

**City of Sebastopol  
Basic Financial Statements  
June 30, 2012**

**CITY OF SEBASTOPOL, CALIFORNIA**  
**Basic Financial Statements**  
**Fiscal Year Ended June 30, 2012**  
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**FINANCIAL SECTION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS,**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**NOTES TO THE FINANCIAL STATEMENTS**



**Terry E. Krieg, CPA**  
Certified Public Accountant

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**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, 2012 which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Sebastopol's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

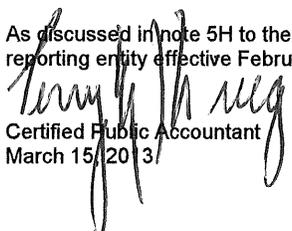
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sebastopol, California, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 15, 2013 on my consideration of the City of Sebastopol's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress on pages 2 through 12 and pages 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sebastopol's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole..

As discussed in note 5H to these financial statements, the City's blended component unit redevelopment agency was dissolved as a financial reporting entity effective February 1, 2012, and the agency's assets and liabilities were transferred to Successor Agencies.

  
Certified Public Accountant  
March 15, 2013



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, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- The City's total net assets decreased by about \$2,382,898 over the course of this fiscal year's operations. The net assets of our governmental-type activities decreased by \$2,476,868; and there was a \$93,970 increase in the net assets of our business-type activities funds. A combined decrease of about 9.79% over 2011 ending net asset balances.
- The General Fund reported a 2012 year end *unassigned* fund balance of \$789,029. The City has not committed or restricted those funds, but has classified them as residual positive net resources of the general fund.
- The Redevelopment Administration fund and the Low and Moderate Income Housing fund each ended the year with a zero fund balance. The State of California dissolved the Redevelopment agencies as of February 1, 2012. The City of Sebastopol did not elect to retain their Low and Moderate Income Housing fund assets and those assets transferred to the County of Sonoma Development Commission by operation of law on February 1, 2012.
- The BEGIN Reuse fund's activities included \$584,000 in loans that closed escrow during May 2012, for the Hollyhock subdivision. That fund ended the fiscal year with a zero balance.
- In our Business-type activity funds, the Water Enterprise ended fiscal 2012 with \$135,644 in cash and investments, and the Wastewater Enterprise ended fiscal 2012 with \$789,721 in cash and investments available for future use. The City ended 2012 with \$0 restricted for capital improvements in the Water fund; and \$298,317 restricted for capital improvements in the Sewer fund.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and wastewater system.



**SEBASTOPOL**

Local Flavor. Global Vision.

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

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.

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

<b>Major Features of City of Sebastopol's Government-Wide and Fund Financial Statements</b>			
	<b>Government-Wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	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.
<b>Required financial statements</b>	Statement of net assets  Statement of activities	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of revenues, expenses, and changes in net assets</li> <li>Statement of cash flows</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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.

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 is used to account for unrestricted resources and general operations of the City. The City's other major funds include the BEGIN fund; the County Street Smart fund; the Redevelopment Administration fund and the Low and Moderate fund.

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.



**CITY OF SEBASTOPOL 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 decreased about \$2,382,898 between fiscal years 2011 and 2012. ( 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
	2012	2011	2012	2011	2012	2011	2011/2012
Current and other assets	\$8,484,800	\$17,002,100	\$1,426,600	\$1,644,000	\$9,911,400	\$18,646,100	-46.84%
Capital assets	11,123,600	11,318,600	7,570,000	7,280,100	18,693,600	18,598,700	.51%
<b>Total assets</b>	<b>\$19,608,400</b>	<b>\$28,320,700</b>	<b>\$8,996,600</b>	<b>\$8,924,100</b>	<b>\$28,605,000</b>	<b>\$37,244,800</b>	<b>-23.19%</b>
Long-term debt outstanding	3,759,600	10,055,900	1,401,700	1,611,300	5,161,300	11,667,200	-55.76%
Other liabilities	1,138,300	1,077,400	369,000	180,800	1,507,300	1,258,200	19.79%
<b>Total liabilities</b>	<b>\$4,897,900</b>	<b>\$11,133,300</b>	<b>\$1,770,700</b>	<b>\$1,792,100</b>	<b>\$6,668,600</b>	<b>\$12,925,400</b>	<b>-48.40%</b>
<b>Net assets</b>							
Invested in capital assets net of related debt	7,555,800	3,598,600	5,620,800	5,668,900	13,176,600	9,267,500	42.18%
Restricted	6,152,200	13,735,700	298,300	435,900	6,450,500	14,171,600	-54.48%
Unrestricted	1,002,500	(146,900)	1,306,800	1,027,200	2,309,300	880,300	62.33%
<b>Total net assets</b>	<b>\$14,710,500</b>	<b>\$17,187,400</b>	<b>\$7,225,900</b>	<b>\$7,132,000</b>	<b>\$21,936,400</b>	<b>\$24,319,400</b>	<b>-9.79%</b>

Net assets of the City's governmental activities decreased about 14.41% percent or about \$2,476,900. About 58% of the net assets relating to governmental activities is represented the City's cash, investments, accounts and notes receivable. The City has about \$3.7 million in long-term debt being used to finance governmental activities.

The net assets of the City's business-type activities increased by 1.31% to \$7.2 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.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Changes in net assets.**

The City's total revenues increased by about \$22,100 to \$12.96 million (See Table A-2.) in 2012 compared to \$12.94 million in 2011. About 47 percent of the City's revenue comes from property taxes, transient occupancy, sales taxes, and other taxes. Another 37 percent is from fees charged for services, and the balance is monies received for State, local aid, and grants.



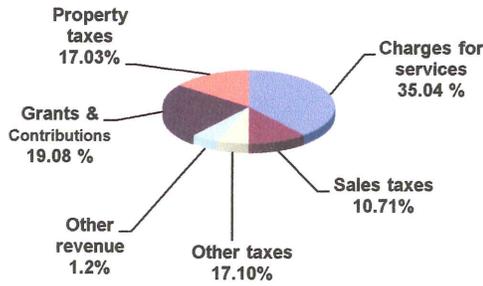
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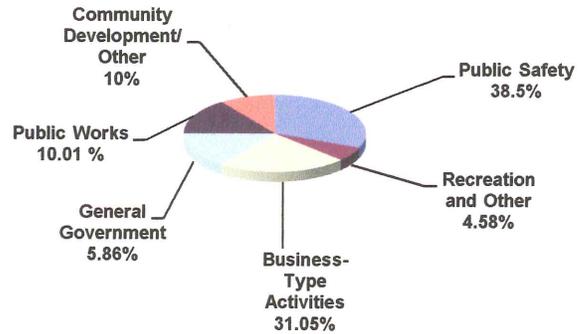
**CITY OF SEBASTOPOL MANAGEMENT'S DISCUSSION AND ANALYSIS**

The total cost of all programs and services decreased approximately \$1,366,600 or about -11.57 percent to \$10.4 million, compared to \$11.8 million in fiscal 2011. The City's expenses cover a range of services, with about 31.6 percent related to business type activities, 38.5 percent for public safety services, and the remaining 29.9 percent for general government, public works, parks and community programs.

**Sources of Revenue for Fiscal Year 2012**



**Functional Expenses For Fiscal Year 2012**



**Governmental Activities**

Revenues for the City's governmental activities increased by a net \$201,500; and total expenses decreased by \$1,001,800 over fiscal year 2011.

Governmental activities recorded higher grant revenues in fiscal 2012 than in fiscal 2011; resulting in an overall increase of \$1,164,456. This was primarily because of work completed on the Street Smart II and III resurfacing and maintenance projects, plus \$584,000 in revenue for the Hollyhock BEGIN Reuse loans, which closed escrow in entirety in May of 2012.

An extraordinary reduction of \$4,909,300 was recorded for the State of California dissolution of the Redevelopment Agency. The Successor Agency to the City of Sebastopol did not elect to retain their housing assets, and by operation of law those real properties and other housing assets transferred to the Sonoma County Development Commission on February 1, 2012.

A difference in the beginning net asset figure compared to the ending net asset figure from the fiscal 2011 audit is due to the recordation of the City's BEGIN loans, which were discovered after the 2011 audit was complete. The total of \$3,020,600 was recorded into the City's general ledger during fiscal 2011/12.

After all operations for 2012 were completed, the net assets of our governmental activities decreased by about a net \$2,476,868.



**CITY OF SEBASTOPOL 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
	2012	2011	2012	2011	2012	2011	2011/2012
<b>Revenues</b>							
Program revenues:							
Charges for services	\$1,328,900	\$1,530,400	\$3,220,000	\$3,183,800	\$4,548,900	\$4,714,200	-3.50%
Grants and contributions	2,221,700	1,057,300	259,800	475,400	2,481,500	1,532,700	61.90%
General revenues:							
Property taxes	2,215,200	2,890,600			2,215,200	2,890,600	-23.18%
Other taxes	3,617,300	3,640,400			3,617,300	3,640,400	-.63%
Other	101,700	164,600			101,700	164,600	-38.21%
<b>Total revenues</b>	<b>\$9,484,800</b>	<b>\$9,283,300</b>	<b>\$3,479,800</b>	<b>\$3,659,200</b>	<b>\$12,964,600</b>	<b>\$12,942,500</b>	<b>-1.17%</b>
<b>Expenses</b>							
General government	620,300	693,600			620,300	693,600	-10.56%
Public safety	4,076,600	4,077,600			4,076,600	4,077,600	-.02%
Community development	640,300	933,500			640,300	933,500	-31.40%
Public works	1,059,900	1,343,800			1,059,900	1,343,800	-21.12%
Parks and recreation	485,300	475,100			485,300	475,100	2.14%
SERAF payments		164,300				164,300	-100%
Water			1,127,600	1,181,100	1,127,600	1,181,100	-4.52%
Wastewater			2,159,800	2,538,500	2,159,800	2,538,500	-14.92%
Interest	201,000	397,300	67,400		268,400	397,300	-32.44%
<b>Total expenses</b>	<b>\$7,083,400</b>	<b>\$8,085,200</b>	<b>\$3,354,800</b>	<b>\$3,719,600</b>	<b>\$10,438,200</b>	<b>\$11,804,800</b>	<b>-11.57%</b>
<b>Change in Net assets</b>	<b>2,401,400</b>	<b>1,198,100</b>	<b>125,000</b>	<b>(60,400)</b>	<b>2,526,400</b>	<b>1,137,700</b>	<b>122.06%</b>
<b>Redevelopment Dissolution</b>	<b>(4,909,300)</b>				<b>(4,909,300)</b>		<b>-100%</b>
<b>Transfers</b>	<b>31,000</b>		<b>(31,000)</b>		<b>-</b>		
<b>Change in net assets</b>	<b>(2,476,900)</b>		<b>94,000</b>	<b>(60,400)</b>	<b>(2,382,900)</b>	<b>1,137,700</b>	<b>-209.44%</b>
<b>Net assets, Beginning</b>	<b>17,187,400</b>	<b>15,989,300</b>	<b>7,131,900</b>	<b>7,192,300</b>	<b>24,319,300</b>	<b>23,181,600</b>	<b>4.90%</b>
<b>Net asset, Ending</b>	<b>\$14,710,500</b>	<b>\$17,187,400</b>	<b>\$7,225,900</b>	<b>\$7,131,900</b>	<b>\$21,936,400</b>	<b>\$24,319,300</b>	<b>-9.79%</b>

Table A-3 presents the cost of each of the City's largest governmental programs: Administration or General Government, Safety, Community Development, and Public Works.

- The cost of all *governmental* activities this year was \$7.08 million, about \$1,001,800 less than the total cost as reported in fiscal year 2011. Significant decreases occurred in Community Development \$293,200; Public Works \$283,900; and the All Other category \$196,300.



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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

- Of the \$7.08 million cost of the City's governmental activities programs, the taxpayers paid \$4.2 million of the program costs. Some of the cost was paid by:
  - Those who directly benefited from the programs; \$1,328,900 or;
  - Other governments and organizations that subsidized certain programs with grants and contributions; \$2,221,683.
- The City paid for the \$3.5 million “public benefit” portion by using about 60% of the City's general tax revenues.

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

	Total Cost of Services		Percentage Change
	2012	2011	2011/2012
General Government	\$620,300	\$693,600	-10.56%
Public Safety	4,076,600	4,077,600	.02%
Community Development	640,300	933,500	-31.4%
Public Works	1,059,900	1,343,800	-21.12%
Parks and recreation	485,300	475,100	2.14%
SERAF payments	0	164,300	-100%
Interest on Long term Debt	201,000	397,300	-49.40
<b>Total</b>	<b>\$7,083,400</b>	<b>\$8,085,200</b>	<b>-10.57%</b>

The decrease to Community Development was largely due to the elimination of the Redevelopment Agency and the termination of most of the former Redevelopment budgeted projects. In fiscal 2011 the total expenditures were \$403,864 compared to \$51,680 in fiscal 2012, after those projects were halted. The Public Works department decrease was due to the completion of the Prop 1B Green Valley Vista street resurfacing project in fiscal 2011. The reduction in the Long Term Debt interest was a result of the \$4 million Hollyhock/Burbank pass-through loan to the State of California HFA. That loan was paid in full during fiscal 2012, and total interest paid by Hollyhock was \$220,136.

**Business-type Activities**

The revenues in the City's business-type activities decreased by \$179,400, primarily due to a reduction in the Sewer connection fee category from fiscal 2011. In fiscal 2011 the Hollyhock – Redwood Avenue project increased connection fee revenues (over the following fiscal year) by approximately \$120,000. The revenue collected for the charges for services category increased by \$44,200 in fiscal 2012, from the previous fiscal year. The connection fees for Water and Sewer decreased by \$215,650 in fiscal 2012, primarily due to the near completion of the Hollyhock project in previous fiscal year. Overall expense reduction of \$364,800 was a result of the Morris Street Pump Station Repair expense in fiscal 2011.



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a *combined* fund balance of \$3.54 million, about a *\$3.281 million decrease* compared to the end of fiscal 2011. The primary reason for the decrease in fiscal 2012 compared to fiscal 2011 was the elimination of the Redevelopment Agency on February 1, 2012 by the State of California. The dissolution of the Agency decreased the City's total fund balances by \$3.514 million.

The City's spending for general fund operations was about \$507,200 less than general fund revenues. The general fund ended fiscal 2012 with an unassigned, uncommitted fund balance of \$789,029. Some contributing factors in the increase were higher Property taxes \$291,500 and Intergovernmental revenues \$240,500.

The Redevelopment Administration and Low and Moderate Income Housing funds ended the fiscal year with a \$0 fund balance. The City did not elect to retain its housing assets, and all of the City's Low and Moderate Income Housing assets (including two real properties and 67 low-income housing loans) transferred to the County of Sonoma Development Commission by operation of law on February 1, 2012. The Successor Agency to the City of Sebastopol has retained four non-housing assets: two parcels at the Skate Park on Flynn Street, the downtown Plaza restroom on Weeks Way; and the parcel of land under the bus stop at 6898 McKinley Street. The Successor Agency continues to wait for direction from the State of California regarding those non-housing assets.

The City's non-major Other Governmental funds had a combined fund balance of \$2,760,700 at the fiscal year end. This is a decrease of \$581,600 from fiscal 2011; which includes a payment to the Department of Finance in the amount of \$329,900 for a disallowed Redevelopment transfer in March of 2011.

The combined fund balance includes a Public Safety grant at \$38,818; and City permit fee funds (consisting of Traffic Impact, Park in Lieu, General Plan housing, Inclusionary Housing funds, and Undergrounding funds aggregating \$1,474,607). The remaining \$1,247,571 consists of the Street Lighting Assessment and Woodstone Assessment Districts at \$76,433; County Measure M fund for streets at \$138,271; the ¼ cent City Special Sales tax at \$525,337; Skate Park at \$45,198; Federal grant Prop 1B for streets at \$38,153; City's Pavement Management program at \$213,100; City Capital projects/Infrastructure Lease proceeds at \$117,202; CREBS Bond at \$63,639; and other miscellaneous funds totaling \$29,938.

In the City permit fee category the combined fund balance of \$1,474,607 is defined as Special Revenue Funds. In that category the Traffic Impact fund balance is \$622,037. In fiscal 2012, the City spent approximately \$205,037 on the Street Smart III project. The Park in Lieu fund balance ended the year at \$451,243 with very little change from the year before. The General Plan housing funds of \$43,551 is reserved for ongoing general plan update expenditures. The Inclusionary Housing funds of \$171,322 will be used for unidentified low-income housing in the future. The \$186,454 Undergrounding fees will be used for underground utilities in the future. Some of the balance of \$525,337 in the Special Sales tax fund will be used in the next fiscal year for a variety of uses, and the City has budgeted \$733,944 in fiscal 2013 for capital expenditures, public safety, and street maintenance. In fiscal 2012 the City spent approximately \$465,427 of the Special Sales tax fund on Council approved expenditures. The City has a reserve of \$213,100 for street pavement management and all of that is budgeted in 2012/13 for projects. The \$117,202 held in the Capital projects/Infrastructure fund will be used for the purchase of a Fire Department generator in fiscal 2013. The balance of \$63,639 in the CREBS Bond fund is restricted for debt service payments. The CREBS fund had an outlay of \$329,300 to the State of California in fiscal 2012 for an unapproved transfer in March of 2011. This fund continues to receive the Solar Sequoia homeowner lease payments in the amount of approximately \$8600 per year, and the current debt service payment is approximately \$20,300 per year.



**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.

General fund revenues and transfers in were \$481,822 more than originally budgeted, and the bulk of that increase was due to additional revenue received from the Redevelopment Agency dissolution, including the \$250,000 Administrative Fee, and \$178,000 in RPTTF (Redevelopment Property Tax Trust Fund) revenue.

Actual expenditures were \$18,530 less than the final budget amounts.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2012 the City had invested \$18.2 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 decrease (including additions and deductions) of about \$376,500 or -2.02 percent, over last year. The decrease is due to the transfer of real property to the County of Sonoma because of the Redevelopment Agency dissolution.

**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
	2012	2011	2012	2011	2012	2011	2011/2012
Land and CIP	\$ 1.68	\$ 2.35	\$ .09	\$ .09	\$ 1.77	2.44	-27.45%
Buildings	5.49	5.49	-	-	5.49	5.49	0%
Machinery and equipment	1.85	1.82	.62	.62	2.47	2.44	1.22%
Vehicles	3.09	3.09	-	-	3.09	3.09	0%
Infrastructure and systems	7.39	6.14	12.57	12.28	19.96	18.42	8.36%
Accumulated depreciation	(8.34)	(7.59)	(6.19)	(5.71)	(14.53)	(13.30)	9.24%
<b>Total</b>	<b>\$ 11.16</b>	<b>\$ 11.30</b>	<b>\$ 7.09</b>	<b>\$ 7.28</b>	<b>\$ 18.25</b>	<b>18.58</b>	<b>-1.77%</b>



**This year's major capital assets changes included:**

- A reduction of \$724,480 for Redevelopment property transferred to the County of Sonoma.
- An increase of \$34,904 for Machinery and Equipment.
- A decrease of \$146,381 for Parks and Skate Park improvements transferred to the County.
- An increase of \$1,393,339 for Street improvements.
- An increase of \$296,735 for business-type Pipelines and collection system.

Additional information about capital assets can be found in the "Notes to the Basic Financial Statements" under section E. Capital Assets.

**Long-term Debt**

No new debt was issued in fiscal 2012. The City's total debt decreased \$6.4 million from fiscal 2011 for several reasons. The elimination of the Redevelopment Agency removed the \$3,505,000 obligation for the 2007 Tax Allocation bonds; the 2004 Certificates of Participation (Redevelopment) \$774,418 was paid in full; and the Hollyhock/Burbank Housing pass through loan \$1,747,069 to California HFA was paid in full.

Additional information about the City's long-term obligations can be found in the "Notes to the Basic Financial Statements" under section F. Long Term Debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the 2013 fiscal year, general fund revenue projections have increased over the previous fiscal year due to the additional revenue for the Redevelopment Agency dissolution, and the sale of the Ceres Building on Bodega Avenue.

- The budget projects that there will be a 13.05% increase in general fund revenues.
- The budget is balanced using \$0 of general fund resources available in unallocated reserves.
- The voters of Sebastopol approved a ½ cent Transaction and Use tax increase in November 2012, and that will take effect beginning April 1, 2013.
- Selected general fund user fees remained flat in fiscal 2013.

General fund 2013 budgeted appropriations are set at \$ 4.8 million. This is about a 9.4 percent decrease over fiscal 2012 actual general fund expenditures.

The 2013 budget has proposed capital project spending of about \$1,525,642 with \$450,201 in Street projects.

As to the City's business-type activities, about \$4.17 million is expected to be spent in 2013 to conduct operations and make capital improvements. In August of 2012 the City approved rate increase for the Enterprise funds, for the next four years. The Water Enterprise fund rates will increase 25% in the first year, and then 22%, 18%, and 15% by 2015/16. The Sewer Enterprise fund rates will increase 12% per year for four years. In this regard the City expects to pay for operating costs from charges for services to system users.



**SEBASTOPOL**

Local Flavor. Global Vision.

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**CITY OF SEBASTOPOL**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,217,120	\$ 925,365	\$ 4,142,485
Net receivables	665,374	501,243	1,166,617
<b>Total current assets</b>	<b>3,882,494</b>	<b>1,426,608</b>	<b>5,309,102</b>
Noncurrent assets:			
Cash and cash equivalents	154,987	298,317	453,304
Long-term notes receivable	4,192,340	173,077	4,365,417
Other long-term receivables	255,000	-	255,000
Net capital assets	11,123,574	7,098,637	18,222,211
<b>Total noncurrent assets</b>	<b>15,725,901</b>	<b>7,570,031</b>	<b>23,295,932</b>
<b>Total assets</b>	<b>\$ 19,608,395</b>	<b>\$ 8,996,639</b>	<b>\$ 28,605,034</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	88,619	124,709	213,328
Accrued liabilities	-	128,172	128,172
Payable other governments	329,888	-	329,888
Compensated absences	300,000	27,067	327,067
Deposits	83,638	7,484	91,122
Accrued interest payable	12,823	5,444	18,267
Bonds, leases, and agreements due within one year	323,373	76,088	399,461
<b>Total current liabilities</b>	<b>1,138,341</b>	<b>368,964</b>	<b>1,507,305</b>
Long-term liabilities due in more than one year:			
Special assessment bonds	240,000	-	240,000
Agreements and loans	38,533	17,910	56,443
Capital lease obligations	3,083,023	1,383,834	4,466,857
Net other post employment benefit obligation	183,705	-	183,705
Compensated absences	214,278	-	214,278
<b>Total long-term liabilities</b>	<b>3,759,539</b>	<b>1,401,744</b>	<b>5,161,283</b>
<b>Total liabilities</b>	<b>4,897,880</b>	<b>1,770,708</b>	<b>6,668,588</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,555,847	5,620,805	13,176,652
Restricted for:			
Capital projects	-	298,317	298,317
Equipment and infrastructure	1,093,782	-	1,093,782
Housing	3,819,473	-	3,819,473
Debt service	101,424	-	101,424
Public safety	42,139	-	42,139
Streets	1,026,216	-	1,026,216
Other purposes	69,165	-	69,165
Unrestricted	1,002,469	1,306,809	2,309,278
<b>Total net assets</b>	<b>14,710,515</b>	<b>7,225,931</b>	<b>21,936,446</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,608,395</b>	<b>\$ 8,996,639</b>	<b>\$ 28,605,034</b>

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Program Revenues				City Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
						Governmental Activities	Business-type Activities	
City government								
Governmental activities:								
General government	\$ 620,298	\$ 430,935	\$ -	\$ -	\$ (189,363)	\$ -	\$ -	\$ (189,363)
Public safety	4,076,568	327,309	326,003	-	(3,423,256)	-	-	(3,423,256)
Community development	640,286	313,521	36,376	584,000	293,611	-	-	293,611
Public works	1,059,870	220,180	235,712	1,039,332	435,354	-	-	435,354
Parks and recreation	485,332	36,958	260	-	(448,114)	-	-	(448,114)
Interest on long-term debt	201,026	-	-	-	(201,026)	-	-	(201,026)
Total governmental activities	7,083,380	1,328,903	598,351	1,623,332	(3,532,794)	-	-	(3,532,794)
Business-type activities:								
Water	1,166,923	1,128,182	-	118,655	-	79,914	-	79,914
Wastewater	2,195,805	2,099,751	-	141,134	-	45,080	-	45,080
Total business-type activities	3,362,728	3,227,933	-	259,789	-	124,994	-	124,994
Total City government	\$ 10,446,108	\$ 4,556,836	\$ 598,351	\$ 1,883,121	(3,532,794)	124,994	124,994	(3,407,800)
General revenues, transfers and extraordinary items								
Taxes:								
Property taxes					\$ 1,292,711	\$ -	\$ -	\$ 1,292,711
Sales taxes					1,392,916	-	-	1,392,916
Motor vehicle in lieu taxes					565,094	-	-	565,094
Transient occupancy taxes					300,937	-	-	300,937
Other taxes					1,358,326	-	-	1,358,326
Incremental property taxes					922,557	-	-	922,557
Unrestricted interest and rents					81,145	-	-	81,145
Other general revenues					20,555	-	-	20,555
Transfers					31,024	(31,024)	-	-
Extraordinary item: dissolution of redevelopment agency					(4,909,339)	-	-	(4,909,339)
Total general revenues					1,055,926	(31,024)	93,970	1,024,902
Change in net assets					(2,476,868)			(2,382,898)
Net assets, June 30, 2011					14,166,783		7,131,961	21,298,744
Effect of correction of an error					3,020,600		-	3,020,600
Net assets, June 30, 2011, as restated					17,187,383		7,131,961	24,319,344
Net assets, June 30, 2012					\$ 14,710,515	\$ 7,225,931	\$ -	\$ 21,936,446

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>General Fund</u>	<u>BEGIN Reuse</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 415,329	\$ -	\$ 2,956,778	\$ 3,372,107
Accounts receivable	55,700	-	7,008	62,708
Taxes receivable	385,815	-	-	385,815
Due from other governments	16,614	-	186,851	203,465
Assessments receivable	-	-	268,386	268,386
Notes receivable	80,163	3,604,600	507,577	4,192,340
Due from other funds	51,097	-	67,259	118,356
	<u>\$ 1,004,718</u>	<u>\$ 3,604,600</u>	<u>\$ 3,993,859</u>	<u>\$ 8,603,177</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 51,888	\$ -	\$ 36,731	\$ 88,619
Payable to other governments	-	-	329,888	329,888
Due to other funds	-	-	118,356	118,356
Deposits	83,638	-	-	83,638
Deferred revenue	80,163	3,604,600	748,185	4,432,948
	<u>215,689</u>	<u>3,604,600</u>	<u>1,233,160</u>	<u>5,053,449</u>
Fund balances:				
Restricted for:				
Equipment and infrastructure	-	-	1,093,782	1,093,782
Highways and streets	-	-	1,026,216	1,026,216
Public safety	-	-	42,139	42,139
Community promotion	-	-	22,688	22,688
Debt service	-	-	101,424	101,424
Affordable housing	-	-	214,873	214,873
Parks and recreation	-	-	46,477	46,477
Committed for street projects	-	-	213,100	213,100
Unassigned	789,029	-	-	789,029
	<u>789,029</u>	<u>-</u>	<u>2,760,699</u>	<u>3,549,728</u>
Total liabilities and fund balances	<u>\$ 1,004,718</u>	<u>\$ 3,604,600</u>	<u>\$ 3,993,859</u>	<u>\$ 8,603,177</u>
Total Governmental Fund Balances				\$ 3,549,728
Amounts reported for governmental activities in the statement of net assets				
Capital assets used in governmental activities and debt issue costs are not financial resources and therefore are not reported in the funds				11,123,574
Other long-term notes receivable are not available to fund current period expenditures and are deferred in the funds				4,432,948
Interest payable is accrued as a liability in the statement of net assets, but is reported in the funds only when due				(12,823)
Long term liabilities such as tax allocation notes, bonds, leases, claims, compensated absences and other post employment benefits are not due and payable in the current period and are therefore not reported in the				(4,382,912)
Net Assets of Governmental Activities				<u>\$ 14,710,515</u>

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**  
**Statements of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General Fund	Redevelopment Administration Fund	County Street Smart	Redevelopment Low and Moderate Income Housing Fund	BEGIN Reuse	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 1,292,711	\$ 404,958	\$ -	\$ 517,599	\$ -	\$ -	\$ 2,215,268
Sales taxes	1,392,916	-	-	-	-	584,612	1,977,528
Other taxes	966,989	-	-	-	-	-	966,989
Licenses and permits	321,351	-	-	-	-	-	321,351
Fines and forfeits	174,613	-	-	-	-	-	174,613
Intergovernmental	850,703	-	968,478	-	584,000	587,238	2,990,419
Interest and rents	49,179	-	-	29,850	-	13,554	92,583
Charges for services	320,542	-	-	-	-	327,767	648,309
Miscellaneous	22,354	6	-	609,410	-	58,848	690,618
<b>Total revenues</b>	<b>5,391,358</b>	<b>404,964</b>	<b>968,478</b>	<b>1,156,859</b>	<b>584,000</b>	<b>1,572,019</b>	<b>10,077,678</b>
<b>EXPENDITURES</b>							
Current:							
General government	763,950	-	-	-	-	-	763,950
Public safety	3,455,238	-	-	-	-	272,056	3,727,294
Community development	-	205,578	-	2,716	584,000	101,130	893,424
Parks and recreation	277,628	-	-	-	-	118	277,746
Public works	387,321	-	-	-	-	374,590	761,911
Capital outlay	-	-	1,393,339	-	-	216,818	1,610,157
Intergovernmental	-	-	-	-	-	329,888	329,888
Debt service:							
Principal	-	330,085	-	609,410	-	359,804	1,299,299
Interest	-	79,485	-	21,788	-	110,259	211,532
<b>Total expenditures</b>	<b>4,884,137</b>	<b>615,148</b>	<b>1,393,339</b>	<b>633,914</b>	<b>584,000</b>	<b>1,764,663</b>	<b>9,875,201</b>
Excess (deficiency) of revenues over expenditures	507,221	(210,184)	(424,861)	522,945	-	(192,644)	202,477
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	30,158	-	422,752	-	-	112,338	565,248
Transfers out	(35,048)	-	-	-	-	(499,176)	(534,224)
<b>Total other financing sources (uses)</b>	<b>(4,890)</b>	<b>-</b>	<b>422,752</b>	<b>-</b>	<b>-</b>	<b>(386,838)</b>	<b>31,024</b>
Net change in fund balances before extraordinary item	502,331	(210,184)	(2,109)	522,945	-	(579,482)	233,501
Extraordinary item: Dissolution of City of Sebastopol Redevelopment Agency	-	(3,539,765)	-	24,881	-	-	(3,514,884)
<b>Net change in fund balances</b>	<b>502,331</b>	<b>(3,749,949)</b>	<b>(2,109)</b>	<b>547,826</b>	<b>-</b>	<b>(579,482)</b>	<b>(3,281,383)</b>
Fund balances, July 1	286,698	3,749,949	2,109	(547,826)	-	3,340,181	6,831,111
<b>Fund balances, June 30</b>	<b>\$ 789,029</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,760,699</b>	<b>\$ 3,549,728</b>

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, 2012**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (3,281,383)</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 \$1,428,243 exceeded depreciation \$752,411 in the current period.	675,832
Governmental funds report long-term receivables but defer revenue from them until collections are actually received. In the statement of activities, principal collections are not reported as revenues	(642,006)
Increases in long-term notes receivable are deferred in the funds, but are reported as revenues in the statement of activities	883,155
Extraordinary item: Loss from dissolution of the redevelopment agency of the of the City of Sebastopol	(1,394,455)
Other items that result in the outflow of financial resources	(10,220)
Governmental funds report interest payable when it is due for payment, but interest expense is accrued as incurred in the statement of activities	10,507
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	1,299,299
Decreases in compensated absences do not provide current financial resources and are not reported in the funds	40,660
Governmental funds report the costs of other post employment benefits (OPEB) generally when premiums are paid, but the actuarially determined OPEB expense is accrued as payable in the statement of net assets	<u>(58,257)</u>
Net adjustment to reconcile to changes in net assets	<u>804,515</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,476,868)</u>

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 135,644	\$ 789,721	\$ 925,365
Accounts receivable	192,993	308,250	501,243
Total current assets	<u>328,637</u>	<u>1,097,971</u>	<u>1,426,608</u>
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	-	298,317	298,317
Notes receivable	87,580	85,497	173,077
Net other assets	<u>87,580</u>	<u>383,814</u>	<u>471,394</u>
Capital assets:			
Land	86,440	-	86,440
Pipelines and distribution system	4,499,525	-	4,499,525
Collection system	-	6,680,294	6,680,294
Reservoir	1,400,613	-	1,400,613
Equipment	144,687	484,568	629,255
Less accumulated depreciation	<u>(3,260,644)</u>	<u>(2,936,846)</u>	<u>(6,197,490)</u>
Net capital assets	<u>2,870,621</u>	<u>4,228,016</u>	<u>7,098,637</u>
Total noncurrent assets	<u>2,958,201</u>	<u>4,611,830</u>	<u>7,570,031</u>
Total assets	<u>\$ 3,286,838</u>	<u>\$ 5,709,801</u>	<u>\$ 8,996,639</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 10,537	\$ 114,172	\$ 124,709
Accrued liabilities	-	128,172	128,172
Compensated absences	10,827	16,240	27,067
Accrued interest payable	2,879	2,565	5,444
Deposits	7,484	-	7,484
Long-term debt due in one year	42,013	34,075	76,088
Total current liabilities	<u>73,740</u>	<u>295,224</u>	<u>368,964</u>
Long-term debt due in more than one year:			
Capital lease obligations	721,100	662,734	1,383,834
Loans	17,910	-	17,910
Total long-term debt due in more than one year	<u>739,010</u>	<u>662,734</u>	<u>1,401,744</u>
Total liabilities	<u>812,750</u>	<u>957,958</u>	<u>1,770,708</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,089,598	3,531,207	5,620,805
Restricted for capital improvements	-	298,317	298,317
Unrestricted	<u>384,490</u>	<u>922,319</u>	<u>1,306,809</u>
Total net assets	<u>\$ 2,474,088</u>	<u>\$ 4,751,843</u>	<u>\$ 7,225,931</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, 2012**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,114,466	\$ 2,053,093	\$ 3,167,559
Other operating revenues	11,476	40,979	52,455
Total operating revenues	<u>1,125,942</u>	<u>2,094,072</u>	<u>3,220,014</u>
<b>OPERATING EXPENSES</b>			
Personnel services	232,106	177,209	409,315
Interfund charges for services	440,772	343,133	783,905
Contractual and other services	100,397	221,823	322,220
Intergovernmental treatment costs	-	1,053,194	1,053,194
Utilities	94,743	24,018	118,761
Supplies	64,110	32,050	96,160
Insurance, claims, and expenses	15,538	10,025	25,563
Depreciation	179,898	298,337	478,235
Total operating expenses	<u>1,127,564</u>	<u>2,159,789</u>	<u>3,287,353</u>
Operating income (loss)	<u>(1,622)</u>	<u>(65,717)</u>	<u>(67,339)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	2,240	5,679	7,919
Interest expense	<u>(39,359)</u>	<u>(36,016)</u>	<u>(75,375)</u>
Net non-operating revenues (expenses)	<u>(37,119)</u>	<u>(30,337)</u>	<u>(67,456)</u>
Income before contributions and transfers	<u>(38,741)</u>	<u>(96,054)</u>	<u>(134,795)</u>
Contributions and transfers			
Transfers out	(226,778)	-	(226,778)
Transfers in	195,754	-	195,754
Capital contributions	118,655	141,134	259,789
Total contributions and transfers	<u>87,631</u>	<u>141,134</u>	<u>228,765</u>
Change in net assets	48,890	45,080	93,970
Total net assets, July 1	<u>2,425,198</u>	<u>4,706,763</u>	<u>7,131,961</u>
Total net assets, June 30	<u>\$ 2,474,088</u>	<u>\$ 4,751,843</u>	<u>\$ 7,225,931</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, 2012**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,122,525	\$ 2,018,434	\$ 3,140,959
Payments to suppliers	(272,599)	(1,228,151)	(1,500,750)
Payments to employees	(232,962)	(178,494)	(411,456)
Payments to other funds for services	(440,772)	(343,133)	(783,905)
Other operating receipts	11,476	40,979	52,455
Net cash provided by (used for) operating activities	<u>187,668</u>	<u>309,635</u>	<u>497,303</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	31,075	55,637	86,712
Purchases of capital assets	(296,735)	-	-
Principal payments on long-term debt	(85,367)	(48,051)	(133,418)
Interest paid on long-term debt	(39,500)	(36,142)	(75,642)
Net cash provided by (used for) capital and related financing activities	<u>(390,527)</u>	<u>(28,556)</u>	<u>(122,348)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	195,754	-	195,754
Transfers out	(226,778)	-	(226,778)
Net cash provided by (used for) capital and related financing activities	<u>(31,024)</u>	<u>-</u>	<u>(31,024)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest receipts	2,240	5,679	7,919
Net cash provided by investing activities	<u>2,240</u>	<u>5,679</u>	<u>7,919</u>
Net increase (decrease) in cash and cash equivalents	(231,643)	286,758	55,115
Cash and cash equivalents beginning of the year	<u>367,287</u>	<u>801,280</u>	<u>1,168,567</u>
Cash and cash equivalents-end of the year	<u>\$ 135,644</u>	<u>\$ 1,088,038</u>	<u>\$ 1,223,682</u>

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (1,622)	\$ (65,717)	\$ (67,339)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	179,898	298,337	478,235
Change in assets and liabilities:			
Receivables, net	8,769	(34,659)	(25,890)
Accounts payable	2,189	112,959	115,148
Other liabilities	(1,566)	(1,285)	(2,851)
Net cash provided by (used for) operating activities	<u>\$ 187,668</u>	<u>\$ 309,635</u>	<u>\$ 497,303</u>

**Noncash capital financing activities:**

In fiscal 2012, the City recognized non-cash contributions for capital of \$87,580 in the water and \$85,497 in the wastewater enterprises. These consisted of \$173,077 in long-term notes receivable related to the deferral of development related capital connection fees.

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL  
Statement of Fiduciary Net Assets  
June 30, 2012

	<u>Private Purpose Trust</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,121,295
Land	523,576
Discount on sale bonds	89,826
Bond issuance costs	<u>184,615</u>
Total assets	<u><u>\$ 3,919,312</u></u>
<b>LIABILITIES:</b>	
Due to Other Governments	672,616
Interest payable	11,318
Refunding lease obligation	394,818
Tax allocation bonds	<u>3,205,000</u>
Total liabilities	<u>4,283,752</u>
<b>NET ASSETS:</b>	
Held in trust for successor agency	<u>(364,440)</u>
Total Net Assets	<u><u>(364,440)</u></u>

See accompanying notes to the basic financial statements

CITY OF SEBASTOPOL  
Statement of Changes in Fiduciary Net Assets  
For the Five Months Ended June 30, 2012

	Private Purpose Trust
ADDITIONS:	
Net investment income (loss)	\$ 15,658
Rents	5,472
Other revenue	281
Interest revenue (CALHFA)	28,821
Administrative fees	250,000
	<hr/>
Total additions	300,232
	<hr/>
DEDUCTIONS:	
Bond and lease interest	114,439
City administrative costs	250,000
Refund of Tax Increment	672,616
	<hr/>
	1,037,055
	<hr/>
Increase(decrease) in net assets before extraordinary item	(736,823)
Extraordinary Item:	
Net assets received upon dissolution of the redevelopment agency of the City of Sebastopol	372,383
Increase(decrease) in net assets	(364,440)
Net assets, January 31, 2012	<hr/> -
Net assets, June 30, 2012	<hr/> <u>\$ (364,440)</u>

See accompanying notes to the basic financial statements

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**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. Effective February 1, 2012, all redevelopment agencies were dissolved in the State of California. The City elected to serve as the successor agency for the non-housing successor agency, but elected to not be the successor agency for housing related purposes.

**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.

A fiduciary fund is used to account for the non-housing successor agency activities of the former redevelopment agency.

**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 and fiduciary 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, 2012

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 *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 *County Street Smart* fund is used to account for county grants to be used for street related improvements. The *BEGIN reuse fund* is used to keep track of notes receivable related to housing purchase assistance programs.

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, 2012**

**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, 2012

**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 and Other Post Employment Benefit Obligations**

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. Amounts reported for other post employment benefit plan obligations are estimated using actuarial valuations of the City's OPEB Plans.

**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 Balances – Governmental Funds**

Fund balances for governmental funds are reported in classifications based primarily on the extent to which the City is bound to honor constraints about the specific purposes for which amounts in those funds can be spent. Those classifications include (1) nonspendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned amounts.

CITY OF SEBASTOPOL

Notes to the Basic Financial Statements  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

7. Fund Balances – Governmental Funds (Continued)

Nonspendable amounts generally are items not expected to be converted into cash such as inventories and prepaid amounts. Restricted amounts include those where constraints placed on the use of resources are externally imposed by grantors, contributors, other governments, or laws and regulations. Committed amounts are those amounts that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. Assigned amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City Manager or Finance Director. Unassigned fund balance amounts are the residual classification of the general fund only or deficit fund balance amounts.

When expenditures are incurred for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, the City considers restricted amounts to have been spent first. When expenditures are incurred for which any class of unrestricted fund balance could be used, the City considers committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

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 \$ 11,123,574 difference are as follows:

Capital assets	\$ 19,471,754
Less: Accumulated depreciation	<u>(8,348,180)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 11,123,574</u>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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 \$4,382,912 difference are as follows:

Long-Term Debt Obligations:		
Installment agreement	\$	935,691
Special assessment bonds		255,000
CEC Loan		62,333
Net other post employment benefit (OPEB) obligation		183,705
Capital lease obligations –Clean renewable energy bonds		1,268,659
Capital lease obligation – Mobile Home Park		680,260
Capital lease – Vac-Con Truck		24,688
Capital lease fire truck		458,298
Compensated absences		514,278
Net adjustment to decrease fund balance total governmental		
Funds to arrive at net assets - governmental activities	\$	( 4,382,912)

**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 \$ 804,515 difference and other significant components of the difference are as follows:

Capital outlay	\$	1,428,243
Depreciation expense		(752,411)
Repayment of long-term debt principal		1,299,299
Loss from dissolution of redevelopment agency		(1,394,455)
Increase in long term loans		241,149
Other post employment benefit costs		(58,257)
Other items		40,947
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>	\$	804,515

**3. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except no budget was adopted for the BEGIN Reuse fund. 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 including transfers were significantly exceeded by the County Street Smart \$20,219; Renewable energy \$407,183, Gas tax 2 \$55,867, and Traffic impact \$187,186. The expenditures were funded by available resources.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2012 consisted of the following:

Pooled demand deposits	\$ 1,320,430
Pooled investments	3,120,372
Investments with trustees	<u>154,987</u>
 Total deposits and investments	 <u>\$ 4,595,789</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, 2012, \$ 1,141,806 of the City's bank balances of \$ 1,391,807 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 1,141,806</u>
--	---------------------

Investments - At June 30, 2012, the City had the following investments.

<i>Investment</i>	<i>Average Maturities</i>	<i>Fair Value</i>
<i>Sonoma County Investment Pool -- City Accounts</i>	<i>1005 days</i>	\$ 3,120,372
<i>FIMM Treasury Fund – Mutual Fund</i>	<i>60 days</i>	117,202
<i>First American Treasury – Mutual Fund</i>	<i>60 days</i>	<u>37,785</u>
<i>Subtotal City Sebastopol</i>		3,275,359
<i>Private Purpose Trust held by City of Sebastopol:</i>		
<i>Sonoma County Investment Pool – Fiduciary Fund</i>	<i>1005 days</i>	<u>3,121,295</u>
 <i>Totals</i>		 <u>\$ 6,396,654</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, 2012**

**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 \$154,987 investment other than the County Pool, the entire \$154,987 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:

	General Fund	BEGIN Funds	Other Funds	Total Governmental	Water	Wastewater
Accounts	\$ 55,700	\$ -	\$ 7,008	\$ 62,708	\$ 192,993	\$ 308,250
Taxes	385,815	-	-	385,815	-	-
Governments	16,614	-	186,851	203,465	-	-
Notes \loans	80,163	3,604,600	507,577	4,192,340	87,580	85,497
Assessments	-	-	268,386	268,386	-	-
<b>Totals</b>	<b>\$ 538,292</b>	<b>\$ 3,604,600</b>	<b>\$ 969,822</b>	<b>\$ 5,112,714</b>	<b>\$ 280,573</b>	<b>\$ 393,747</b>

**C. Interfund Transfers, receivables and payables**

1. The composition of interfund transfers for the governmental funds as of June 30, 2012, was as follows:

	General Fund	County Street Smart	Water and Wastewater	Other Non Major Funds	Total Transfers Out
Transfers In:					
Transfers Out:					
General	\$ -	\$ -	\$ -	\$ 30,158	\$ 30,158
Nonmajor funds	35,048	422,752	31,024	46,266	535,090
<b>Totals</b>	<b>\$ 35,048</b>	<b>\$ 422,752</b>	<b>\$ 31,024</b>	<b>\$ 76,424</b>	<b>\$ 565,248</b>

The transfers out of the general fund were \$24,059 to the gas tax fund to cover the cost of projects and \$10,989 for debt service purposes. The \$422,752 transfer into the County Street Smart fund was made for the purpose of providing local funding for street improvement projects with \$194,137 being transferred from the City capital projects fund, \$24,059 from the gas tax fund, and the remaining \$204,556 from the traffic impact fee fund. The transfers were all made for cash flow and project funding purposes.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**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>
<b>Governmental Activities:</b>		
Individual homeowners	Hollyhock Subdivision BEGIN home loans	\$ 2,283,000
Individual homeowners	Sequoia Subdivision BEGIN home loans	1,321,600
Sebastopol Industrial Park, LLC	Development agreement	296,333
Individual home buyers	Solar power equipment installation loans	280,785
Habitat for Humanity	Development agreement	10,622
	Subtotal governmental activities	<u>4,192,340</u>
<b>Business-Type Activities:</b>		
Sebastopol Industrial Park, LLC	Development agreement	158,667
Habitat for Humanity	Development agreement	14,410
	Totals	<u>\$ 4,365,417</u>

The \$3,604,600 in BEGIN loans is evidenced by first-time homebuyer promissory notes, and they are secured by subordinated deeds of trust. The loans were funded by a State program to assist first time homebuyers. The loans bear interest at 1 percent per annum, no periodic repayments of the loans are required, and the loans and all accrued interest mature 30 years from the date of the original note. The City may amend the note and deed of trust to defer repayment at the maturity date for up to an additional 30 years at zero percent additional interest. The sale, transfer, lease or encumbrance of the property does not necessarily require any repayment of the loan prior to maturity.

The Sebastopol Industrial Park LLC development agreement represents the deferral of \$455,000 in payments for a variety of development and related impact fees. Under the arrangement, the fees are to be paid over a five year period, with zero interest, and monthly repayments of \$7,583. This agreement was subsequently amended in March 2013, monthly payments were revised to \$7,100, and the loan agreement matures in September of 2017.

The \$280,785 solar equipment installation loans are repayable in equal bi-monthly installments over a period of about 33 years by the homeowners, and repayments are made through the City's enterprise utility billing and collection system.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds (Continued)**

**E. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 724,480	\$ -	\$ 724,480	\$ -
Mobile Home Park land parcel	<u>1,628,370</u>	<u>-</u>	<u>-</u>	<u>1,628,370</u>
Total capital assets, not being depreciated	<u>2,352,850</u>	<u>-</u>	<u>724,480</u>	<u>1,628,370</u>
Capital assets, being depreciated:				
Buildings	5,493,175	-	-	5,493,175
Machinery and equipment	1,822,414	34,904	-	1,857,318
Vehicles	3,094,814	-	-	3,094,814
Infrastructure – parks and skate parks	1,777,658	-	146,381	1,631,277
Infrastructure – solar power facilities	2,169,966	-	-	2,169,966
Infrastructure-Street system	<u>2,203,495</u>	<u>1,393,339</u>	<u>-</u>	<u>3,596,834</u>
Total capital assets being depreciated	<u>16,561,522</u>	<u>1,428,243</u>	<u>146,381</u>	<u>17,843,384</u>
Less accumulated depreciation for:				
Buildings	(4,150,302)	(71,028)	-	(4,221,328)
Infrastructure	(390,425)	(359,191)	-	(749,615)
Machinery and equipment	(1,256,500)	(159,587)	-	(1,416,087)
Vehicles	<u>(1,798,546)</u>	<u>(162,604)</u>	<u>-</u>	<u>(1,961,150)</u>
Total accumulated depreciation	<u>(7,595,770)</u>	<u>(752,410)</u>	<u>-</u>	<u>(8,348,180)</u>
Total capital assets, being depreciated, net	<u>8,965,753</u>	<u>675,833</u>	<u>146,381</u>	<u>9,495,204</u>
Governmental activities capital assets, net	<u>\$11,318,602</u>	<u>\$ 675,833</u>	<u>\$ 870,861</u>	<u>\$ 11,123,574</u>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds (Continued)**

**E. Capital Assets**

Capital asset activity relating to business-type activities for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 86,440	\$ -	\$ -	\$ 86,440
Total capital assets, not being depreciated	<u>86,440</u>	<u>-</u>	<u>-</u>	<u>86,440</u>
Capital assets, being depreciated:				
Reservoirs	1,400,613	-	-	1,400,613
Pipelines and distribution system	4,202,790	296,735	-	4,499,525
Pipelines and collection system	6,680,294	-	-	6,680,294
Equipment	<u>629,255</u>	<u>-</u>	<u>-</u>	<u>629,255</u>
Total capital assets being depreciated	<u>12,912,952</u>	<u>296,735</u>	<u>-</u>	<u>13,209,687</u>
Less accumulated depreciation for:				
Reservoirs	(681,341)	(46,046)	-	(727,387)
Pipelines and distribution system	(2,349,937)	(103,861)	-	(2,453,798)
Pipelines and collection system	(2,284,981)	(248,454)	-	(2,533,435)
Equipment	<u>(402,996)</u>	<u>(79,874)</u>	<u>-</u>	<u>(482,870)</u>
Total accumulated depreciation	<u>(5,719,255)</u>	<u>(478,235)</u>	<u>-</u>	<u>(6,197,490)</u>
Total capital assets, being depreciated, net	<u>7,193,697</u>	<u>(181,500)</u>	<u>-</u>	<u>7,012,197</u>
Business-type activities capital assets, net	<u>\$ 7,280,137</u>	<u>\$ (181,500)</u>	<u>\$ -</u>	<u>\$ 7,098,637</u>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds (Continued)**

**E. Capital Assets (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 31,902
Public safety	301,566
Public works	226,541
Parks and recreation	192,401
Total depreciation expense-governmental activities	<u>\$ 752,410</u>

<b>Business-type activities:</b>	
Water	\$ 179,898
Wastewater	298,337
Total depreciation expense-business type activities	<u>\$ 478,235</u>

**F. Long-Term Debt**

*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>
2013	\$ 15,000	\$ 16,585	\$ 31,585
2014	15,000	15,670	30,670
2015	20,000	14,755	34,755
2016	20,000	13,515	33,515
2017	25,000	11,455	36,455
2018-2022	125,000	33,945	158,945
2023	35,000	1,173	36,173
Totals	<u>\$ 255,000</u>	<u>\$ 107,098</u>	<u>\$ 362,098</u>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds (Continued)**

**F. Long-Term Debt (Continued)**

*Capital Lease Obligations - Equipment*

The City has entered into two capital lease agreements for the purpose principally of purchasing a truck and a Vac-Con Truck in an aggregate principal amount of \$245,741. The truck lease bears interest at 7.2 percent and is payable in annual installments of \$14,837. The Vac-Con Truck lease is payable in annual installments of \$27,668, bears interest at 4.72 percent. 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>
2013	\$ 6,917	\$ 35,558
2014	6,917	35,558
2015	6,917	20,752
2016	6,917	20,751
Total minimum lease payments	27,668	112,619
Less amount representing interest	(2,980)	(11,806)
Present value net minimum lease payments	<u>\$ 24,688</u>	<u>\$ 100,813</u>

**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>
2013	\$ 35,521	\$ 3,740	\$ 39,261
2014	37,138	2,123	39,261
2015	19,185	446	19,631
Totals	<u>\$ 91,844</u>	<u>\$ 6,309</u>	<u>\$ 98,153</u>

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 SEBASTOPOLE**

**Notes to the Basic Financial Statements  
June 30, 2012**

**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:

Fiscal Year	Governmental	Business	Total
2013	\$ 92,825	\$ 133,744	\$ 226,569
2014	92,825	133,744	226,569
2015	92,825	133,744	226,569
2016	92,825	133,744	226,569
2017	92,825	133,744	226,569
2018-2022	464,125	668,720	1,132,845
2023-2026	371,300	534,976	906,276
Total minimum lease payments	1,299,550	1,872,416	3,171,966
Less amounts representing interest	(363,719)	(525,047)	(888,766)
Present value of net minimum lease payments	\$ 935,831	\$1,347,369	\$ 2,283,200

*Clean Renewable Energy Bond Lease, Mobile Home Park Capital Lease, and Fire Truck Capital Leases*

*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.

*Fire Pumper Truck* – The city entered into a lease purchase arrangement with Wells Fargo Equipment Finance Inc. for the purpose of financing the acquisition of a fire apparatus pumper truck. The truck was capitalized as a capital asset and the original lease amount was \$695,467. The lease is payable in semiannual payments of \$69,547 through 2015, bears interest at 3.0658 percent and is secured by the fire truck.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**4. Detailed Notes on All Funds (Continued)**

**F. Long-Term Debt (Continued)**

*Clean Renewable Energy Bond Lease, Mobile Home Park Capital Lease and Fire Truck Capital Lease (Continued)*

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

<u>Fiscal Year</u>	<u>Renewable Energy Lease</u>	<u>Mobile Home Park Lease</u>	<u>Fire Truck Lease</u>	<u>Totals</u>
2013	\$ 97,589	\$ 64,584	\$ 139,092	\$ 301,265
2014	97,589	64,584	139,092	301,265
2015	97,589	64,584	139,092	301,265
2016	97,589	64,584	69,547	231,720
2017	97,589	64,584	-	162,173
2018-2022	487,946	322,920	-	810,866
2023-2027	292,768	322,920	-	615,688
Total minimum lease payments	1,268,659	968,760	486,823	2,724,242
Less amounts representing interest	-	(288,500)	(28,525)	(317,025)
Present value of net minimum lease payments	\$ 1,268,659	\$ 680,260	\$ 458,298	\$ 2,407,217

*Changes in Long-term liabilities:*

Long-term debt activity for the 2012 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>
<b>Governmental</b>					
<b>Activities:</b>					
2007 tax allocation refunding bonds	\$ 3,505,000	\$ -	\$ 3,505,000	\$ -	\$ -
Special assessment bonds	275,000	-	20,000	255,000	15,000
Capital lease- capital projects	981,667	-	45,836	935,831	23,746
Capital lease-advance refunding	774,418	-	774,418	-	-
Capital lease obligations-equipment	30,180	-	5,492	24,688	5,751
CEC Loan	85,230	-	23,037	62,193	23,660
Capital lease – renewable energy	1,366,248	-	97,589	1,268,659	97,589
Capital lease – mobile home park	710,522	-	30,262	680,260	31,627
Capital lease – fire truck	580,524	-	122,226	458,298	126,000
Residential development loan	1,747,069	-	1,747,069	-	-
Compensated absences	554,938	259,340	300,000	514,278	300,000
<b>Total</b>	<b>\$10,610,796</b>	<b>\$ 259,340</b>	<b>\$ 6,670,929</b>	<b>\$ 4,199,207</b>	<b>\$ 623,373</b>
<b>Business-Type Activities:</b>					
Installment agreement	\$ 27,881	\$ -	\$ 27,881	\$ -	\$ -
Capital lease Vac-Con	90,540	-	16,478	74,062	17,256
Capital lease vehicles	38,794	-	12,044	26,750	12,940
Capital lease –capital projects	1,413,337	-	65,968	1,347,369	34,170
CEC Loan	40,698	-	11,047	29,651	11,722
<b>Totals</b>	<b>\$ 1,611,250</b>	<b>\$ -</b>	<b>\$ 133,418</b>	<b>\$ 1,477,832</b>	<b>\$ 76,088</b>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**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, \$1,000,000 for workers compensation claims, and \$25,000 for property damage. The Fund carries purchased excess commercial liability insurance of \$39.5 million in excess of its \$500,000 limit, and a commercial property policy for \$300 million. Financial information pertaining to REMIF can be obtained from its administrative offices at 414 W. Napa Street, Sonoma, California 95476. Liabilities of the City are reported in the statement of net 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 2012. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no significant uninsured claim liabilities at June 30, 2012.

**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:

*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, 2012**

**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 15.047 percent for regular employees, 41.017 percent for fire employees, and 33.724 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>	6/30/10	\$ 273,114	100%	\$ -
	6/30/11	\$ 256,582	100%	\$ -
	6/30/12	\$ 281,917	100%	\$ -
<i>Safety employees</i>	6/30/10	\$ 358,982	100%	\$ -
	6/30/11	\$ 357,132	100%	\$ -
	6/30/12	\$ 493,531	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**

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

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits determined annually by the City Council. For the fiscal year ended June 30, 2012 the City contributed \$60,999 of current year premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts to the total premiums.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**E. Other Post-Employment Benefits (Continued)**

*Annual OPEB Costs and the Net OPEB Obligation.* The City's annual other post employment benefit OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement Number 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years. The following table shows components of the City's annual OPEB costs for the year, the amounts actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$	121,579
Interest on net OPEB obligation		5,645
Adjustments to the ARC		(7,968)
		119,256
Annual OPEB expense		119,256
Contributions made		(60,999)
		58,257
Change in net OPEB obligation		58,257
Net OPEB obligation, beginning of year		125,448
Net OPEB obligation, end of year		\$183,705

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$ 115,310	46.7%	\$ 125,448
June 30, 2012	\$ 119,256	51.1%	\$ 183,705

*Funding Status and Funding Progress.* As of July 1, 2010, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$1,461,002, and the actuarial value of plan assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,461,002. The covered payroll (annual payroll of active employees covered by the plan) was \$3,209,464, and the ratio of the UAAL to covered payroll was 45.5 percent.

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to these financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to actuarial liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**E. Other Post-Employment Benefits (Continued)**

In the July 1, 2010 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return based on assumed long-term return on plan assets or employer assets as appropriate. An annual health care trend rate of zero percent was used in the valuation. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payroll over 30 years, the remaining amortization period at June 30, 2010.

**F. Restricted Net Assets and Fund Balances**

The \$ 6,152,199 restricted amount in the governmental activities statement net assets and the \$2,760,699 restricted amounts in the balance sheet for the governmental funds represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

**G. Successor Agency Trust for Assets of the Former Redevelopment Agency**

*1. The Dissolution Process*

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

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

In future years, successor agencies will only be allocated revenues in the amount that is necessary to pay annual estimated installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the former agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between the redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the encumbrance or expenditure of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**G. Successor Agency Trust for Assets of the Former Redevelopment Agency  
(Continued)**

*1. The Dissolution Process (Continued)*

Management believes, in consultation with legal counsel, that the obligations of the former agency due to the City, if any, and due to others are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on these issues is not a position of settled law and there is considerable legal uncertainty regarding these issues. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority or other authorized body that would resolve any of the dissolution matters unfavorably to the City.

In accordance with the requirements of the Bill, (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity on February 1, 2012.

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

The transfer of assets and liabilities of the former agency as of February 1, 2012) effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund and to the County are reported as an extraordinary item in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private purpose trust as an extraordinary item.

**2. Extraordinary Items.**

Because of different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of trust funds (economic resources measurement focus or full accrual basis accounting) the extraordinary items recognized in the governmental funds was not the same amount as the extraordinary amount recognized in the fiduciary fund financial statements.

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**G. Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

2. Extraordinary Items Continued)

The difference between the extraordinary amounts reported in the fund financial statements and the amounts reported in the fiduciary fund statements is as follows:

Component of Extraordinary Transaction	Amounts
Total extraordinary loss reported in the governmental fund financial statements that result in an increase in the net assets of the Successor Agency Trust Fund; such amounts being the January 31, 2012 ending balances	\$ 3,514,884
Capital assets of the former Agency, reported in the government wide financial statements and transferred to the Net Assets of the Successor Agency	870,862
Bond discounts and issue costs of the former agency, reported in the government wide financial statements and transferred into the Successor Agency as an increase to net assets	274,441
Long-term notes receivable, deferred in the funds, but reported in the government wide financial statements and transferred into the successor agency trust fund as an increase to net assets	5,328,329
Long-term debt liabilities of the former agency reported in the government wide financial statements and transferred into the Successor Agency Trust Fund as a decrease to net assets	<u>(5,079,177)</u>
Net decrease to net assets of the City of Sebastopol as a result of the transfers to the Successor Agency Trust Fund (equals the extraordinary loss in the fund statements plus the net loss in the reconciliation of the fund statements to government wide statements for assets and liabilities not reported in the funds	<u>\$(4,909,339)</u>
Net increase to net assets of other agencies as a result of the dissolution of the redevelopment agency of the City of Sebastopol	\$ 4,909,339
Less assets of housing activities (primarily notes receivable) transferred to successor agencies other than the City of Sebastopol	(5,674,615)
Plus enforceable housing related obligations transferred to successor agencies other than the City of Sebastopol	<u>1,137,659</u>
Net increase to net assets of the non-housing successor agency	<u>\$ 372,383</u>

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**G. Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

*3. Enforceable Obligations*

*Capital Lease Obligation - Advance Refunding Lease*

In March of 2004, the City and its former 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 former 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
2013	\$ 407,121
Total minimum lease payments	407,121
Less amounts representing interest	(12,303)
Present value of net minimum lease payments	\$ 394,818

*Tax Allocation Refunding Bonds 2007 Series*

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

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

Fiscal Year	Principal	Interest	Total
2013	\$ 305,000	\$ 117,298	\$ 422,298
2014	320,000	106,560	426,560
2015	330,000	95,151	425,151
2016	340,000	83,222	423,222
2017	355,000	70,764	425,764
2018-2021	1,555,000	142,190	1,697,190
Totals	\$ 3,205,000	\$ 615,185	\$ 3,820,185

**CITY OF SEBASTOPOL**

**Notes to the Basic Financial Statements  
June 30, 2012**

**5. Other Information (Continued)**

**H. Prior Period Adjustment -Beginning Net Assets of Governmental Activities**

The City has restated its beginning net assets to correct an error in reporting certain long-term notes receivable. In prior years, the City was the recipient of a State Agency grant program referred to as the BEGIN Program. The program provided limited home mortgage financing to first-time home buyers purchasing certain residential units within the City. The grant funding was made directly to escrow by the State Agency as part of the loan closing process, and these loans were inadvertently not reported in the City's financial management system. Assuming certain requirements are met, the loans require no repayments/payments for the first 30 years; and loan repayments may be deferred for an additional 30 years at the option of the City. The impact of reporting these long-term receivables is:

	Net Assets of Governmental Activities	Fund Balances of Governmental Funds
Balance June 30, 2011 As Originally reported	\$ 14,166,783	\$ 6,831,111
Record long-term mortgage loans receivable	3,020,600	3,020,600
Defer revenue recognition in governmental funds until loans become a current resource available for use	-	(3,020,600)
Balance, June 30, 2011, As restated	\$ 17,187,383	\$ 6,831,111

**REQUIRED SUPPLEMENTARY INFORMATION**

**Required Supplementary Information**  
**CITY OF SEBASTOPOL**  
**Budgetary Comparison Schedule - General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Fund Balance, July 1</b>	\$ 286,698	\$ 286,698	\$ 286,698	\$ -
<b>Resources (inflows):</b>				
Property taxes	1,075,000	1,075,000	1,292,711	217,711
Sales taxes	1,418,000	1,418,000	1,392,916	(25,084)
Transient occupancy taxes	270,000	270,000	300,937	30,937
Other taxes	731,000	731,000	666,052	(64,948)
License permits	286,500	286,500	321,351	34,851
Fines and forfeits	157,494	157,494	174,613	17,119
Interest and rents	62,500	62,500	49,179	(13,321)
Intergovernmental	610,000	610,000	600,703	(9,297)
Intergovernmental-successor agency	-	-	250,000	250,000
Charges for services	328,200	328,200	320,542	(7,658)
Miscellaneous	1,000	1,000	22,354	21,354
Transfers	-	-	30,158	30,158
	<u>5,226,392</u>	<u>5,226,392</u>	<u>5,708,214</u>	<u>481,822</u>
<b>Amounts available for charges to appropriations</b>				
<b>Charges to appropriations:</b>				
<b>General government:</b>				
Legislative	86,047	86,047	88,926	(2,879)
Manager	87,618	87,618	96,616	(8,998)
City Clerk	104,754	104,754	107,376	(2,622)
Finance	66,933	66,933	61,677	5,256
Legal	175,139	175,139	143,309	31,830
Insurance	10,766	10,766	(5,398)	16,164
Miscellaneous	66,696	66,696	56,582	10,114
Employee benefits	(2,880)	(2,880)	(10,137)	7,257
Government buildings	21,162	21,162	21,424	(262)
Community support	12,064	12,064	10,651	1,413
Community fund	6,300	6,300	10,000	(3,700)
Planning	191,235	191,235	182,924	8,311
<b>Public safety:</b>				
Police	2,873,212	2,873,212	2,888,195	(14,983)
Animal control	8,350	8,350	6,338	2,012
Emergency	3,200	3,200	3,444	(244)
Fire	554,020	554,020	557,261	(3,241)
<b>Public Works:</b>				
Building inspection	153,005	153,005	152,760	245
Engineering	66,625	66,625	59,464	7,161
Corporation yard	43,019	43,019	63,748	(20,729)
Streets	100,795	100,795	93,965	6,830
Parking	21,563	21,563	17,384	4,179
<b>Parks and recreation</b>				
Parks	162,588	162,588	145,593	16,995
Pool	76,678	76,678	75,844	834
Recreation	23,408	23,408	20,284	3,124
Village park	25,420	25,420	35,907	(10,487)
Transfers	-	-	35,048	(35,048)
	<u>4,937,717</u>	<u>4,937,717</u>	<u>4,919,185</u>	<u>18,532</u>
<b>Total charges to appropriations</b>				
<b>Fund Balance, June 30</b>	<u>\$ 288,675</u>	<u>\$ 288,675</u>	<u>\$ 789,029</u>	<u>\$ 500,354</u>

**Required Supplementary Information**  
**CITY OF SEBASTOPOL**  
**Budgetary Comparison Schedule - General Fund**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2012**

**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:	\$ 5,708,214
Differences - budget to GAAP:	
Transfers in from other funds are a budgetary resource, but are not revenues for financial reporting purposes	(30,158)
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>(286,698)</u>
 Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u><u>\$ 5,391,358</u></u>

**Sources/inflows resources:**

Total charges to appropriations from budgetary comparison schedule:	\$ 4,919,185
Differences - budget to GAAP:	
Transfers out to other funds are a budgetary use, but are not expenditures for financial reporting purposes	<u>(35,048)</u>
 Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u><u>\$ 4,884,137</u></u>

Required Supplementary Information  
**CITY OF SEBASTOPOL**  
 Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund  
 For The Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Fund Balance, July 1</b>	\$ (547,826)	\$ (547,826)	\$ (547,826)	\$ -
Resources (inflows):				
Incremental property taxes	515,000	515,000	517,599	2,599
Interest and rents	33,000	33,000	29,850	(3,150)
Miscellaneous	-	-	609,410	609,410
Extraordinary item; Dissolution of the Redevelopment Agency	-	-	24,881	24,881
Amounts available for charges to appropriations	<u>174</u>	<u>174</u>	<u>633,914</u>	<u>633,740</u>
Charges to appropriations:				
Community development:				
Housing projects	24,500	24,500	2,716	21,784
Debt Service	<u>11,198</u>	<u>11,198</u>	<u>631,198</u>	<u>(620,000)</u>
Total charges to appropriations	<u>35,698</u>	<u>35,698</u>	<u>633,914</u>	<u>(598,216)</u>
Fund Balance, June 30	<u>\$ (35,524)</u>	<u>\$ (35,524)</u>	<u>\$ -</u>	<u>\$ 35,524</u>

Expolantion of Differences between Budgetary Inflows and GAAP revenues:

Sources/Inflows of resources:	
Actual amounts available for appropriation per above schedule	\$ 633,914
Differences budget to GAAP:	
Extraordinary items provide current financial resources, but are not reported as revenues in the funds	\$ (24,881)
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>547,826</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 1,156,859</u>

Required Supplementary Information  
**CITY OF SEBASTOPOL**  
 Budgetary Comparison Schedule - County Street Smart Special Revenue Fund  
 For The Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Fund Balance, July 1</b>	\$ 2,109	\$ 2,109	\$ 2,109	\$ -
Resources (inflows):				
Intergovernmental:				
Allocation from Sonoma County	968,478	968,478	968,478	-
Federal grant	112,000	112,000	-	(112,000)
Transfers in	<u>-</u>	<u>-</u>	<u>422,752</u>	<u>422,752</u>
Amounts available for charges to appropriations	<u>1,082,587</u>	<u>1,082,587</u>	<u>1,393,339</u>	<u>310,752</u>
Charges to appropriations:				
Capital outlay:				
Street smart improvement project	<u>1,373,120</u>	<u>1,373,120</u>	<u>1,393,339</u>	<u>(20,219)</u>
Total charges to appropriations	<u>1,373,120</u>	<u>1,373,120</u>	<u>1,393,339</u>	<u>(20,219)</u>
Fund Balance, June 30	<u>\$ (290,533)</u>	<u>\$ (290,533)</u>	<u>\$ -</u>	<u>\$ 290,533</u>

Expolantion of Differences between Budgetary Inflows and GAAP revenues:

Sources/Inflows of resources:	
Actual amounts available for appropriation per above schedule	\$ 1,393,339
Differences budget to GAAP:	
Transfers in are a budgetary inflow and provide current financial resources, but are not considered to be revenues for financial reporting purposes	\$ (422,752)
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>(2,109)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 968,478</u>

**OPTIONAL SUPPLEMENTARY INFORMATION**  
***NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS***

**City of Sebastopol  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

Special Revenue Funds												
	Police Grants	Fire Training	Gas Tax	Park in Lieu	Traffic Impact	Street Lighting Assessment	Asset Forfeiture	Downtown Association	Tree Fund	Art in Lieu	Measure M	Special Sales Tax
<b>Assets</b>												
Cash and investments	\$ 29,138	\$ 2,718	\$ -	\$ 443,443	\$ 544,062	\$ 42,998	\$ 3	\$ 4,848	\$ 2,653	\$ -	\$ 127,269	\$ 505,973
Receivables:												
Receivables from other governments	18,768	-	-	-	-	-	-	-	-	-	11,002	35,900
Accounts	-	-	-	-	5,514	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	67,259	-	-	-	-	-	-	-
Assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	7,800	59,619	-	-	-	-	92,694	-	-
Total assets	\$ 47,906	\$ 2,718	\$ -	\$ 451,243	\$ 676,454	\$ 42,998	\$ 3	\$ 4,848	\$ 2,653	\$ 92,694	\$ 138,271	\$ 541,873
<b>Liabilities and Fund Balances</b>												
Liabilities:												
Accounts payable	\$ 957	\$ -	\$ -	\$ -	\$ -	\$ 4,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,536
Payable other governments	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	8,131	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	54,417	-	-	-	-	92,694	-	-
Total liabilities	9,088	-	-	-	54,417	4,350	-	-	-	92,694	-	16,536
Fund balances:												
Restricted for:												
Equipment and infrastructure	-	-	-	451,243	-	-	-	-	-	-	-	525,337
Highways and streets	-	-	-	-	622,037	38,648	-	-	2,653	-	138,271	-
Public safety	38,818	2,718	-	-	-	-	3	4,848	-	-	-	-
Community promotion	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Affordable housing	-	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Committed for:												
Street projects	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	38,818	2,718	-	451,243	622,037	38,648	3	4,848	2,653	-	138,271	525,337
Total liabilities and fund balances	\$ 47,906	\$ 2,718	\$ -	\$ 451,243	\$ 676,454	\$ 42,998	\$ 3	\$ 4,848	\$ 2,653	\$ 92,694	\$ 138,271	\$ 541,873

**City of Sebastopol  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

		Special Revenue Funds									
		Housing General Plan	Pavement Program	BIA Tourism	Vehicle Abatement	REDCOM	Fire Grants	Inclusionary housing	Skate Park & Garden		
Proposition 1B											
<b>Assets</b>											
Cash and investments											
Receivables:											
Receivables from other governments											
Accounts							27,450				
Due from other funds											
Assessments receivable				13,386							
Notes receivable		5,014						61,665			
Total assets		47,661	213,100	17,840			32,750	232,987		45,223	
		\$ 47,661	\$ 213,100	\$ 17,840	\$ -	\$ -	\$ 32,750	\$ 232,987	\$ -	\$ 45,223	
<b>Liabilities and Fund Balances</b>											
Liabilities:											
Accounts payable		486					4,700				25
Payable other governments											
Due to other funds							27,450				
Deferred revenue		3,624						61,665			
Total liabilities		4,110					32,150	61,665		25	
		\$ 4,110	\$ -	\$ -	\$ -	\$ -	\$ 32,150	\$ 61,665	\$ -	\$ 25	
Fund balances:											
Restricted for:											
Equipment and infrastructure											
Highways and streets	38,153										
Public safety							600				
Community promotion				17,840							
Debt service											
Affordable housing		43,551						171,322			
Parks and recreation										45,198	
Committed for:											
Street projects			213,100								
Total fund balances		43,551	213,100	17,840			600	171,322		45,198	
		\$ 43,551	\$ 213,100	\$ 17,840	\$ -	\$ -	\$ 600	\$ 171,322	\$ -	\$ 45,198	
Total liabilities and fund balances		47,661	213,100	17,840			32,750	232,987		45,223	
		\$ 47,661	\$ 213,100	\$ 17,840	\$ -	\$ -	\$ 32,750	\$ 232,987	\$ -	\$ 45,223	

**City of Sebastopol  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

	Capital Projects				Debt Service			Total Nonmajor Governmental Funds
	City Capital Projects	CDBG	Undergrounding	Safe Route To School	Laguna Wetlands	Woodsone Assessment district	CREBS Bond	
<b>Assets</b>								
Cash and investments	\$ 117,202	\$ -	\$ 186,454	\$ -	\$ -	\$ 37,785	\$ 392,033	\$ 2,956,778
Receivables:								
Receivables from other governments	-	36,346	-	49,412	7,973	-	-	186,851
Accounts	-	-	-	0-	-	-	1,494	7,008
Due from other funds	-	-	-	-	-	-	-	67,259
Assessments receivable	-	-	-	-	-	255,000	-	268,386
Notes receivable	-	-	-	-	-	-	280,785	507,577
<b>Total assets</b>	<b>\$ 117,202</b>	<b>\$ 36,346</b>	<b>\$ 186,454</b>	<b>\$ 49,412</b>	<b>\$ 7,973</b>	<b>\$ 292,785</b>	<b>\$ 674,312</b>	<b>\$ 3,993,859</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 9,677	\$ -	\$ -	\$ -	\$ 36,731
Payable other governments	-	-	-	-	-	-	329,888	329,888
Due to other funds	-	36,346	-	39,735	6,694	-	-	118,356
Deferred revenue	-	-	-	-	-	255,000	280,785	748,185
<b>Total liabilities</b>	<b>-</b>	<b>36,346</b>	<b>-</b>	<b>49,412</b>	<b>6,694</b>	<b>255,000</b>	<b>610,673</b>	<b>1,233,160</b>
Fund balances:								
Restricted for:								
Equipment and infrastructure	117,202	-	-	-	-	-	-	1,093,762
Highways and streets	-	-	186,454	-	-	-	-	1,026,216
Public safety	-	-	-	-	-	-	-	42,139
Community promotion	-	-	-	-	-	-	-	22,688
Debt service	-	-	-	-	-	37,785	63,639	101,424
Affordable housing	-	-	-	-	-	-	-	214,873
Parks and recreation	-	-	-	-	1,279	-	-	46,477
Committed for:								
Street projects	-	-	-	-	-	-	-	213,100
<b>Total fund balances</b>	<b>117,202</b>	<b>-</b>	<b>186,454</b>	<b>-</b>	<b>1,279</b>	<b>37,785</b>	<b>63,639</b>	<b>2,760,699</b>
<b>Total liabilities and fund balances</b>	<b>\$ 117,202</b>	<b>\$ 36,346</b>	<b>\$ 186,454</b>	<b>\$ 49,412</b>	<b>\$ 7,973</b>	<b>\$ 292,785</b>	<b>\$ 674,312</b>	<b>\$ 3,993,859</b>

**CITY OF SEBASTOPOL**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds														
	Police Grants	File Training	Gas Tax	Park in Lieu	Traffic Impact	Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Tree Fund	Measure M	Special sales Tax	Proposition 1B	Housing General Plan	Pavement Program
Revenues:															
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,123	\$ -	\$ -	\$ 56,095	\$ 520,394	\$ -	\$ -	\$ -
Intergovernmental	177,545	4,325	204,038	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	48,750	32,460	90,544	-	-	-	-	-	-	-	18,405	-
Interest	51	6	17	2,094	3,504	199	-	36	-	12	487	2,168	178	211	1,000
Miscellaneous	13,136	-	-	-	-	-	-	-	-	3,180	-	210	-	-	-
<b>Total revenues</b>	<b>190,732</b>	<b>4,331</b>	<b>204,055</b>	<b>50,844</b>	<b>35,964</b>	<b>90,743</b>	<b>-</b>	<b>8,159</b>	<b>-</b>	<b>3,192</b>	<b>56,582</b>	<b>522,772</b>	<b>178</b>	<b>18,616</b>	<b>1,000</b>
Expenditures:															
Current:															
Public safety	171,020	1,613	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	198,775	-	-	83,233	-	-	-	539	-	-	-	-	3,239
Community development	-	-	-	-	-	-	-	14,000	-	-	-	-	-	28,796	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	29,280	483	-	-	-	-	-	-	166,892	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	15,522	-	-	-	-	-	-	-	226,692	-	-	-
Interest	-	-	-	15,948	-	-	-	-	-	-	-	71,843	-	-	-
<b>Total expenditures</b>	<b>171,020</b>	<b>1,613</b>	<b>198,775</b>	<b>60,750</b>	<b>483</b>	<b>83,233</b>	<b>-</b>	<b>14,000</b>	<b>-</b>	<b>539</b>	<b>-</b>	<b>465,427</b>	<b>-</b>	<b>28,796</b>	<b>3,239</b>
Excess (deficiency) of revenues over (under) expenditures	19,712	2,718	5,280	(9,906)	35,481	7,510	-	(5,841)	-	2,653	56,582	57,345	178	(11,180)	(2,239)
Other financing sources (uses):															
Transfers in	-	-	24,059	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(54,216)	-	(204,556)	-	-	-	-	-	-	(46,267)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(30,157)</b>	<b>-</b>	<b>(204,556)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,267)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	19,712	2,718	(24,877)	(9,906)	(169,075)	7,510	-	(5,841)	-	2,653	56,582	11,078	178	(11,180)	(2,239)
Fund balances, July 1	19,106	-	24,877	461,149	791,112	31,138	3	10,689	-	-	81,689	514,259	37,975	54,731	215,339
<b>Fund balances, June 30</b>	<b>\$ 38,818</b>	<b>\$ 2,718</b>	<b>\$ -</b>	<b>\$ 451,243</b>	<b>\$ 622,037</b>	<b>\$ 38,648</b>	<b>\$ 3</b>	<b>\$ 4,848</b>	<b>\$ -</b>	<b>\$ 2,653</b>	<b>\$ 138,271</b>	<b>\$ 525,337</b>	<b>\$ 38,153</b>	<b>\$ 43,551</b>	<b>\$ 213,100</b>

**CITY OF SEBASTOPOOL**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds					Capital Projects					Debt Service			Total Nonmajor Governmental Funds
	BIA Tourism	Vehicle Abatement	REDCOM	Fire Grants	Inclusionary Housing	Skate Park & Garden	City Capital Projects	CDBG	Undergonun ding	Safe Routes To School	Laguna Wetlands	Woodstone Assessment District	CREBS Bond	
Revenues:														
Sales taxes		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,612
Intergovernmental		-	14,131	-	82,217	-	-	36,346	-	49,412	19,224	-	-	587,238
Charges for services	60,187	3,610	-	-	42,332	-	-	-	49,412	-	31,479	-	-	327,767
Interest	(51)	7	-	-	720	210	41	-	868	24	-	1,772	-	13,554
Miscellaneous	-	-	-	-	-	820	-	-	-	2,194	-	39,308	-	58,848
Total revenues	60,136	3,617	14,131	82,217	49,052	1,030	41	36,346	868	49,412	21,442	41,080	-	1,572,019
Expenditures:														
Current:														
Public safety		3,617	14,131	81,675	-	-	-	-	-	-	-	-	-	272,056
Public works		-	-	-	-	-	3,046	36,346	-	49,412	-	-	-	374,590
Community development	57,334	-	-	-	-	-	-	-	-	-	-	-	-	101,130
Parks and recreation		-	-	-	-	118	-	-	-	-	-	-	-	118
Capital outlay		-	-	-	-	-	-	-	-	20,163	-	-	-	216,818
Intergovernmental		-	-	-	-	-	-	-	-	-	-	329,888	-	329,888
Debt service		-	-	-	-	-	-	-	-	-	20,000	97,590	-	389,804
Principal		-	-	-	-	-	-	-	-	-	22,468	-	-	110,259
Interest		-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	57,334	3,617	14,131	81,675	43,052	118	3,046	36,346	868	49,412	20,163	42,468	427,478	1,764,663
Excess (deficiency) of revenues over (under) expenditures	2,802	-	-	542	43,052	912	(3,005)	-	688	-	1,279	(10,989)	(386,386)	(192,644)
Other financing sources (uses):														
Transfers in		-	-	-	-	-	-	-	-	-	-	10,989	77,290	112,338
Transfers out		-	-	-	-	-	(194,137)	-	-	-	-	-	-	(498,176)
Total other financing sources (uses)		-	-	-	-	-	(194,137)	-	-	-	-	10,989	77,290	(386,838)
Net change in fund balances	2,802	-	-	542	43,052	912	(197,142)	-	868	-	1,279	-	(309,108)	(579,482)
Fund balances, July 1	15,038	-	-	58	128,270	44,286	314,344	-	185,586	-	-	37,785	372,747	3,340,181
Fund balances, June 30	\$ 17,840	\$ -	\$ -	\$ 600	\$ 171,322	\$ 45,198	\$ 117,202	\$ -	\$ 186,454	\$ -	\$ 1,279	\$ 37,785	\$ 63,639	\$ 2,760,699