL
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2008**

Note A. Explanation of Difference Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule: \$ 6,957,655

Differences - budget to GAAP:

Transfers in from other funds are a budgetary resource, but are not revenues for financial reporting purposes (184,341)

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes (1,810,779)

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds \$ 4,962,535

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule \$ 5,445,506

Differences - budget to GAAP:

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (310,834)

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds \$ 5,134,672

Required Supplementary Information
CITY OF SEBASTOPOL
 Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund
 For The Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$(1,280,803)	\$(1,280,803)	\$(1,280,803)	\$ -
Resources (inflows):				
Incremental property taxes	460,000	460,000	474,717	14,717
Interest and rents	-	-	11,045	11,045
Miscellaneous	25,000	25,000	48,200	23,200
Sale of land	-	-	3,120,000	3,120,000
	<u>(795,803)</u>	<u>(795,803)</u>	<u>2,373,159</u>	<u>3,168,962</u>
Amounts available for charges to appropriations				
Charges to appropriations:				
Community development:				
Housing projects	2,058,734	2,058,734	4,304,051	(2,245,317)
Payment to refunded bond escrow agent	-	-	26,813	(26,813)
Debt Service	23,554	23,554	27,291	(3,737)
Transfers out	-	-	109,681	(109,681)
	<u>2,082,288</u>	<u>2,082,288</u>	<u>4,467,836</u>	<u>(2,385,548)</u>
Total charges to appropriations				
Fund Balance, June 30	<u><u>\$(2,878,091)</u></u>	<u><u>\$(2,878,091)</u></u>	<u><u>\$(2,094,677)</u></u>	<u><u>\$ 783,414</u></u>

Expolanation of Differences between Budgetary Inflows and GAAP revenues:

Sources/Inflows of resources:	
Actual amounts available for appropriation per above schedule	\$ 2,373,159
Differences budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	1,280,803
The sale of land is a budgetary resource but is reported as an other financing source for financial reporting purposes	<u>(3,120,000)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>\$ 533,962</u></u>
Uses/Outflows of resources:	
Total charges to appropriations in the above schedule	\$ 4,467,836
Differences budget to GAAP:	
Transfers in are a budgetary resource but are reported as an other financing source for financial reporting purposes	<u>(109,681)</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>\$ 4,358,155</u></u>

OPTIONAL SUPPLEMENTARY INFORMATION
NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

		Special Revenue Funds												
	Police Grants	Fire Safer	Fire Training	File Training	Gas Tax	Special Construction	Vehicle Collision and Click It Grant	Traffic Impact	Street Lighting Assessment	Asset Forfeiture	Downtown Association	Traffic Congestion	Measure M	Special Sales Tax
Assets														
Cash and investments	\$ 101,175	\$ 14,263	\$ 4,366	\$ -	\$ -	\$ 218,185	\$ -	\$ 945,182	\$ 23,694	\$ 3	\$ 4,457	\$ 38,020	\$ 144,009	\$ 358,491
Receivables:														
From other governments	-	41,870	-	-	67,142	-	23,331	-	-	-	-	-	-	18,850
Assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 101,175	\$ 56,133	\$ 4,366	\$ 4,366	\$ 67,142	\$ 218,185	\$ 23,331	\$ 945,182	\$ 23,694	\$ 3	\$ 4,457	\$ 38,020	\$ 144,009	\$ 377,341
Liabilities and Fund Balances														
Liabilities:														
Accounts payable	\$ -	\$ 7,084	\$ 11	\$ 6,594	\$ -	\$ -	\$ -	\$ -	\$ 6,284	\$ -	\$ 1,000	\$ -	\$ 299,251	\$ 15,865
Advances from other funds	-	-	-	-	58,339	-	23,331	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	7,084	11	66,933	-	-	23,331	-	6,284	-	1,000	-	299,251	15,865
Fund balances:														
Reserved	101,175	49,069	4,355	209	218,185	-	-	945,182	17,410	3	3,457	38,020	(155,242)	361,476
Unreserved	101,175	49,069	4,355	209	218,185	-	-	945,182	17,410	3	3,457	38,020	(155,242)	361,476
Total fund balances	\$ 101,175	\$ 56,133	\$ 4,366	\$ 67,142	\$ 218,185	\$ 218,185	\$ 23,331	\$ 945,182	\$ 23,694	\$ 3	\$ 4,457	\$ 38,020	\$ 144,009	\$ 377,341

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

Special Revenue Funds

	Super Play Ground	Photovoltaic	Parks Projects	Pavement Program	BIA Tourism	Vehicle Abatement	Ives Park Grant	Pool	Solar Pool	State Park Grant	Ives Pool Energy	Solar Mitigation	Skate Park
Assets													
Cash and Investments	\$ -	\$ -	\$ 420	\$ 297,127	\$ 21,257	\$ 29,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,342	\$ -
Receivables:													
Receivables from other governments	-	-	-	-	12,861	-	-	-	-	-	-	-	290,348
Assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 420	\$ 297,127	\$ 34,118	\$ 29,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,342	\$ 290,348
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 17,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,175	\$ 276,369
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	-	13,979
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	17,668	-	-	-	-	-	-	9,175	290,348
Fund balances:													
Reserved	-	-	420	297,127	16,450	29,856	-	-	-	-	-	2,167	-
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	420	297,127	16,450	29,856	-	-	-	-	-	2,167	-
Total liabilities and fund balances	\$ -	\$ -	\$ 420	\$ 297,127	\$ 34,118	\$ 29,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,342	\$ 290,348

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Capital Projects							Debt Service		Total Nonmajor Governmental Funds		
	CDBG	Undergrounding	SCWA Zone A Project	Laguna de Santa Rosa Projects	FEMA Fire Grant	Flooding	CEC Loan and Solar	Federal Funds	County Street Smart		Equipment Replacement	Woodstone Assessment district
Assets												
Cash and Investments	\$ 58,504	\$ 180,776	\$ -	\$ -	\$ -	\$ 13,688	\$ 883	\$ 118,804	\$ 1,640	\$ -	\$ 59,174	\$ 2,845,316
Receivables:												
Receivables from other governments	-	-	-	-	-	-	-	149,000	2,935	-	-	608,337
Assessments receivable	-	-	-	-	-	-	-	-	-	-	305,000	305,000
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 58,504	\$ 180,776	\$ -	\$ -	\$ -	\$ 13,688	\$ 883	\$ 267,804	\$ 4,575	\$ -	\$ 384,174	\$ 3,558,653
Liabilities and Fund Balances												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883	\$ 267,804	\$ 4,575	\$ -	\$ -	\$ 914,543
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	95,649
Deferred revenue	-	-	-	-	-	-	-	-	-	-	305,000	305,000
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883	\$ 267,804	\$ 4,575	\$ -	\$ 305,000	\$ 1,315,192
Fund balances:												
Reserved	58,504	180,776	-	-	-	13,688	-	-	-	-	59,174	59,174
Unreserved	-	-	-	-	-	-	-	-	-	-	-	2,192,287
Total fund balances	\$ 58,504	\$ 180,776	\$ -	\$ -	\$ -	\$ 13,688	\$ -	\$ -	\$ -	\$ -	\$ 59,174	\$ 2,241,461
Total liabilities and fund balances	\$ 58,504	\$ 180,776	\$ -	\$ -	\$ -	\$ 13,688	\$ 883	\$ 267,804	\$ 4,575	\$ -	\$ 384,174	\$ 3,558,653

CITY OF SEBASTOPOLE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds												
	Police Grants	Fire Safer	Fire Training	Gas Tax	Special Construction	Vehicle Collision and Click It/Grant	Traffic Impact	Street Lighting Assessment	Asset Forfeiture	Downtown Association	Traffic Congestion	Measure M	Special sales Tax
Revenues:													
Property taxes	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	509,539
Intergovernmental	107,716	50,515	6,000	164,944	-	256,265	-	-	5,480	-	-	50,943	-
Charges for services	-	-	-	-	217,440	-	162,472	86,539	-	-	-	-	-
Interest	3,970	338	92	-	7,072	-	29,841	838	2	143	3,889	4,083	19,457
Miscellaneous	-	-	-	-	46,517	-	-	-	-	-	-	-	-
Total revenues	111,886	50,853	6,092	164,944	271,029	256,265	192,313	87,375	5,482	8,146	3,889	55,028	528,998
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	128,261	34,551	2,460	-	-	4,000	-	-	5,481	-	-	-	-
Public works	-	-	-	249,357	-	-	-	86,305	-	-	149,145	286,664	-
Community development	-	-	-	-	-	-	-	-	-	7,184	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	252,265	-	-	-	-	-	-	168,729
Debt service	-	-	-	-	12,892	-	-	-	-	-	-	-	134,966
Principal	-	-	-	-	18,579	-	-	-	-	-	-	-	56,713
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	128,261	34,551	2,460	249,357	31,471	256,265	-	86,305	5,481	7,184	149,145	288,664	358,408
Excess (deficiency) of revenues over (under) expenditures	(16,375)	16,302	3,632	(84,413)	239,558	-	192,313	1,070	1	952	(145,256)	(243,638)	170,588
Other financing sources (uses):													
issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	7,476
Transfers out	(114)	-	-	-	(205,564)	-	-	-	-	-	-	-	(451,128)
Total other financing sources (uses)	(114)	-	-	-	(205,564)	-	-	-	-	-	-	-	(443,652)
Net change in fund balances	(16,689)	16,302	3,632	(84,413)	33,974	-	192,313	1,070	1	952	(145,256)	(243,638)	(273,064)
Fund balances, July 1	117,864	32,767	723	84,622	184,211	-	752,869	16,340	2	2,505	183,276	88,396	634,540
Fund balances, June 30	\$ 101,175	\$ 49,069	\$ 4,355	\$ 209	\$ 218,185	\$ -	\$ 945,182	\$ 17,410	\$ 3	\$ 3,457	\$ 38,020	\$ (155,242)	\$ 361,476

CITY OF SEBASTOPOL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008

Special Revenue Funds

	Super Play Ground	Photovoltaic	Parks Projects	Pavement Program	BIA Tourism	Vehicle Abatement	Ives Park Grant	Pool	Solar Pool	Skate Park Grant	Ives Pool Energy	Solar Mitigation	Skate Park
Revenues:													
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	46,000	-	73,000	-	-	-	-	-	-	-	-	-	622,521
Charges for services	-	-	-	-	10,170	-	-	-	-	-	-	22,221	-
Interest	-	-	-	5,222	552	1,032	-	-	-	-	-	303	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	26,720
Total revenues	46,000	-	73,000	5,222	10,722	1,032	-	-	-	-	-	22,524	648,241
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	619	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	25,560	-
Capital outlay	58,035	560	72,580	-	-	-	-	-	-	-	-	-	1,373,939
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	58,035	560	72,580	619	-	-	-	-	-	-	-	25,560	1,373,939
Excess (deficiency) of revenues over (under) expenditures	(12,035)	(560)	420	4,603	10,722	1,032	-	-	-	-	-	(3,036)	(724,698)
Other financing sources (uses):													
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	842	560	-	300,000	-	-	-	-	-	-	-	-	687,741
Transfers out	-	-	-	(7,476)	-	-	(88)	(10,341)	(64,274)	(1,659)	(6,507)	-	-
Total other financing sources (uses)	842	560	-	292,524	-	-	(88)	(10,341)	(64,274)	(1,659)	(6,507)	-	687,741
Net change in fund balances	(11,193)	-	420	297,127	10,722	1,032	(88)	(10,341)	(64,274)	(1,659)	(6,507)	(3,036)	(36,957)
Fund balances, July 1	11,193	-	-	-	5,728	28,824	88	10,341	64,274	1,659	6,507	5,203	36,957
Fund balances, June 30	\$ -	\$ -	\$ 420	\$ 297,127	\$ 16,450	\$ 29,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,167	\$ -

CITY OF SEBASTOPOLE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008

	Capital Projects							Debt Service			Total Nonmajor Governmental Funds	
	CDBG	Undergrounding	SCWA Zone A Project	Laguna de Santa Rosa Projects	FEMA Fire Grant	Flooding	CEC Loan and Solar	Federal Funds	County Street Smart	Equipment Replacement		Woodstone Assessment district
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-	-	-	-	566,485
Intergovernmental	-	-	-	-	81,216	3,322	-	149,000	17,881	-	-	1,593,860
Charges for services	-	-	-	-	-	-	435	-	-	-	32,101	531,378
Interest	1,795	6,244	-	-	-	-	-	-	-	-	1,465	86,276
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	73,237
Total revenues	1,795	6,244	-	-	81,216	3,322	435	149,000	17,881	-	33,566	2,843,238
Expenditures:												
Current												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	174,753
Public Works	-	-	-	-	-	-	-	255,071	23,150	-	-	1,062,311
Community development	-	-	-	-	-	-	-	-	-	-	-	7,194
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	25,560
Capital outlay	-	-	-	-	89,043	-	610,332	-	-	-	-	2,623,483
Debt service	-	-	-	-	-	-	-	-	-	-	10,000	157,858
Principal	-	-	-	-	-	-	-	-	-	-	24,130	99,422
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	89,043	-	610,332	255,071	23,150	-	34,130	4,150,581
Excess (deficiency) of revenues over (under) expenditures	1,795	6,244	-	-	(7,827)	3,322	(609,897)	(108,071)	(5,269)	-	(564)	(1,307,345)
Other financing sources (uses):												
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	7,827	-	613,026	129,385	5,269	2,478	-	1,754,602
Transfers out	-	(134)	(8,632)	(8,632)	-	-	(87,400)	-	-	-	-	(843,337)
Total other financing sources (uses)	-	(134)	(8,632)	(8,632)	7,827	-	525,626	129,385	5,269	2,478	-	911,265
Net change in fund balances	1,795	6,244	(134)	(6,632)	-	3,322	(84,271)	23,314	-	2,478	(564)	(396,080)
Fund balances, July 1	58,769	174,532	134	8,632	-	10,366	84,271	(23,314)	-	(2,478)	59,738	2,637,541
Fund balances, June 30	\$ 58,504	\$ 180,776	\$ -	\$ -	\$ -	\$ 13,688	\$ -	\$ -	\$ -	\$ -	\$ 59,174	\$ 2,241,461