

**City of Sebastopol
Basic Financial Statements
June 30, 2009**

CITY OF SEBASTOPOL, CALIFORNIA
Basic Financial Statements
Fiscal Year Ended June 30, 2009
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
BASIC 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

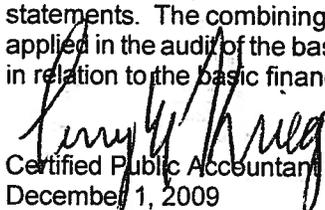
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastopol, California, (the City) as of and for the year ended June 30, 2009, which collectively comprise the 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. 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, 2009, 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, respectively, 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.


Certified Public Accountant
December 1, 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, 2009. 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 \$1.5 million over the course of this year's operations. The net assets of our business-type activities increased by \$137,960, and there was a \$1,399,843 increase in the net assets of our governmental activities funds. A combined increase of about 8.2% over 2008 ending net asset balances.
- During the year, the City's total expenses were \$4,929,688 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 2009 year end fund balance of \$650,673. The City has designated all of the \$650,673 of this fund balance for future projects and financial funding purposes. The redevelopment project fund ended the year with a \$4,701,321 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 2009 with a deficit of \$1,680,111 as a result of spending for affordable housing projects. The city capital projects fund ended 2009 with \$478,000 for capital projects, there was \$895,893 available in the renewable energy fund at the end of 2009, and there was an additional \$2,649,312 in the City's non major funds.
- In our business-type activity funds, the water enterprise ended fiscal 2009 with \$195,610 in cash and investments and the wastewater enterprise ended fiscal 2009 with about \$2.05 million in cash and investments available for future use.

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

- 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's *combined* net assets increased about \$1.53 million between fiscal years 2008 and 2009. (See Table 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	2009	2008	2009	2008	2009	
Current and other assets	\$16,510,800	\$14,501,100	\$4,833,800	\$2,997,200	\$21,344,600	\$17,498,300	-18.0%
Capital assets	7,891,600	9,370,400	4,170,000	6,413,600	12,061,600	15,784,000	30.9%
Total assets	24,402,400	23,871,500	9,003,800	9,410,800	33,406,200	33,282,300	-0.37%
Long-term debt outstanding	10,738,000	9,883,200	1,720,600	1,849,500	12,458,600	11,732,700	-5.8%
Other liabilities	2,041,500	965,600	257,600	397,800	2,299,100	1,363,400	-40.7%
Total liabilities	12,779,500	10,848,800	1,978,200	2,247,300	14,757,700	13,096,100	-11.3%
Net assets							
Invested in capital assets	(62,700)	1,187,800	3,640,800	4,564,100	3,578,100	5,751,900	60.8%
Restricted	10,959,000	11,200,900			10,959,000	11,200,900	2.2%
Unrestricted	726,600	634,000	3,384,800	2,599,400	4,111,400	3,233,400	-21.6%
Total net assets	\$11,622,900	\$13,022,700	\$7,025,600	\$7,163,500	\$18,648,500	\$20,186,200	7.6%

Net assets of the City's governmental activities increased about 12% percent or about \$1.4 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 about by 2 percent to \$ 7.16 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.

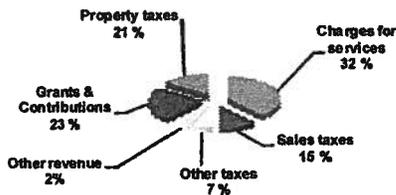
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

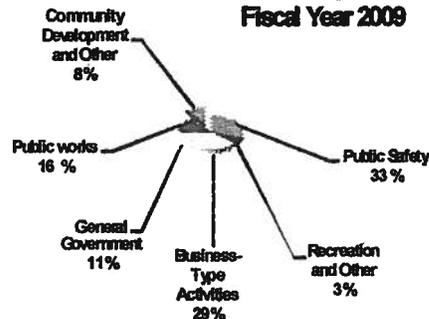
Changes in net assets. The City's total revenues decreased by about \$1.6 million to about \$13.01 million (See Table A-2.) in 2009 compared to \$14.64 million in 2008. About 43 percent of the City's revenue comes from property taxes, transient occupancy, sales taxes, and other taxes. Another 32 percent 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 \$414,000 or about 3.7 percent to \$11.47 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 2009



Functional Expenses For Fiscal Year 2009



Governmental Activities

Revenues for the City's governmental activities decreased by a net \$1,287,600, while total expenses increased by \$289,200 over fiscal year 2008.

Governmental activities recorded lower grant revenues in fiscal 2009 than in fiscal 2008, and that is why there is a \$773,000 decrease in grants and contributions in fiscal 2009. The City in fiscal 2008 recognized \$800,000 in grants for mobile home park purchase; \$622,000 in grant revenues related to the skate park project and \$256,000 in grants for the vehicle collision program. Combined those 2008 one-time grant revenues total \$1,678,000; but their loss was offset by an additional \$400,000 in Proposition 1B grant revenues for street projects and an additional \$525,000 in grants for solar power projects and activities.

After all operations for 2009 were completed, the net assets of our governmental activities increased by about a net \$1.39 million. In addition, there was in fiscal 2008 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 was a one-time fiscal 2008 revenue item not present in fiscal 2009.

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	2009	2008	2009	2008	2009	2008-2009
Revenues							
Program revenues							
Charges for services	\$1,318,800	\$1,345,900	\$3,369,800	\$3,319,300	\$4,688,600	\$4,665,200	-0.5%
Grants and contributions	2,513,500	1,740,700	422,400	141,900	2,935,900	1,882,600	-35.9%
General revenues							
Property taxes	3,048,000	2,698,400	12,500	-	3,060,500	2,698,400	-11.8%
Other taxes	3,559,900	3,468,200			3,559,900	3,468,200	-2.6%
Other	401,500	300,900			401,500	300,900	-25.1%
Total revenues	10,841,700	9,554,100	3,804,700	3,461,200	14,646,400	13,015,300	11.1%
Expenses							
General government	1,257,100	1,417,100			1,257,100	1,417,100	12.7%
Public safety	3,662,500	3,907,500			3,662,500	3,907,500	6.7%
Community development	282,800	366,200			282,800	366,200	29.6%
Public works	1,749,800	1,695,500			1,749,800	1,695,500	-3.1%
Parks and recreation	334,700	409,100			334,700	409,100	22.2%
Water			1,198,900	1,264,900	1,198,900	1,264,900	10.1%
Wastewater			2,002,600	2,061,200	2,002,600	2,061,200	5.5%
Interest	575,260	356,000			575,300	356,000	-38.1%
Total expenses	7,862,200	8,151,400	3,201,500	3,326,100	11,063,700	11,477,500	3.7%
Increase in Net assets	2,979,500	1,402,700	603,200	135,100	3,582,700	1,537,800	-57.1%
Transfers	(1,300)	(2,900)	1,300	2,900			
Special item:							
Gain on sale of land	575,600				575,600		-100.0%
Change in net assets	3,553,800	1,399,800	604,500	138,000	4,158,300	1,537,800	-63.3%
Net assets, beginning	8,069,100	11,622,900	6,421,100	7,025,600	14,490,200	18,648,500	
Net asset, ending	\$11,622,900	\$13,022,700	\$7,025,600	\$7,163,600	\$18,648,500	\$20,186,300	8.2%

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 \$8.15 million, about \$289,000 greater than the total cost as reported in fiscal year 2008. Most of the cost increases in fiscal 2009 was in the public safety area (\$245,000), general government (\$160,000), and all other areas posted a combined net \$103,500 increase. All of these increases were offset by about a \$220,000 decrease in interest expenses as a result of long-term debt retirements and last years advance refunding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

- Of the \$8.15 million cost of the City's governmental activities programs, our taxpayers paid for \$5.06 million of the program costs. Some of the cost was paid by:
 - Those who directly benefited from the programs; \$1,345,923 or
 - Other governments and organizations that subsidized certain programs with grants and contributions; \$1,740,683
- The City paid for the \$5.06 million "public benefit" portion by using about 84% 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</u>
	<u>2008</u>	<u>2009</u>	<u>Change</u>
General Government	\$1,257,100	\$1,417,100	12.7%
Public Safety	3,662,500	3,907,500	6.7%
Community development	282,800	366,200	29.6%
Public Works	1,749,800	1,695,500	-3.1%
Parks and recreation	334,700	409,100	22.2%
All other	575,300	356,000	-38.1
Total	<u>\$7,862,200</u>	<u>\$8,151,400</u>	<u>3.7%</u>

The most significant cost increase in fiscal 2009 in terms of dollars was in public safety and general government. General government costs increases related to higher employer pension contributions to the PERS and payouts for unused sick-leave benefits

Business-type Activities

Revenues of the City's business-type decreased by about \$343,000 as a result of one-time type revenues such as contributions, capital connection fees, settlements and declining investment income. Expenses increased about \$125,000 to about \$3.3 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 \$7.69 million, about a *\$1.29 million decrease* compared to the end of fiscal 2008. The reason for the decrease in fiscal 2009 compared to fiscal 2008 was that monies were expended in 2009 for development of public works projects and solar energy installations.

The City's spending for general fund operations was about \$922,000 more than general fund revenues. The general fund ended fiscal 2009 with a fund balance of about \$650,000. Of that fund balance, about \$650,000 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 \$4.7 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 \$478,423 in lease financing proceeds available for capital improvements. In addition, we had \$895,893 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 was still expecting to collect \$125,000 in grant revenues. The City's non major special revenue funds ended the fiscal 2009 year with a combined fund balance of about \$2.64 million.

The City's water and wastewater funds ended the 2009 fiscal year with about \$195,610 and zero in short-term investments, respectively in unexpended lease financing proceeds available for future capital projects. In addition, the wastewater fund ended the 2009 fiscal year with an additional \$2.05 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 \$389,118 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 \$266,084 less than the final budget as a result of transfers from other funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009 the City had invested \$15.7 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 \$3.7 million or 30.8 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	2009	2008	2009	2008	2009	2008-2009
Land and CIP	\$ 2.6	\$ 2.7	\$.1	\$.7	\$ 2.7	\$3.4	25.9%
Buildings	5.5	5.5	-	-	5.5	5.5	0%
Machinery and equipment	1.6	1.7	.4	.5	2.0	2.2	10%
Vehicles	2.3	2.3	-	-	2.3	2.3	0.0%
Infrastructure and systems	2.1	3.8	8.2	10.0	10.3	13.8	33.9%
Accumulated depreciation	(6.3)	(6.7)	(4.5)	(4.8)	(10.8)	(11.5)	6.5%
Total	\$ 7.8	\$ 6.3	\$ 4.2	\$ 6.4	\$ 12.0	\$15.7	30.8%

This year's major capital assets additions included:

- About \$2,275,000 expended for the sewer system improvements
- About \$1,100,000 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 decreased its long-term debt obligations by about \$ 1 million in fiscal 2009. The decrease was the result of scheduled debt retirements.

Interest expense declined in fiscal 2009 as a result of scheduled principal retirements and the advance refunding made in fiscal 2008 to take advantage of lower interest rates. In fiscal 2009, no new debt was issued except for a \$180,865 to financing the purchase of a Vac-Con truck used to facilitate line management.

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 2010 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 2010, based on a user fee study
- No tax increases are proposed for fiscal 2010
- Selected general fund user fee increases are proposed for fiscal 2010

General fund 2010 budgeted appropriations are set at \$ 5.2 million. This is about a 1.3 percent increase over fiscal 2009 actual general fund expenditures.

The 2010 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 2010 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, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,553,746	\$ 2,055,757	\$ 7,609,503
Net receivables	1,004,034	522,879	1,526,913
Internal balances	(222,974)	222,974	-
Total current assets	6,334,806	2,801,610	9,136,416
Noncurrent assets:			
Cash and cash equivalents	1,696,023	195,610	1,891,633
Long-term notes receivable	5,957,120	-	5,957,120
Other long-term receivables	295,000	-	295,000
Debt issuance costs	218,183	-	218,183
Net capital assets	9,370,422	6,413,577	15,783,999
Total noncurrent assets	17,536,748	6,609,187	24,145,935
Total assets	\$ 23,871,554	\$ 9,410,797	\$ 33,282,351
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 179,563	\$ 344,163	\$ 523,726
Compensated absences	300,000	38,937	338,937
Deposits	122,729	9,409	132,138
Accrued interest payable	29,579	5,311	34,890
Bonds, leases, and agreements due within one year	926,691	135,018	1,061,709
Total current liabilities	1,558,562	532,838	2,091,400
Long-term liabilities due in more than one year:			
Tax allocation bonds	3,795,000	-	3,795,000
Special assessment bonds	285,000	-	285,000
Agreements and loans	107,244	132,001	239,245
Capital lease obligations	4,769,306	1,582,438	6,351,744
Loss on advance refundings	(106,118)	-	(106,118)
Compensated absences	439,804	-	439,804
Total long-term liabilities	9,290,236	1,714,439	11,004,675
Total liabilities	10,848,798	2,247,277	13,096,075
NET ASSETS			
Invested in capital assets, net of related debt	1,187,807	4,564,120	5,751,927
Restricted for:			
Capital projects	2,827,217	-	2,827,217
Housing	5,981,677	-	5,981,677
Debt service	335,706	-	335,706
Public safety	591,675	-	591,675
Streets	1,464,668	-	1,464,668
Unrestricted	634,006	2,599,400	3,233,406
Total net assets	13,022,756	7,163,520	20,186,276
Total liabilities and net assets	\$ 23,871,554	\$ 9,410,797	\$ 33,282,351

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Government		Total
					Governmental Activities	Business-type Activities	
City government							
Governmental activities:							
General government	1,417,079	\$ 325,942	\$ -	\$ -	\$ (1,091,137)	\$ -	\$ (1,091,137)
Public safety	3,907,469	194,390	133,293	-	(3,579,786)	-	(3,579,786)
Community development	366,161	-	-	-	(366,161)	-	(366,161)
Public works	1,695,482	720,893	728,414	376,778	130,603	-	130,603
Parks and recreation	409,120	104,698	203,108	299,090	197,776	-	197,776
Interest on long-term debt	356,054	-	-	-	(356,054)	-	(356,054)
Total governmental activities	8,151,365	1,345,923	1,064,815	675,868	(5,064,759)	-	(5,064,759)
Business-type activities:							
Water	1,264,947	1,136,933	-	46,464	-	(81,550)	(81,550)
Wastewater	2,061,162	2,182,325	-	95,458	-	216,621	216,621
Total business-type activities	3,326,109	3,319,258	-	141,922	-	135,071	135,071
Total City government	\$ 11,477,474	\$ 4,665,181	\$ 1,064,815	\$ 817,790	(5,064,759)	135,071	(4,929,688)
General revenues and transfers							
Taxes:							
Property taxes					\$ 1,112,187	\$ -	\$ 1,112,187
Sales taxes					1,571,378	-	1,571,378
Motor vehicle in lieu taxes					594,954	-	594,954
Transient occupancy taxes					248,252	-	248,252
Other taxes					1,053,693	-	1,053,693
Incremental property taxes					1,586,215	-	1,586,215
Unrestricted interest and investment earnings					103,019	-	103,019
Other general revenues					197,793	-	197,793
Transfers					(2,889)	2,889	-
Total general revenues and transfers					6,464,502	2,889	6,467,491
Change in net assets					1,399,843	137,960	1,537,803
Net assets, beginning					11,622,913	7,025,560	18,648,473
Net assets, ending					\$ 13,022,756	\$ 7,163,520	\$ 20,186,276

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Balance Sheet
Governmental Funds
June 30, 2009

	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	\$ 467,377	\$ 2,850,585	\$ 404,790	\$ 478,423	\$ 1,217,600	\$ 250	\$ 2,030,744	\$ 7,249,769
Taxes receivable	276,458	772	-	-	-	-	-	277,230
Due from other governments	-	-	-	-	-	125,000	601,804	726,804
Assessments receivable	-	-	-	-	-	-	295,000	295,000
Due from other funds	125,000	-	-	-	-	-	903,405	1,028,405
Notes receivable	-	54,715	5,595,700	-	-	-	306,705	5,957,120
Advances to other funds	-	2,066,088	-	-	-	-	-	2,066,088
Total assets	\$ 868,835	\$ 4,772,160	\$ 6,000,490	\$ 478,423	\$ 1,217,600	\$ 125,250	\$ 4,137,658	\$ 17,600,416
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 95,433	\$ 16,124	\$ 18,813	\$ -	\$ -	\$ 250	\$ 48,943	\$ 179,563
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	321,707	125,000	804,672	1,251,379
Advances from other funds	-	-	2,066,088	-	-	-	-	2,066,088
Deposits	122,729	-	-	-	-	-	-	122,729
Deferred revenue	-	54,715	5,595,700	-	-	-	634,731	6,285,146
Total liabilities	218,162	70,839	7,680,601	-	321,707	125,250	1,488,346	9,904,905
Fund balances:								
Reserved	-	2,066,088	-	-	-	-	40,708	2,106,794
Unreserved, designated	650,673	-	-	478,423	895,893	-	-	2,024,989
Unreserved, undesignated	-	2,635,233	(1,680,111)	-	-	-	-	955,122
Unreserved reported in nonmajor:								
Capital projects funds	-	-	-	-	-	-	192,194	192,194
Special revenue funds	-	-	-	-	-	-	2,416,412	2,416,412
Total fund balances	650,673	4,701,321	(1,680,111)	478,423	895,893	-	2,649,312	7,695,511
Total liabilities and fund balances	\$ 868,835	\$ 4,772,160	\$ 6,000,490	\$ 478,423	\$ 1,217,600	\$ 125,250	\$ 4,137,658	\$ 17,600,416

Total Governmental Fund Balances \$ 7,695,511

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 \$ 13,022,756

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOLE
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General Fund	Redevelopment				Mobile Home Park	Total Governmental Funds
		Administration Fund	Low and Moderate Income Housing	City Capital Projects	Clean Renewable Energy Bonds		
REVENUES							
Property taxes	\$ 1,112,187	\$ -	\$ 522,115	\$ -	\$ -	\$ -	\$ 2,698,402
Sales taxes	1,571,379	-	-	-	-	-	2,155,536
Other taxes	654,316	-	-	-	-	584,157	654,316
Licenses and permits	246,748	-	-	-	-	-	246,748
Fines and forfeits	73,805	-	-	-	-	-	73,805
Intergovernmental	640,560	-	-	-	-	1,166,362	1,808,922
Interest and rents	76,266	56,641	26,930	3,547	-	38,477	220,002
Charges for services	288,418	-	-	-	-	754,502	1,042,920
Miscellaneous	247,158	8,568	27,231	-	-	892	312,012
Total revenues	4,910,837	1,129,309	576,276	3,547	-	2,546,390	9,212,663
EXPENDITURES							
Current:							
General government	1,410,808	-	-	-	-	-	1,410,808
Public safety	3,550,703	-	-	-	-	-	3,749,030
Community development	-	190,594	76,634	-	-	198,327	366,161
Parks and recreation	307,982	-	-	-	-	98,933	311,238
Public works	511,294	-	-	-	-	3,256	988,562
Capital outlay	45,216	377,193	-	-	-	1,528,196	1,950,605
Debt service:							
Principal	4,782	573,575	39,084	-	-	160,540	899,981
Interest	2,135	217,368	45,992	-	-	90,350	355,845
Total expenditures	5,832,920	1,358,730	161,710	-	-	3,088,164	10,543,524
Excess (deficiency) of revenues over expenditures	(922,083)	(229,421)	414,566	3,547	-	(521,774)	(1,330,861)
OTHER FINANCING SOURCES (USES)							
Proceeds of long-term capital lease	45,216	-	-	-	-	-	45,216
Transfers in	34,293	40,000	-	-	-	1,475,077	1,549,370
Transfers out	(18,902)	-	-	(2,891)	-	(545,452)	(1,552,259)
Total other financing sources (uses)	60,607	40,000	-	(2,891)	-	929,625	42,327
Net change in fund balances	(861,476)	(189,421)	414,566	656	-	407,851	(1,286,534)
Fund balances, July 1	1,512,149	4,890,742	(2,094,677)	477,767	-	2,241,461	8,984,045
Fund balances, June 30	\$ 650,673	\$ 4,701,321	\$ (1,680,111)	\$ 478,423	\$ -	\$ 2,649,312	\$ 7,695,511

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, 2009

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (1,288,534)</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 \$1,872,903 exceeded depreciation \$394,094 in the current period.	1,478,809
Governmental funds report interest on long-term debt when payment is due, but interest expenses is accrued as incurred in the statement of activities	7,954
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	341,434
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	899,981
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	(45,216)
Debt issuance costs are reported as financial outflows in the fund statements, but are capitalized and amortized to expense in the statement of activities	(16,784)
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	(8,163)
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>30,362</u>
Net adjustment to reconcile to changes in net assets	<u>2,688,377</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,399,843</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 2,055,757	\$ 2,055,757
Accounts receivable	198,063	324,816	522,879
Due from other funds	222,974	468,920	691,894
Total current assets	<u>421,037</u>	<u>2,849,493</u>	<u>3,270,530</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	195,610	-	195,610
Net other assets	<u>195,610</u>	<u>-</u>	<u>195,610</u>
Capital assets:			
Land	86,440	-	86,440
Pipelines and distribution system	4,148,377	-	4,148,377
Collection system	-	4,418,536	4,418,536
Reservoir	1,400,613	-	1,400,613
Equipment	112,254	452,135	564,389
Construction in progress	-	637,551	637,551
Less accumulated depreciation	<u>(2,729,106)</u>	<u>(2,113,223)</u>	<u>(4,842,329)</u>
Net capital assets	<u>3,018,578</u>	<u>3,394,999</u>	<u>6,413,577</u>
Total noncurrent assets	<u>3,214,188</u>	<u>3,394,999</u>	<u>6,609,187</u>
Total assets	<u>\$ 3,635,225</u>	<u>\$ 6,244,492</u>	<u>\$ 9,879,717</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 55,763	\$ 288,400	\$ 344,163
Compensated absences	15,575	23,362	38,937
Accrued interest payable	5,311	-	5,311
Due to other funds	468,920	-	468,920
Deposits	9,409	-	9,409
Long-term debt due in one year	96,774	38,244	135,018
Total current liabilities	<u>651,752</u>	<u>350,006</u>	<u>1,001,758</u>
Long-term debt due in more than one year:			
Capital lease obligations	816,913	765,525	1,582,438
Installment agreement	80,928	-	80,928
Loans	51,073	-	51,073
Total long-term debt due in more than one year	<u>948,914</u>	<u>765,525</u>	<u>1,714,439</u>
Total liabilities	<u>1,600,666</u>	<u>1,115,531</u>	<u>2,716,197</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,972,890	2,591,230	4,564,120
Unrestricted	61,669	2,537,731	2,599,400
Total net assets	<u>\$ 2,034,559</u>	<u>\$ 5,128,961</u>	<u>\$ 7,163,520</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, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 1,125,617	\$ 2,090,603	\$ 3,216,220
Other operating revenues	-	40,856	40,856
Total operating revenues	<u>1,125,617</u>	<u>2,131,459</u>	<u>3,257,076</u>
OPERATING EXPENSES			
Personnel services	223,064	169,414	392,478
Interfund charges for services	394,327	307,943	702,270
Contractual and other services	234,219	-	234,219
Intergovernmental treatment costs	-	1,400,525	1,400,525
Utilities	100,833	8,126	108,959
Supplies	78,250	22,612	100,862
Insurance, claims, and expenses	15,353	7,367	22,720
Depreciation	167,711	109,122	276,833
Total operating expenses	<u>1,213,757</u>	<u>2,025,109</u>	<u>3,238,866</u>
Operating income (loss)	<u>(88,140)</u>	<u>106,350</u>	<u>18,210</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	11,316	50,866	62,182
Interest expense	(51,190)	(36,053)	(87,243)
Net non-operating revenues (expenses)	<u>(39,874)</u>	<u>14,813</u>	<u>(25,061)</u>
Income before contributions and transfers	<u>(128,014)</u>	<u>121,163</u>	<u>(6,851)</u>
Contributions and transfers			
Transfers in	222,974	-	222,974
Transfers out	(220,085)	-	(220,085)
Capital contributions	46,464	95,458	141,922
Total contributions and transfers	<u>49,353</u>	<u>95,458</u>	<u>144,811</u>
Change in net assets	<u>(78,661)</u>	<u>216,621</u>	<u>137,960</u>
Total net assets, July 1	<u>2,113,220</u>	<u>4,912,340</u>	<u>7,025,560</u>
Total net assets, June 30	<u>\$ 2,034,559</u>	<u>\$ 5,128,961</u>	<u>\$ 7,163,520</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, 2009

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,124,204	\$ 2,044,692	\$ 3,168,896
Payments to suppliers	(417,097)	(1,386,542)	(1,803,639)
Payments to employees	(223,703)	(170,375)	(394,078)
Payments to other funds for services	(394,327)	(307,943)	(702,270)
Other operating receipts	-	40,856	40,856
Net cash provided by (used for) operating activities	<u>89,077</u>	<u>220,688</u>	<u>309,765</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	(220,085)	-	(220,085)
Repayment of advances from other funds	(34,699)	34,699	-
Net cash provided by noncapital financing activities	<u>(254,784)</u>	<u>34,699</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	46,464	95,458	141,922
Proceeds of long term debt	45,216	90,432	135,648
Principal payments on long-term debt	(91,532)	(36,452)	(127,984)
Interest paid on long-term debt	(51,190)	(36,053)	(87,243)
Purchases of capital assets	(45,217)	(2,275,171)	(2,320,388)
Net cash provided by (used for) capital and related financing activities	<u>(96,259)</u>	<u>(2,161,786)</u>	<u>(2,258,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	<u>11,316</u>	<u>50,866</u>	<u>62,182</u>
Net cash provided by investing activities	<u>11,316</u>	<u>50,866</u>	<u>62,182</u>
Net increase (decrease) in cash and cash equivalents	(250,650)	(1,855,533)	(2,106,183)
Cash and cash equivalents beginning of the year	<u>446,260</u>	<u>3,911,290</u>	<u>4,357,550</u>
Cash and cash equivalents-end of the year	<u>\$ 195,610</u>	<u>\$ 2,055,757</u>	<u>\$ 2,251,367</u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	<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)	\$ (88,140)	\$ 106,350	\$ 18,210
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	167,711	109,122	276,833
Change in assets and liabilities:			
Receivables, net	(698)	(45,911)	(46,609)
Accounts payable	11,558	52,088	63,646
Other liabilities	(1,354)	(961)	(2,315)
Net cash provided by (used for) operating activities	<u>\$ 89,077</u>	<u>\$ 220,688</u>	<u>\$ 309,765</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, 2009

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, 2009

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, 2009**

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, 2009

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 are 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, 2009**

8. Comparative Data

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 \$ 9,370,422 difference are as follows:

Capital assets and debt issuance costs	\$ 16,026,025
Less: Accumulated depreciation	<u>(6,655,813)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 9,370,422</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 \$10,516,927 difference are as follows:

Long-Term Debt Obligations:	
Tax allocation bonds	\$ 4,050,000
Refunding capital lease	1,489,538
Installment agreement	1,066,910
Special assessment bonds	295,000
CEC Loan	128,299
Capital lease obligations–equipment	94,447
Capital lease obligations –Clean renewable energy bonds	1,952,000
Capital lease obligation – Mobile Home Park	766,613
Capital lease – Vac-Con Truck	- 40,434
Loss on advance refunding	(106,118)
Compensated absences	<u>739,804</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	<u>\$ (10,516,927)</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 \$ 2,688,377 difference and other significant components of the difference are as follows:

Capital outlay	\$ 1,872,903
Depreciation expense	(394,094)
Repayment of long-term debt principal	899,891
Long-term receivables deferred in the funds	341,434
Proceeds of long-term debt	(45,216)
Other items	<u>13,459</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>\$ 2,688,377</u>

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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 \$389,118; Measure M \$55,446, County Street Smart \$213,439, Renewable energy \$\$884,040, Tourism BIA \$46,658, General Plan Housing \$46,218, Federal Funds \$283,069, Skate Park \$257,331, Pavement program \$260,237, Solar Sonoma \$189,141, Federal ARRA \$55,584, redevelopment administration \$380,306. The expenditures were funded by available resources.

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2009 consisted of the following:

Pooled demand deposits	\$ 599,816
Pooled investments	8,863,528
Investments with trustees	<u>37,792</u>
 Total deposits and investments	 <u>\$ 9,501,136</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, 2009, \$ 475,644 of the City's bank balances of \$ 773,331 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 475,644</u>
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Investments - At June 30, 2009, the City had the following investments.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Sonoma County Investment Pool	Average 265 days	\$ 6,882,131
GS Fin Sq Gov Fund - Mutual Fund	Average 43 days	1,311,436
FIMM Treasury Fund - Mutual Fund	Average 60 days	669,961
First American Treasury - Mutual Fund	Average 60 days	<u>37,792</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, 2009**

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 \$2,019,188 investment other than the County Pool, the entire \$2,019,188 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	\$ -	\$ -	\$ -	\$ -	\$ 198,063	\$ 324,816
Taxes	276,458	772	-	277,230	-	-
Governments	-	-	726,804	726,804	-	-
Notes loans	-	5,650,415	306,705	5,957,120	-	-
Assessments	-	-	295,000	295,000	-	-
Totals	<u>\$ 276,458</u>	<u>\$ 5,651,187</u>	<u>\$ 1,328,509</u>	<u>\$ 7,256,154</u>	<u>\$ 198,063</u>	<u>\$ 324,816</u>

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers as of June 30, 2009, was as follows:

<u>Transfers In:</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Water Enterprise</u>	<u>Total Transfers Out</u>
Transfers Out:				
Clean Renewable energy	\$ -	\$ 762,040	\$ 222,974	\$ 985,014
Water Enterprise	-	220,085	-	220,085
General fund	-	18,902	-	18,902
City Capital Project	-	2,891	-	2,891
Nonmajor funds	34,293	511,159	-	545,452
Totals	<u>\$ 34,293</u>	<u>\$ 1,754,602</u>	<u>\$222,974</u>	<u>\$ 1,772,344</u>

The transfers out of the clean renewable energy fund and the water enterprise fund were made primarily to fund solar energy projects and facilities.

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	Mobile Home Park Fund	125,000
Nonmajor solar related funds	Clean renewable energy fund	98,733
Nonmajor traffic impact fee fund	Nonmajor funds	804,672
Water enterprise	Clean renewable energy fund	222,974
Wastewater enterprise	Water enterprise	468,920
	Total	<u>\$ 3,786,387</u>

The cash advances to the low and moderate income housing fund were made to fund land purchases and are to be repaid with future years' tax increment revenues. The advance to the water fund was made to fund cash flow operating needs. The other cash advances were made for cash flow management purposes.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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	\$ 402,415
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	8,000
Individual home buyers	Solar power equipment installation	<u>306,705</u>
	Totals	<u>\$5,957,120</u>

The \$402,415 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 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.

The \$306,705 solar equipment installation loans are repayable in equal bi-monthly installments over a period of about 33 years by the homeowners.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

4. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2009 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	\$ 347,287	\$ 377,193	\$ -	\$ 724,480
Mobile Home Park land parcel	1,628,372	-	-	1,628,372
Construction in progress	<u>595,900</u>	<u>387,938</u>	<u>595,900</u>	<u>387,938</u>
Total capital assets, not being depreciated	<u>2,571,559</u>	<u>765,131</u>	<u>595,900</u>	<u>2,740,790</u>
Capital assets, being depreciated:				
Buildings	5,493,175	-	-	5,493,175
Machinery and equipment	1,635,511	98,997	-	1,734,508
Vehicles	2,287,317	45,216	-	2,332,533
Infrastructure – parks and skate parks	1,373,939	257,336	-	1,631,275
Infrastructure – solar power facilities	-	1,302,122	-	1,302,122
Infrastructure-Street system	<u>791,832</u>	<u>-</u>	<u>-</u>	<u>791,832</u>
Total capital assets being depreciated	<u>11,581,774</u>	<u>1,703,671</u>	<u>-</u>	<u>13,285,445</u>
Less accumulated depreciation for:				
Buildings	(3,932,384)	(75,862)	-	(4,008,246)
Infrastructure	(56,684)	(97,039)	-	(153,723)
Machinery and equipment	(816,932)	(110,394)	-	(927,326)
Vehicles	<u>(1,455,719)</u>	<u>(110,799)</u>	<u>-</u>	<u>(1,566,518)</u>
Total accumulated depreciation	<u>(6,261,719)</u>	<u>(394,094)</u>	<u>-</u>	<u>(6,655,813)</u>
Total capital assets, being depreciated, net	<u>5,320,055</u>	<u>1,309,577</u>	<u>-</u>	<u>6,629,632</u>
Governmental activities capital assets, net	<u>\$ 7,891,614</u>	<u>\$ 2,074,708</u>	<u>\$ 595,900</u>	<u>\$ 9,370,422</u>

Construction in progress costs of \$387,938 relates to a solar energy implementation project.

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

4. Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2009 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
Construction in progress		637,551		637,551
Total capital assets, not being depreciated	<u>86,440</u>	<u>637,551</u>	<u>-</u>	<u>723,991</u>
Capital assets, being depreciated:				
Reservoirs	1,400,613	-	-	1,400,613
Pipelines and distribution system	4,148,377	-	-	4,148,377
Pipelines and collection system	2,671,351	1,747,185	-	4,418,536
Equipment	<u>428,737</u>	<u>135,652</u>	<u>-</u>	<u>564,389</u>
Total capital assets being depreciated	<u>8,649,078</u>	<u>1,882,837</u>	<u>-</u>	<u>10,531,915</u>
Less accumulated depreciation for:				
Reservoirs	(556,519)	(42,094)	-	(598,613)
Pipelines and distribution system	(1,961,053)	(124,787)	-	(2,085,840)
Pipelines and collection system	(1,677,415)	(101,185)	-	(1,778,600)
Equipment	<u>(370,509)</u>	<u>(8,767)</u>	<u>-</u>	<u>(379,276)</u>
Total accumulated depreciation	<u>(4,565,496)</u>	<u>(276,833)</u>	<u>-</u>	<u>(4,842,329)</u>
Total capital assets, being depreciated, net	<u>4,083,582</u>	<u>1,606,004</u>	<u>-</u>	<u>5,689,586</u>
Business-type activities capital assets, net	<u>\$ 4,170,022</u>	<u>\$ 2,243,555</u>	<u>\$ -</u>	<u>\$ 6,413,577</u>

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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	\$ 6,271
Public safety	188,801
Public works	101,228
Parks and recreation	97,794
Total depreciation expense-governmental activities	<u>\$ 394,094</u>
 Business-type activities:	
Water	\$ 167,711
Wastewater	109,122
Total depreciation expense-business type activities	<u>\$ 276,833</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:

Fiscal Year	Total
2010	\$ 407,121
2011	407,191
2012	407,191
2013	<u>407,121</u>
Total minimum lease payments	1,628,624
Less amounts representing interest	<u>(139,086)</u>
Present value of net minimum lease payments	<u>\$ 1,489,538</u>

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

4. Detailed Notes on All Funds (Continued)

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 bonds are secured by a pledge of the Agency's tax increment revenues. Future debt service requirements are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	320,000	106,560	426,560
2015-2019	1,770,000	350,326	2,120,326
2020-2021	810,000	41,000	851,000
Totals	\$ 4,050,000	\$ 1,025,672	\$ 5,075,672

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,000	\$ 18,985	\$ 28,985
2011	10,000	18,385	28,385
2012	20,000	17,785	37,785
2013	15,000	16,585	31,585
2014	15,000	15,670	30,670
2015-2019	110,000	60,535	170,535
2020-2023	115,000	20,435	135,435
Totals	\$ 295,000	\$ 168,380	\$ 463,580

CITY OF SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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>
2010	\$ 49,956	\$ 7,589	\$ 57,545
2011	53,200	4,345	57,545
2012	27,730	1,033	28,763
Totals	\$ 130,886	\$ 12,967	\$ 143,853

Capital Lease Obligations - Equipment

The City has entered into two capital lease agreements for the purpose principally of purchasing a fire truck and a Vac-Con Truck in an aggregate principal amount of \$777,000. The fire truck lease bears interest at 3.38 percent and is payable in annual installments of \$97,058. The Vac-Con Truck lease is payable in annual installments of \$27,668. 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>
2010	\$ 103,975	\$ 20,751
2011	6,917	20,751
2012	6,917	20,751
2013	6,917	20,751
2014	6,917	20,751
2015-2016	13,834	41,502
Total minimum lease payments	145,477	145,257
Less amount representing interest	(10,608)	(23,930)
Present value net minimum lease payments	\$ 134,869	\$ 121,327

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>
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	37,138	2,123	39,261
2015	18,598	1,033	19,631
Totals	\$ 189,399	\$ 26,537	\$ 215,936

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, 2009**

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>
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	92,825	133,744	226,569
2015-2019	464,125	668,720	1,132,845
2020-2024	464,125	668,720	1,132,845
2025-2026	185,649	267,487	453,136
Total minimum lease payments	1,578,024	2,273,647	3,851,671
Less amounts representing interest	(511,114)	(737,491)	(1,248,605)
Present value of net minimum lease payments	<u>\$ 1,066,910</u>	<u>\$1,536,156</u>	<u>\$ 2,603,066</u>

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 SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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>
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	122,000	64,584	186,584
2015-2019	610,000	322,920	932,920
2020-2024	610,000	322,920	932,920
2025-2027	122,000	193,752	315,752
Total minimum lease payments	1,952,000	1,162,512	3,114,512
Less amounts representing interest	-	(395,899)	(395,899)
Present value of net minimum lease payments	\$ 1,952,000	\$ 766,613	\$ 2,718,613

Changes in Long-term liabilities:

Long-term debt activity for the 2009 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:					
2007 tax allocation refunding bonds	\$ 4,300,000	\$ -	\$ 250,000	\$ 4,050,000	\$ 255,000
Special assessment bonds	305,000	-	10,000	295,000	10,000
Capital lease- capital projects	1,106,497	-	39,587	1,066,910	41,529
Capital lease-advance refunding	1,826,138	-	336,600	1,489,538	350,300
Capital lease obligations-equipment	185,261	45,216	95,608	134,869	99,456
CEC Loan	148,438	-	20,127	128,311	21,055
Capital lease – renewable energy	2,074,000	-	122,000	1,952,000	122,000
Capital lease – mobile home park	792,672	-	26,059	766,613	27,351
Compensated absences	770,166	169,638	200,000	739,804	300,000
Total	\$ 11,508,172	\$ 215,854	\$ 1,099,981	\$ 10,623,045	\$ 1,226,691
Business-Type Activities:					
Installment agreement	\$ 177,798	\$ -	\$ 46,912	\$ 130,886	\$49,956
Capital lease Vac-Con	-	135,649	14,322	121,327	15,026
Capital lease –capital projects	1,593,304	-	57,148	1,536,156	60,008
CEC Loan	70,691	-	9,603	61,088	10,028
Totals	\$ 1,841,793	\$ 135,649	\$ 127,985	\$ 1,849,457	\$ 135,018

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements June 30, 2009

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 2009. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no claim liabilities at June 30, 2009.

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 SEBASTOPOL

**Notes to the Basic Financial Statements
June 30, 2009**

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

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>	6/30/07	\$ 244,371	100%	\$ -
	6/30/08	\$ 269,646	100%	\$ -
	6/30/09	\$ 282,091	100%	\$ -
<i>Safety employees</i>	6/30/07	\$ 337,931	100%	\$ -
	6/30/08	\$ 373,021	100%	\$ -
	6/30/09	\$ 372,163	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, 2009, 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, 2009**

5. Other Information (Continued)

F. Restricted Net Assets and Designated Fund Balances

The \$ 11,200,943 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	General Fund	Redevelopment Admin Fund	Nonmajor Funds
Debt service	\$ -	\$ -	\$ 40,706
Advances to other funds	-	2,066,088	-
	<u>\$ -</u>	<u>\$ 2,066,088</u>	<u>\$ 40,706</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	General Fund	Clean Renewable Energy Bonds	City Capital Projects
Retirees medical premiums	\$ 100,000	\$ -	\$ -
Employee vacation and sick leave	61,648	-	-
Workers compensation	50,000	-	-
Capital projects	-	-	478,423
Solar capital projects	-	895,893	-
Equipment replacements	269,025	-	-
Buildings	170,000	-	-
Totals	<u>\$ 650,673</u>	<u>\$ 895,893</u>	<u>\$ 478,423</u>

G. Deficit Fund Balances

The City's low and moderate income housing fund has a \$1,680,111 fund deficit, the Measure M fund has a \$162,965 fund deficit, the Solar Sequoia fund has a \$126,402 deficit and the federal funds has a \$19,106 fund deficit. The City expects to eliminate the deficits from future fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information
CITY OF SEBASTOPOL
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 1,512,149	\$ 1,512,149	\$ 1,512,149	\$ -
Resources (inflows):				
Property taxes	1,090,000	1,090,000	1,112,187	22,187
Sales taxes	1,580,000	1,580,000	1,571,379	(8,621)
Transient occupancy taxes	370,000	370,000	248,253	(121,747)
Other taxes	584,500	584,500	406,063	(178,437)
License permits	360,600	360,600	246,748	(113,852)
Fines and forfeits	102,000	102,000	73,805	(28,195)
Interest and rents	184,250	184,250	76,266	(107,984)
Intergovernmental	606,270	606,270	640,560	34,290
Charges for services	308,530	308,530	288,418	(20,112)
Miscellaneous	70,280	70,280	247,158	176,878
Proceeds of long-term leases	-	-	45,216	45,216
Transfers	-	-	34,293	34,293
	<u>6,768,579</u>	<u>6,768,579</u>	<u>6,502,495</u>	<u>(266,084)</u>
Amounts available for charges to appropriations				
Charges to appropriations:				
General government:				
Legislative	53,739	76,739	80,644	(3,905)
Manager	225,339	305,039	286,364	18,675
Finance	190,650	189,888	188,444	1,444
Legal	204,379	214,379	198,285	16,094
Insurance	-	-	2,155	(2,155)
Miscellaneous	43,446	43,446	105,770	(62,324)
Employee benefits	-	(1,168)	189,149	(190,317)
Government buildings	43,337	43,337	39,610	3,727
Community support	49,993	49,993	46,593	3,400
Planning	279,496	279,496	273,794	5,702
Public safety:				
Police	2,870,382	2,991,963	3,016,192	(24,229)
Animal control	13,000	13,000	8,447	4,553
Emergency	2,900	2,900	3,308	(408)
Fire	495,037	545,452	522,756	22,696
Public Works:				
Building inspection	143,334	143,334	149,370	(6,036)
Engineering	110,529	93,764	84,516	9,248
Corporation yard	43,831	45,431	45,646	(215)
Streets	101,434	101,434	217,132	(115,698)
Streets other	-	-	-	-
Parking	23,421	23,421	21,547	1,874
Street lighting	5,800	-	-	-
Parks and recreation				
Parks	164,239	164,239	160,020	4,219
Pool	86,639	86,639	98,047	(11,408)
Recreation	49,978	49,978	49,915	63
Capital outlay lease financed	-	-	45,216	(45,216)
Transfers out	-	-	18,902	(18,902)
	<u>5,200,903</u>	<u>5,462,704</u>	<u>5,851,822</u>	<u>(389,118)</u>
Total charges to appropriations				
Fund Balance, June 30	<u>\$ 1,567,676</u>	<u>\$ 1,305,875</u>	<u>\$ 650,673</u>	<u>\$ (655,202)</u>

Required Supplementary Information
CITY OF SEBASTOPOL
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2009

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:	\$ 6,502,495
Differences - budget to GAAP:	
Proceeds of long-term capital lease financing are a budgetary inflow but are reported as other financing sources in the in the fund statements	(45,216)
Transfers in from other funds are a budgetary resource, but are not revenues for financial reporting purposes	(34,293)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(1,512,149)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 4,910,837</u></u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 5,851,822
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(18,902)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>\$ 5,832,920</u></u>
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Required Supplementary Information
CITY OF SEBASTOPOL
 Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund
 For The Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ (2,094,677)	\$ (2,094,677)	\$ (2,094,677)	\$ -
Resources (inflows):				
Incremental property taxes	490,000	490,000	522,115	32,115
Interest and rents	-	-	26,930	26,930
Miscellaneous	25,000	25,000	27,231	2,231
Proceeds of state loans	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>(4,000,000)</u>
Amounts available for charges to appropriations	<u>2,420,323</u>	<u>2,420,323</u>	<u>(1,518,401)</u>	<u>(3,938,724)</u>
Charges to appropriations:				
Community development:				
Housing projects	2,856,500	2,856,500	76,634	2,779,866
Debt Service	<u>21,215</u>	<u>21,215</u>	<u>85,076</u>	<u>(63,861)</u>
Total charges to appropriations	<u>2,877,715</u>	<u>2,877,715</u>	<u>161,710</u>	<u>2,716,005</u>
Fund Balance, June 30	<u>\$ (457,392)</u>	<u>\$ (457,392)</u>	<u>\$ (1,680,111)</u>	<u>\$ (1,222,719)</u>

Exploation of Differences between Budgetary Inflows and GAAP revenues:

Sources/Inflows of resources:	
Actual amounts available for appropriation per above schedule	\$ (1,518,401)
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	2,094,677
The proceeds od long-term loans are budgetary resource but is reported as an other financing source for financial reporting purposes	<u>-</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 576,276</u>
Uses/Outflows of resources:	
Total charges to appropriations in the above schedule	\$ 161,710
Differences budget to GAAP:	
Transfers out are a budgetary use but are reported as an other financing use for financial reporting purposes	<u>-</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 161,710</u>

OPTIONAL SUPPLEMENTARY INFORMATION
NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	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
Assets													
Cash and Investments	\$ 25,895	\$ 1,735	\$ 4,110	\$ -	\$ 233,770	\$ -	\$ 204,604	\$ 22,806	\$ 3	\$ 5,412	\$ 88,728	\$ -	\$ 444,433
Receivables:													
Receivables from other governments	5,409	15,927	-	13,954	-	-	804,672	-	-	-	15,585	-	56,250
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 31,304	\$ 17,662	\$ 4,110	\$ 13,954	\$ 233,770	\$ -	\$ 1,009,276	\$ 22,806	\$ 3	\$ 5,412	\$ 104,313	\$ -	\$ 500,663
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ -	\$ 8,517	\$ 599	\$ 289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,181
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	162,965
Total liabilities	-	8,517	599	289	-	-	-	-	-	-	-	-	162,965
Fund balances:													
Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	31,304	9,145	3,511	13,665	233,770	-	1,009,276	22,806	3	5,412	104,313	(182,965)	498,502
Total fund balances	31,304	9,145	3,511	13,665	233,770	-	1,009,276	22,806	3	5,412	104,313	(182,965)	498,502
Total liabilities and fund balances	\$ 31,304	\$ 17,662	\$ 4,110	\$ 13,954	\$ 233,770	\$ -	\$ 1,009,276	\$ 22,806	\$ 3	\$ 5,412	\$ 104,313	\$ -	\$ 500,663

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

Special Revenue Funds

	Proposition 1B	Housing General Plan	Parks Projects	Pavement Program	BIA Tourism	Vehicle Abatement	Solar Sequoia	Solar Well 4	Solar Youth Annex	Solar Community Center	Solar Garzot	Solar Sebastopol	State Park
Assets													
Cash and investments	\$ 400,000	\$ 33,366	\$ -	\$ 241,158	\$ 24,220	\$ 49,210	\$ -	\$ -	\$ 9,666	\$ -	\$ -	\$ 8,680	\$ -
Receivables:													
Receivables from other governments	-	-	-	-	8,772	-	-	-	-	-	-	-	67,397
Due from other funds	-	-	-	-	-	-	-	-	-	34,980	63,753	-	-
Assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	308,705	-	-	-	-	-	-
Total assets	\$ 400,000	\$ 33,366	\$ -	\$ 241,158	\$ 32,992	\$ 49,210	\$ 308,705	\$ -	\$ 9,666	\$ 34,980	\$ 63,753	\$ 8,680	\$ 67,397
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ 945	\$ 340	\$ -	\$ -	\$ 17,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	128,402	-	-	34,980	56,164	-	13,797
Deferred revenue	-	33,028	-	-	-	-	306,705	-	-	-	-	-	-
Total liabilities	945	33,368	-	-	17,668	-	433,107	-	-	34,980	56,164	-	13,797
Fund balances:													
Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	399,055	-	-	241,158	15,324	49,210	(126,402)	-	9,666	-	7,589	8,680	43,600
Total fund balances	399,055	-	-	241,158	15,324	49,210	(126,402)	-	9,666	-	7,589	8,680	43,600
Total liabilities and fund balances	\$ 400,000	\$ 33,366	\$ -	\$ 241,158	\$ 32,992	\$ 49,210	\$ 306,705	\$ -	\$ 9,666	\$ 34,980	\$ 63,753	\$ 8,680	\$ 57,397

City of Sebastopol
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	CDBG	Capital Projects							Debt Service		Total Nonmajor Governmental Funds	
		Undergrounding	Downtown Plaza	Federal Recovery Act	Lease Street Smart	Flooding	Solar Sonoma	Federal Funds	Conly Street Smart	Equipment Replacement		Woodstone Assessment district
Assets												
Cash and Investments	\$ 458	\$ 183,844	\$ 2,190	\$ -	\$ -	\$ -	\$ -	\$ 5,950	\$ -	\$ -	\$ 40,706	\$ 2,030,744
Receivables:												
Receivables from other governments	-	-	-	55,584	-	-	-	16,104	256,366	100,456	-	801,804
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	903,405
Assessments receivable	-	-	-	-	-	-	-	-	-	-	295,000	295,000
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	306,705
Total assets	\$ 458	\$ 183,844	\$ 2,190	\$ 55,584	\$ -	\$ -	\$ 22,054	\$ 256,366	\$ 100,456	\$ -	\$ 335,706	\$ 4,137,659
Liabilities and Fund Balances												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ 2,190	\$ 1,055	\$ -	\$ -	\$ -	\$ 8,087	\$ 6,336	\$ 736	\$ -	\$ 48,943
Due to other funds	-	-	-	54,529	4,666	-	-	-	269,136	82,033	-	804,672
Deferred revenue	-	-	-	-	-	-	-	-	-	-	295,000	634,731
Total liabilities	-	-	2,190	55,584	4,666	-	8,087	275,472	82,769	-	295,000	1,488,346
Fund balances:												
Reserved	-	-	-	-	-	-	-	-	-	-	40,706	40,706
Unreserved	458	183,844	-	(4,666)	-	-	13,967	(19,106)	17,687	-	-	2,608,606
Total fund balances	458	183,844	-	(4,666)	-	-	13,967	(19,106)	17,687	-	40,706	2,649,312
Total liabilities and fund balances	\$ 458	\$ 183,844	\$ 2,190	\$ 55,584	\$ -	\$ -	\$ 22,054	\$ 268,368	\$ 100,456	\$ -	\$ 335,706	\$ 4,137,658

CITY OF SEBASTOPOL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Normajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds												
	Police Grants	Fire Sater	Fire Training	Gas Tax	Special Construction	Vehicle Collision and Click ItGrant	Traffic Impact	Street Lighting Assessment	Asset Forfeiture	Downtown Association	Traffic Congestion	Measure M	Special sales Tax
Revenues:													
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,934	\$ -	\$ 47,723	\$ 528,500
Intergovernmental	63,747	7,963	2,690	134,787	-	12,037	-	-	-	-	66,310	-	-
Charges for services	-	-	-	-	52,110	-	38,594	87,713	-	-	-	-	-
Interest	1,059	125	67	-	3,562	-	15,409	342	-	78	983	-	7,483
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	64,806	8,088	2,757	134,787	55,672	12,037	54,003	88,055	-	8,012	66,293	47,723	535,983
Expenditures:													
Current:													
Public safety	134,677	48,012	3,601	-	-	12,037	-	-	-	-	-	-	-
Public works	-	-	-	121,331	-	-	3,945	82,659	-	-	-	55,446	-
Community development	-	-	-	-	-	-	-	-	6,057	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	6,775	-	-	-	-	-	-	-	143,333
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	13,444	-	-	-	-	-	-	-	137,098
Interest	-	-	-	-	18,027	-	-	-	-	-	-	-	47,913
Total expenditures	134,677	48,012	3,601	121,331	38,246	12,037	3,945	82,659	-	6,057	-	55,446	328,342
Excess (deficiency) of revenues over (under) expenditures	(69,871)	(39,924)	(844)	13,456	17,426	-	50,058	5,396	-	1,955	66,293	(7,723)	207,641
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	14,036	-	-	-	-	-	129,365
Transfers out	-	-	-	-	(1,841)	-	-	-	-	-	-	-	(200,000)
Total other financing sources (uses)	-	-	-	-	(1,841)	-	14,036	-	-	-	-	-	(70,615)
Net change in fund balances	(69,871)	(39,924)	(844)	13,456	15,585	-	64,094	5,396	-	1,955	66,293	(7,723)	137,026
Fund balances, July 1	101,175	49,069	4,355	209	218,185	-	945,182	17,410	3	3,457	38,020	(155,242)	381,476
Fund balances, June 30	\$ 31,304	\$ 9,145	\$ 3,511	\$ 13,665	\$ 233,770	\$ -	\$ 1,009,276	\$ 22,806	\$ 3	\$ 5,412	\$ 104,313	\$ (162,965)	\$ 498,502

CITY OF SEBASTOPOL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

Special Revenue Funds

	Proposition 1B	Housing General Plan	Parks Projects	Pavement Program	BIA Tourism	Vehicle Abatement	Solar Sequoia	Solar Well 4	Solar Youth Annex	Solar Community Center	Soler Garzot	Solar Sebastapol	Skate Park
Revenues:													
Sales taxes	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	298,198
Charges for services	400,000	45,668	-	-	45,172	-	-	-	-	-	-	9,610	-
Interest	-	530	-	4,268	360	474	-	-	-	-	-	159	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	892
Total revenues	400,000	46,218	-	4,268	45,532	474	-	-	-	-	-	9,769	299,090
Expenditures:													
Current													
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	945	-	-	4,932	-	-	-	-	-	-	-	-	-
Community development	-	46,218	-	-	46,658	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	3,258	-
Capital outlay	-	-	-	-	-	-	352,958	433,000	140,873	34,980	132,351	-	257,331
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	945	46,218	-	4,932	46,658	-	352,958	433,000	140,873	34,980	132,351	3,258	257,331
Excess (deficiency) of revenues over (under) expenditures	399,055	-	-	(664)	(1,126)	474	(352,959)	(433,000)	(140,873)	(34,980)	(132,351)	6,513	41,759
Other financing sources (uses):													
Transfers in	-	-	-	200,000	-	18,880	226,556	433,000	150,539	34,980	139,940	-	1,841
Transfers out	-	-	(420)	(255,305)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	(420)	(55,305)	-	18,880	226,556	433,000	150,539	34,980	139,940	-	1,841
Net change in fund balances	399,055	-	(420)	(55,969)	(1,126)	19,354	(126,402)	-	9,666	-	7,569	6,513	43,600
Fund balances, July 1	-	-	420	297,127	16,450	29,856	-	-	-	-	-	2,167	-
Fund balances, June 30	\$ 399,055	\$ -	\$ -	\$ 241,158	\$ 15,324	\$ 49,210	\$ (126,402)	\$ -	\$ 9,666	\$ -	\$ 7,569	\$ 8,680	\$ 43,600

CITY OF SEBASTOPOOL
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Capital Projects										Debt Service		Total Nonmajor Governmental Funds
	CDBG	Undergrounding	Downtown Plaza	Federal Recovery Act	Lease Street Smart	Flooding	Solar Sonoma	Federal Funds	County Street Smart	Equipment Replacement	Woodstone Assessment district		
Revenues:													
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,157
Intergovernmental	-	-	-	55,584	-	-	158,877	138,043	231,126	-	-	-	1,168,362
Charges for services	-	-	-	-	-	-	44,231	-	-	-	31,384	-	754,502
Interest	458	2,868	-	-	-	-	-	-	-	-	252	-	38,477
Miscellaneous	-	-	-	-	-	-	-	-	-	-	892	-	892
Total revenues	458	2,868	-	55,584	-	-	203,108	138,043	231,126	-	31,638	-	2,546,390
Expenditures:													
Current:													
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	198,327
Public Works	-	-	-	55,584	4,666	-	189,141	283,069	213,439	-	-	-	1,015,157
Community development	-	-	-	-	-	-	-	-	-	-	-	-	98,933
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	3,256
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	1,501,601
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	160,540
Principal	-	-	-	-	-	-	-	-	-	-	10,000	-	90,350
Interest	-	-	-	-	-	-	-	-	-	-	24,410	-	3,068,164
Total expenditures	-	-	-	55,584	4,666	-	189,141	283,069	213,439	-	34,410	-	3,068,164
Excess (deficiency) of revenues over (under) expenditures	458	2,868	-	-	(4,666)	-	13,967	(145,028)	17,687	-	(2,774)	-	(521,774)
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	125,920	-	-	-	-	1,475,077
Transfers out	(58,504)	-	-	-	-	(13,688)	-	-	-	-	(15,694)	-	(545,452)
Total other financing sources (uses)	(58,504)	-	-	-	-	(13,688)	-	125,920	-	-	(15,694)	-	929,625
Net change in fund balances	(58,046)	2,868	-	-	(4,666)	(13,688)	13,967	(19,106)	17,687	-	(18,468)	-	407,851
Fund balances, July 1	58,504	180,776	-	-	-	13,688	-	-	-	-	59,174	-	2,241,481
Fund balances, June 30	\$ 458	\$ 183,644	\$ -	\$ -	\$ (4,666)	\$ -	\$ 13,967	\$ (19,108)	\$ 17,687	\$ -	\$ 40,706	\$ -	\$ 2,649,312