



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017



City of Sebastopol

Sebastopol, California

Comprehensive Annual Financial Report

For the year ended June 30, 2017

Prepared by:
Finance Department

City of Sebastopol
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents	i
Transmittal Letter	v
Directory of City Officials.....	ix
Organization Chart.....	x
<u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	32
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances.....	34
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	35
Proprietary Fund Financial Statements:	
Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Net Position.....	39
Statement of Cash Flows	40
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position.....	43
Notes to Basic Financial Statements.....	46

City of Sebastopol
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued:</u>	
Required Supplementary Information (Unaudited):	
Budgets and Budgetary Accounting.....	83
Defined Benefit Pension Plan	86
Other Postemployment Benefits Plan.....	87
 Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Police Grant Special Revenue Fund.....	100
Gas Tax Special Revenue Fund	101
Park in Lieu Special Revenue Fund.....	102
Traffic Impact Special Revenue Fund.....	103
Street Lighting Assessment Special Revenue Fund	104
Asset Forfeiture Special Revenue Fund	105
Downtown Association Special Revenue Fund.....	106
Art in Lieu Special Revenue Fund	107
Measure M Special Revenue Fund.....	108
Housing General Plan Special Revenue Fund	109
Street Reserve Special Revenue Fund.....	111
Vehicle Abatement Special Revenue Fund.....	112
Inclusionary and Linkage Housing Special Revenue Fund	113
Building Permit Incremental Special Revenue Fund	114
Community Development Block Grant Special Revenue Fund	115
General Capital Projects Capital Project Fund.....	116
Undergrounding Capital Project Fund	117
Woodstone Assessment District Debt Service Fund	118
Clean Renewable Energy Debt Service Fund.....	119

City of Sebastopol
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents, Continued

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Financial Trends:	
Net Position by Component	120
Changes in Net Position	122
Fund Balances of Governmental Funds	126
Changes in Fund Balances of Governmental Funds	128
Revenue Capacity Information:	
Assessed Value and Estimated Actual Value of Taxable Property	130
Direct and Overlapping Property Tax Rates	131
Principal Property Taxpayers	132
Property Tax Levies and Collections	133
Debt Capacity Information:	
Ratios of Outstanding Debt by Type	134
Ratios of General Bonded Debt Outstanding	136
Direct and Overlapping Governmental Activities Debt	137
Legal Debt Margin Information	138
Pledged-Revenue Coverage	140
Demographic and Economic Information:	
Demographic and Economic Statistics	142
Principal Employers for City of Sebastopol	143
Operating Information:	
Full-Time Equivalent City Government Employees by Function	144
Operating Indicators by Function	145
Capital Asset Statistics by Function	146

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City Council

Mayor Patrick Slayter
Vice Mayor Neysa Hinton
Michael Carnacchi
Una Glass
Sarah Glade Gurney

**City Manager**

Larry McLaughlin
lmclaughlin@cityofsebastopol.org
Assistant City Manager/City Clerk, MMC
Mary Gourley
mgourley@cityofsebastopol.org

City of Sebastopol

January 31, 2018

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

City staff is pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sebastopol for the fiscal year ended June 30, 2017. This report was prepared by the Finance Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the personation, including all disclosures.

The CAFR includes a complete set of audited financial statements and notes, together with supplemental and statistical information. The City issues the CAFR within approximately six months after the close of each fiscal year to fully disclose its financial information in a timely and transparent manner and to maintain compliance with all state and federal regulations and bond covenants.

City management assumes full responsibility for the completeness and reliability of all of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's independent auditor, Badawi & Associates, has issued an unmodified ("clean") opinion on the City of Sebastopol financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements and should be read in conjunction with this letter and the financial statements and notes.

Profile of the City of Sebastopol

The City is located in the hub of West Sonoma County, Sebastopol is a leader in local efforts to address climate change. The City itself, and the community as a whole are leaders in energy and water conservation efforts as well as policy initiatives to address the critical issue. Sebastopol's special qualities and unique geographical setting attract visitors and residents alike, as well as new commercial and industrial businesses, some with global reach. The Community continues to work together towards creation of sustainable local economy. With a population of approximately 7,800, we are a community that cares about its citizens and businesses. We also welcome our many visitors who come from the Bay Area, and around the world, to enjoy the numerous activities and events in the area, dine at our local restaurants and stay at lodging establishments the City has to offer.

The City of Sebastopol was incorporated 1902, and operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council members. The Council is responsible for, among other matters, approving and modifying ordinances, adopting the City budget, appointing committee and commission members, and hiring the City Manager and City Attorney. The City Manager is responsible for assuring compliance with the ordinances, implementing the policies and direction of the City Council, appointing department heads and hiring employees, and managing daily operations of the City.

The Council is elected on a non-partisan basis. Council members serve four year staggered terms, with two members elected every two years. The Mayor is elected to serve a one-year term.

The City provides a full range of municipal services including fire and police protection; construction and maintenance of City streets, storm drains, bridges, and similar infrastructure type assets; park maintenance; community recreation activities; building inspections; licenses and permits; and facilities.

In terms of business-type activities, the City provides water and wastewater services through operation of its utility enterprises.

The City's annual budget serves as the foundation for the City of Sebastopol's financial planning and expenditure control system. All departments of the City submit requests for appropriations to the City Budget Subcommittee each year; and these requests serve as a starting point for developing a proposed budget. The City Budget Subcommittee, comprised of councilmembers and City's staff, presents a proposed operating and capital budget to the City Council each year. The Council holds public hearings, generally starting in June, to review and receive input on the proposed budget before formal adoption. The budget is adopted by fund, department and account classification. During the year, the City Manager may authorize budget transfers within departments and funds, but only the City Council can approve additional appropriations. Staff provides monthly financial reports to the Council during the year and may prepare a comprehensive budget review at mid-year. Council approves adjustments to the original budget during the year to reflect changing conditions that impact revenues or expenditures.

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The general fund comparison is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the City's other governmental-type funds a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

Local Economy

The City is located in a beautiful Sonoma County approximately sixty miles north of San Francisco. The area that attracts many visitors each year as an attractive international destination and outdoor recreational venues, with wine related products, specialty foods, and other local attractions and the many wineries and restaurants in the area.

A tight housing market has become a desperate one as local workers who lost their homes fight to find a place to live while they rebuilt in the wake of the recent catastrophic fire in Sonoma County. Even with this devastating disaster, Sonoma County is thriving: The labor market is buoyant, with an unemployment rate sinking towards historic lows; sales tax revenues are up; hotel occupancy has increased; and the City of Sebastopol is established as a well-known destination for tourists seeking a welcoming small town charm while visiting Sonoma County.

Long-Term Financial Planning and Budget Policies:

The City annually updates a five-year financial forecast, incorporating both projected revenues and expenditures for the City's general fund. City Council adopted a balanced budget (before transfers) for fiscal year 2016/17. The City has a practice of using moderately conservative revenue projections and reviewing and adjusting, as needed, at mid-year. The budget goals and priorities of the City of Sebastopol are summarized as follows:

- I. Maintain core services to the public as a top priority:
 - a. This budget provides for "baseline" funding in core areas, including police, fire, roadways, recreation and development services; and funds administrative efforts to make public communications and decision-making transparent and responsive.

- b. Funding requests that are above a baseline budget (prior years' minimum operating requirements, contractual obligation plus an inflation factor), are incorporated in departmental operating budgets in relation to anticipated service delivery benefits.
 - c. Seek outside revenues, such as operating and capital grants, when available.
 - d. Create and charge fair prices for services that are provided on an "as requested" basis, such as planning and development services which are regulated through the user fee schedule.
- II. Create and maintain appropriate operating budgetary surpluses:
- a. Anticipated revenues plus beginning fund balances (financing sources) should be higher than appropriations for expenditures and ending fund balances (financing uses).
 - b. The City's goal of creating and maintaining fund balances while providing for core services is intended to provide a cushion against uncontrollable spikes in costs or unanticipated short-term drops in revenue.
 - c. Planned fund balance uses, besides providing stability when expenses spike or revenues drop, should be limited to taking care of deferred City infrastructure and equipment needs, funding one-time costs to create efficiencies in City programs, and providing pre-funding of longer-term liabilities that will save money in future years.
 - d. The adopted budget seeks to maintain and not use fund balances in the general fund.
- III. Debt financing is limited to achieving operating efficiencies:
- a. Consistent with the City Council's goal to provide stability for ongoing core service programs, limit debt financing to fund operating and/or program budgets.
 - b. The operating budget, by policy, provides for no additional debt financing, unless necessary to efficiently fund core services and a capacity analysis recommends use a debt financing.
 - c. Core programs that require significant infrastructure, like Water and Wastewater may use debt financing for significant capital costs due to the long-term nature of the assets and financing plans.

During the fiscal year 16-17, the financial policies used for approving budget amendments and anticipating revenues created an additional budgetary surplus of approximately \$637,000 because the revenues collected above those anticipated in the original budget were used to maintain operating reserves for future years rather than support additional current year expenditures. This practice allows a more inclusive and holistic conversation about newly available resources during a formal annual budget hearing, rather than simply adjusting existing appropriations at mid-year.

Impact of the State Budget

One of the biggest uncertainties for California local governments for the past several years has been the statewide economy, specifically its impact on the state budget, and how the state budget, in turn, effects local government resources. Currently economic indications project that the state will continue to experience a modest economic recovery. The City developed the 2017/18 budget assuming there would be no state takeaways or new mandates, but staff will continue to review updated economic forecasts and monitor state budget conditions.

Staff Contributions

The preparation of this report would not have been possible without the teamwork and dedication of the City staff. The Mayor and Council Members deserve recognition for their continued support and leadership in maintaining high standards of professionalism in managing the City's finances.

Respectfully Submitted,

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a horizontal line that loops back to the left and then continues to the right.

Ana Kwong,
Finance Director

CITY OFFICIALS

City Council:

Patrick Slayter, Mayor
Neysa Hinton, Vice-Mayor
Michael Carnacchi
Sarah Glade Gurney
Una Glass

City Staff:

City Manager / City AttorneyLawrence McLaughlin
Assistant City Manager / City ClerkMary Gourley
Building Official Glenn Schainblatt
Engineering Manager.....Henry Mikus
Finance Director Ana Kwong
Fire Chief William Braga
Planning Director Kenyon Webster
Police ChiefJames Conner
Public Works Superintendent Dante Del Prete

Advisory Commissions or Committees:

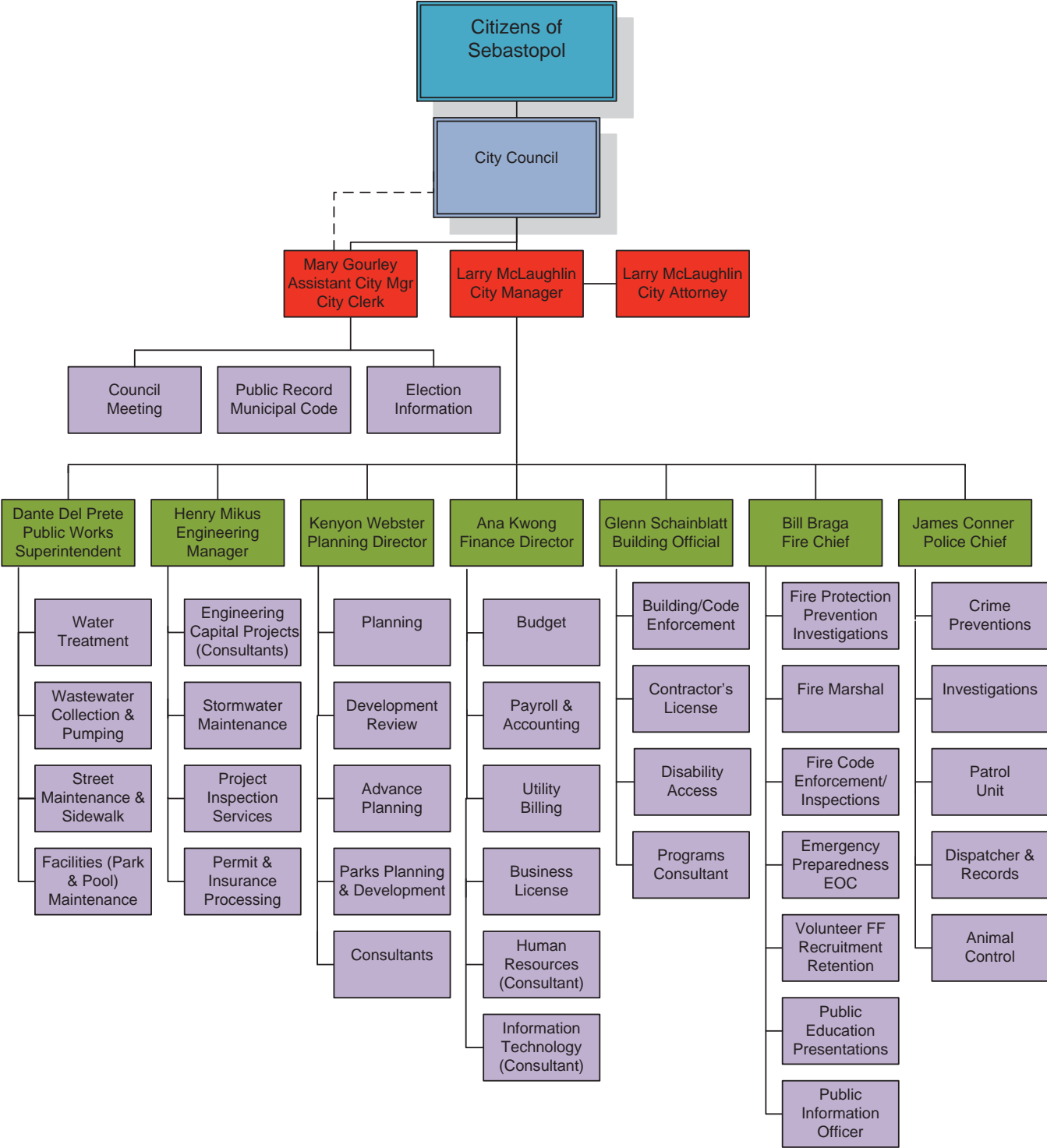
Planning Commission
Design Review Board
Public Arts Committee
Complete Streets Advisory Committee

Note - The City Officials listed on this page are as of the date of this report.



City Organization

City Wide Organization Chart by Function





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sebastopol, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 5-19 and 83-87, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 92 to 118, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

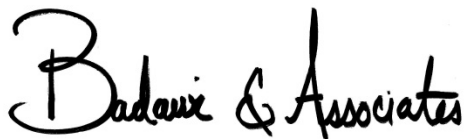
The combining and individual nonmajor fund financial statements, and budgetary comparison schedules on pages 92 to 118 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the budgetary comparison schedules on pages 92 to 118 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Oakland, California
January 31, 2018

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CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

As management of the City of Sebastopol, California (City) we offer readers of the City's financial statements this overview and analysis of the City's financial activities for the fiscal year that began on July 1, 2016 and ended June 30, 2017 (FY16-17). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded the liabilities and deferred inflows by \$18,968,000 (net position) at June 30, 2017: Governmental activities' net position was \$9,895,000; and business-type activities' net position was \$9,074,000.
 - Total net position is categorized as follows:
 - \$13,167,000 is the net investment in capital assets;
 - \$ 3,748,000 is restricted for specific purposes (restricted net position); and,
 - \$ 2,054,000 is the unrestricted net position, the residual of total net position less the other categories of net position. Unrestricted net position, when positive, is used by the city to meet its ongoing obligations to citizens and creditors.
 - For the fiscal year, the net position of governmental activities increased by \$1,038,000, while business-type net position increased by \$1,178,000; accounting for a government-wide increase in net position of \$2,216,000.
 - At June 30, 2017, the city's governmental funds reported a combined ending fund balance of \$9,005,000; an increase of \$381,000 from June 30, 2016.
 - The general fund reports fund balance of \$6,650,000 at June 30, 2017; and it is distributed in these categories:
 - 1) \$11,000 is categorized as non-spendable, representing prepaid items.
 - 2) \$185,000 is committed fund balance, and represents the amounts that can only be used for specific purposes as determined by the City Council. Individual commitments are displayed on the governmental funds' balance sheet.
 - 3) \$2,785,000 is reported as assigned fund balance, indicating the city's intention to use the financial resource for a particular purpose in the future, as follows:
 - Buildings, equipment and infrastructure, \$685,000;
 - Equipment, vehicle and technology replacement, \$1,100,000; and,
 - Pension and other post-employment liabilities rate stabilization, \$1,000,000.
 - 4) \$3,669,000 is unassigned fund balance, which represents the residual of total fund balance less other categories. It is available for consideration in the budget process.
- Proprietary funds, in which the city reports two enterprise funds, water and wastewater, reported a combined net position of \$9,074,000 at June 30, 2017; with \$3,782,000 reported as net position of the water fund; and \$5,292,000 reported in the wastewater fund. The city also reports an internal service fund for insurance benefits and benefits, and that fund has a balance of one thousand dollars.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – a *management's discussion and analysis* (this section), the *basic financial statements*, *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.

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.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)**

**Figure A-1
Major Features of City of Sebastopol's Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
<u>Scope</u>	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks.	Activities the City operates similar to private businesses: the water and wastewater systems.
<u>Required financial statements</u>	Statement of net position	· Balance sheet	· Statement of net position
	Statement of activities	· Statement of revenues, expenditures, and changes in fund balances	· Statement of revenues expenses, and changes in net position · Statement of cash flows
<u>Accounting basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<u>Type of asset/liability information</u>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<u>Type of inflow/outflow information</u>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business. These financial statements provide both long-term and short-term information about the City's overall financial status.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). A description of the functions follows:

- ***Governmental activities*** – Most of the City's basic services are included here, such as the police, fire, public works, parks and community development departments and general administration. Property taxes, sales taxes, transient occupancy taxes, utility user taxes, and state and federal grants finance most of these activities.
- ***Business-type activities*** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and wastewater system are included here.

Fund Financial Statements financial information for funds, which are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: *governmental funds and proprietary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

The City maintains individual governmental funds organized according to their type (the general fund and special revenue, capital projects and debt service funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Special Sales Tax fund, both of which are considered to be major funds. Data for the remaining governmental funds are combined into a single, aggregated presentation entitled "other governmental funds". The individual and combining fund data for each of these non-major governmental funds is provided as supplementary information in this report.

Proprietary funds are 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.

The City reports three proprietary funds: Two enterprise funds account for water and wastewater business-like activities; and one internal service fund accounts for employee benefits and insurance services as a governmental activity. Both enterprise funds are considered to be major funds, and as such are reported in separate columns within the proprietary funds' financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the government's own programs. The City uses one fiduciary fund to account for activities related to its former Redevelopment Agency.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: The City's combined net position, including both governmental activities and business-type activities is reflected in Table A-1:

**Table A-1
City of Sebastopol's Net Position
(rounded , nearest thousand dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,177,000	\$ 9,965,000	\$ 6,029,000	\$ 4,767,000	\$ 16,206,000	\$ 14,732,000
Capital assets	10,697,000	10,420,000	7,220,000	7,181,000	17,917,000	17,601,000
Total assets	20,874,000	20,385,000	13,249,000	11,948,000	34,123,000	32,333,000
Deferred outflows of Resources						
Pension contributions and deferrals	2,543,000	846,000	395,000	175,000	2,938,000	1,021,000
Total deferred outflows of resources	2,543,000	846,000	395,000	175,000	2,938,000	1,021,000
Current Liabilities	1,159,000	1,442,000	286,000	226,000	1,445,000	1,668,000
Long-term Liabilities	12,004,000	10,469,000	4,251,000	3,767,000	16,255,000	14,236,000
Total liabilities	13,163,000	11,911,000	4,537,000	3,993,000	17,700,000	15,904,000
Deferred inflows of Resources						
Pension plan timing differences	360,000	513,000	33,000	235,000	393,000	748,000
Total deferred inflows of resources	360,000	513,000	33,000	235,000	393,000	748,000
Net Position						
Invested in capital assets	8,462,000	8,017,000	4,705,000	4,800,000	13,167,000	12,817,000
Restricted	2,280,000	4,314,000	1,468,000	1,405,000	3,748,000	5,719,000
Unrestricted	(847,000)	(3,525,000)	2,901,000	1,691,000	2,054,000	(1,834,000)
Total net position (Restated)	\$ 9,895,000	\$ 8,806,000	\$ 9,074,000	\$ 7,896,000	\$ 18,969,000	\$ 16,702,000

Total net position, (assets and deferred outflows, less liabilities and deferred inflows), was \$18,968,000 at June 30, 2017. Governmental activities net position was \$9,894,000; and business-type activities' net position was \$9,074,000.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

By far, the largest component of the City's net position, \$13,167,000 and 69% of the total, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used, with \$2,280,000 reported as restricted at June 30, 2017.

At June 30, 2017 the City reported negative unrestricted net position for its governmental activities of \$(847,000) and a positive net position for business-type activities of \$4,369,000. Government-wide total unrestricted net position is \$3,521,000. The negative unrestricted net position reported for governmental activities is due in large part to pension liabilities.

Pension-related accounts reported at June 30, 2017 reduce the government-wide net position by \$8,510,000. The net pension liability was \$11,055,000. Deferred inflows related to pensions were \$394,000; and pension-related deferred outflows were \$2,939,000.

The deferred outflows primarily account for employer contributions made during the fiscal year that are not yet included in the actuarial measure of net pension liability due to differences between the date of the actuarial study and the financial reporting date. Deferred inflows represent other issues for which there are differences between the actuarial recognition for funding purposes and accounting recognition used for financial reporting. Detailed information on the city's pension liabilities is found in the notes to the financial statements.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

Changes in Net Position: Table A-2 reflects comparative changes in net position, for both government and business-type activities for fiscal years ended June 30, 2016 and 2017.

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

	Governmental Activities		Business Type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016/2017
Revenues							
Program revenues:							
Charges for services	\$ 977,000	\$ 1,726,000	\$ 5,783,000	\$ 5,178,000	\$ 6,760,000	\$ 6,904,000	-2.09%
Grants and contributions	209,000	484,000			209,000	484,000	-56.82%
Capital grants and contributions	525,000	446,000	-	143,000	525,000	589,000	-10.87%
General revenues:							
Property taxes	2,479,000	2,459,000			2,479,000	2,459,000	0.81%
Other taxes	4,767,000	4,800,000			4,767,000	4,800,000	-0.69%
Other	1,134,000	74,000	32,000		1,166,000	74,000	1475.68%
Total revenues	10,091,000	9,989,000	5,815,000	5,321,000	15,906,000	15,310,000	3.89%
Expenses							
General government	2,055,000	1,762,000			2,055,000	1,762,000	16.63%
Public safety	5,261,000	4,193,000			5,261,000	4,193,000	25.47%
Housing and development	-	9,000			-	9,000	-100.00%
Parks and recreation	938,000	1,066,000			938,000	1,066,000	-12.01%
Public works	749,000	1,376,000			749,000	1,376,000	-45.57%
Interest	81,000	84,000			81,000	84,000	-3.57%
Water			1,716,000	1,669,000	1,716,000	1,669,000	2.82%
Wastewater			2,890,000	2,887,000	2,890,000	2,887,000	0.10%
Total expenses	9,084,000	8,490,000	4,606,000	4,556,000	13,690,000	13,046,000	4.94%
Increase in net position before transfers and special item	1,007,000	1,499,000	1,209,000	765,000	2,216,000	2,264,000	-2.12%
Transfers	31,000	31,000	(31,000)	(31,000)	-	-	
Special Item:							
Contribution of long-term housing loans to County of Sonoma	-	-			-	-	
Increase (decrease) in net position	1,038,000	1,530,000	1,178,000	734,000	2,216,000	2,264,000	-2.12%
Net position beginning as restated	8,857,000	7,276,000	7,896,000	7,162,000	16,753,000	14,438,000	16.03%
Net position, Ending	\$ 9,895,000	\$ 8,806,000	\$ 9,074,000	\$ 7,896,000	\$ 18,969,000	\$ 16,702,000	13.57%

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)**

Governmental Activities:

Table A-3 presents the cost of each of the City's largest governmental programs as well as the increase or decrease from the prior year:

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>
	<u>2017</u>	<u>2016</u>	<u>2016/2017</u>
General Government	2,055,000	1,762,000	16.63%
Public Safety	5,261,000	4,193,000	25.47%
Community Development	-	9,000	-100.00%
Parks and recreation	938,000	1,066,000	-12.01%
Public Works	749,000	1,376,000	-45.57%
Interest on Long term Debt	81,000	84,000	-3.57%
Total	<u>9,084,000</u>	<u>8,490,000</u>	<u>7.00%</u>

The shifts between categories reflect changes in service delivery and budget priorities between departments; as well as changes in fee-driven activity that is financed by related charges for services revenue.

The costs of governmental activities' services were financed as follows:

- Those who directly benefitted from the programs paid charges for service of \$977,000;
- Other governments and organizations that subsidized certain programs with operating grants of \$209,000 and capital grants of \$525,000; and,
- General revenues, mostly taxpayer support in the form of property, sales and transient occupancy taxes absorbed the remaining costs of governmental activities of \$8,051,000.

The residual amount of governmental activities' revenues less expenses is \$1,007,000 for fiscal year 2016-17; and when combined with a transfer in from business-type activities of \$31,000, the net position attributed to governmental activities increased by \$1,038,000.

Total fiscal year 16-17 governmental activities revenues of \$10,091,000 reflect a \$102,000 increase over the prior year's amount (1% increase).

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

For fiscal year 16-17, total tax revenues increased by \$687,000; while charges for services revenue decreased by \$749,000 compared to the prior fiscal year. Increases in tax revenues are attributable to increases in sales and transient occupancy taxes as the local economy continued to stabilize, post-recession and experienced increases in economic activity and occupancy of hotel rooms. Our dining, shopping and entertainment venues are bringing more customers into the city. Charges for services revenue fluctuated based on the permitting and related building activity, and there was less growth in the current fiscal year than in prior years.

Operating grants and capital grants of \$734,000 for FY 17 are \$196,000 less than reported for FY 16, and reflect a reduction in state funding for specific programs that support public works and safety programs.

As noted in our description of the differences between government-wide and fund financial statements, more detail of governmental activities is provided in the fund financial statements that focus on changes in financial resources.

Business-Type Activities:

The business-type activity is comprised of the water and wastewater enterprise funds.

For FY 17 net position increased by \$1,178,000; with a \$726,000 increase in the water fund and a \$452,000 increase in the wastewater fund. The change in net position represents 15% of the funds' beginning net position, and is significant.

Net position of the water enterprise fund was \$3,782,000 and the net position of the wastewater fund was \$5,292,000, for a combined net position of \$9,074,000 for all business-type activity at June 30, 2017.

Voter-approved incremental rate increases in water and wastewater rates, intended to finance future capital needs, is the residual cause of the increased net position, as more fully explained in the proprietary funds' analysis presented below.

Investment in capital assets is the largest category of fund net position, with \$4,705,000 and 52% of total net position. Restricted for capital projects is the next largest component, with \$1,468,000 and 16% of the total. The unrestricted net position, total net position less the aforementioned categories, is \$2,900,000 and 32% of the total.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

The City's governmental funds include the general fund; and all non-major funds which are reported in the aggregate in the financial statements. The individual non-major funds' information is provided in the supplementary information section of this report.

At June 30, 2017, the City's governmental funds reported combined fund balances of \$9,005,000, an increase of \$381,000 in comparison with the prior year. The total fund balance is reported within these categories:

- **\$11,000 is "non-spendable"** because the financial resources have been used to fund a prepaid item and therefore are no longer "spendable."
- **\$2,274,000 is "restricted,"** and is only available to spend in accordance with the external restrictions placed by the funding sources themselves.
- **\$347,000 is "committed,"** and is considered available only for particular purposes already approved by the City Council. Only the City Council can change the purposes for which fund balance was committed, by taking action similar to what is needed to approve budgets.
- **\$2,785,000 is "assigned" for a particular future use.**
- **\$3,588,000 "unassigned,"** and as such is considered available to finance future years' budgetary needs at the discretion of the City Council.

General Fund:

The general fund is the chief operating fund of the City, and its only major fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,669,000, and total fund balance was \$6,650,000. As a measure of the general fund's liquidity, it may be useful to calculate fund balance as a percentage of annual expenditures: Unassigned general fund balance at June 30, 2017 represents approximately 46% of FY 16-17 general fund expenditures of \$7,868,000.

The general fund balance increased by \$1,049,000 during the fiscal year, caused primarily by general revenues in excess of ongoing expenditures in operating departments, as contemplated in the City's operating budget. For FY 16-17 revenues in excess of expenditures were \$1,148,000. Other financing sources and uses, net, were \$99,000. Sources and uses include capital lease sources of \$67,000 sale of capital asset of \$1,000 which are offset by transfers out of \$167,000.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

The general fund original budget was conservative, with a built-in increase in balance of \$88,000. The final adjusted budget approved by the City Council anticipated a lower increase of fund balance of \$51,000; with the changes made by the city council reflecting a recognized need for provide program support.

Compared to the final budget adopted by the City Council, the change in fund balance for the fiscal year was favorable by \$998,000:

- Revenues were higher than budgeted by \$643,000;
- Expenditures were lower than budgeted by \$400,000; and,
- Other financing sources and uses category consumed more financial resources than budgeted by (\$45,000).

Favorable revenue results reflect a maturing sales tax base, a stabilizing property tax base, and normal inflationary adjustments for franchise fees. Increases in charges for services of are reflective of modest economic growth, as these charges recoup the government's costs for development activity. Expenditures that are less than budgeted are indicative of conservative original budget estimates, as well as departments' continued commitment to only use appropriations when necessary.

A detailed comparison of revenues and departmental expenditures, as compared to the budget authorized by the City Council is provided in the general fund budgetary comparison that can be found in the required supplementary information section of this report.

Non-major Governmental Funds: Other non-major governmental funds, in the aggregate reported June 30, 2017 fund balance of \$2,355,000. Aggregated information of the funds is displayed in the financial statements that also include the major governmental funds; and the individual fund information for non-major governmental funds is reported in combining statements that are found in the supplemental information section of this report. Overall, non-major funds' fund balance decreased by \$668,000; and the decrease is indicative of the city appropriately applying fund balances accumulated in prior years towards meeting their respective restricted uses. The supplementary information includes a description of each fund, and its financial information.

In the aggregate, non-major funds reported a negative un-assigned fund balance of (\$82,000) at June 30, 2017. The deficit is the result of negative balances in three funds, as detailed in note 9. A, "deficit balances." Deficit balances are caused primarily by reimbursement revenues and transfers that trail a governmental fund's expenditures by more than 60 days after year-end. The reimbursement revenues, in general, aren't recorded until they are considered "currently available." See note 1, C. "measurement focus and basis of accounting" for a discussion of how the City measures revenues in governmental funds.

CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)

Proprietary Funds – Water and Sewer Enterprise Funds:

Proprietary fund-type activity is comprised of the water and wastewater enterprise funds. The combined net position at June 30, 2017 is \$9,074,000; with \$4,705,000 representing investment in capital assets net of related debt; \$1,468,000 restricted for capital projects; and \$2,901,000 reported as unrestricted net position.

The Water Fund's net position increased \$726,000 during the fiscal year, reporting a June 30, 2017 net position of \$3,782,000. Operating revenues of \$2,458,000 exceeded operating expenses of \$1,689,000 by \$769,000 with the result reported as operating income. Relatively minor amounts of non-operating revenues and expenses (\$12,000) and an operating transfer out (\$31,000) explain the balance of the change in net position.

Increases in the water fund's revenues and net position are attributed to a voter-approved four-year incremental water-rate increase that began in July, 2012. The voter-approved rate increases were intended to cause a residual increase in net position to provide for necessary replacement or capital assets that provide for water operations.

The wastewater enterprise experienced an increase in net position of \$452,000; reporting a June 30, 2017 net position of \$5,292,000. Investment in capital assets, net of related debt, is the largest component of net position with a balance of \$2,830,000; restricted for capital projects net position is \$1,058,000 and unrestricted net position is \$1,404,000. It is important to note that unrestricted net position in enterprise funds may represent resources intended to finance future capital asset requirements. The lack of "restriction" only signifies that there is not a formal, outside restriction placed on those monies.

Like the water fund, increases in net position of the wastewater fund reflect a four-year incremental rate increase that went into effect four years ago. The purpose of the rate increases was to cure a previous deficit balance in the water fund and build sufficient balances to finance future capital needs.

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:

Budgetary adjustments in appropriations and anticipated revenue were approved by the City Council during the mid-year budget review. Anticipated revenue was increased by \$303,000 and expenditure appropriations were increased by \$324,000. The adjustments to appropriations increased expenditure authority for capital outlay \$376,000; administrative programs \$95,000; and other lesser items. It is notable that the Council does not adjust its budget at mid-year for some significant, known revenue increases, as it is the current practice to provide adequate reserves for future years' budget needs. This conservative approach tends to cause a favorable end-of-year result when comparing the final budget to the actual financial activity for the year.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)**

Total general fund expenditure appropriations of \$8,268,000 exceeded actual expenditures of \$7,868,000 by \$400,000. This favorable budget-to-actual expenditure comparison is comprised of general government departments' expenditures less than final budget of \$111,000; Public Safety departments' expenditures less than budget of \$289,000; and other, less significant, differences. Please see the budgetary comparison schedules in the required supplementary information section of this report for more detail about budgetary results.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017 the City had invested \$17,918,000 in a broad range of capital assets, including equipment, vehicles, streets, buildings, park facilities, and water and wastewater systems. This amount represents a net increase of \$316,000 over last year. The increase is caused by general government increases in assets of \$1,027,000 which are offset by annual depreciation of \$750,000; and an increase in water and wastewater assets of \$500,000 which are offset by depreciation of \$461,000.

Table A-4 provides a recap of capital asset activity, and detail is provided in the notes to the financial statements (Note 6 – A).

**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
	2017	2016	2017	2016	2017	2016	2016/2017
Land and CIP	2.15	2.15	1.60	1.60	3.75	3.75	0%
Buildings & structures	6.59	6.36			6.59	6.36	4%
Machinery and equipment	2.44	2.52			2.44	2.52	-3%
Reservoirs	-	-	2.42	1.40	2.42	1.40	73%
Pipelines & water system	-	-	3.69	4.54	3.69	4.54	-19%
Pipelines & wastewater system	-	-	7.33	7.22	7.33	7.22	2%
Vehicles	2.34	2.26	0.67	0.45	3.01	2.71	11%
Infrastructure	7.59	6.79			7.59	6.79	12%
Accumulated depreciation	(10.42)	(9.66)	(8.49)	(8.03)	(18.91)	(17.69)	7%
Total	10.69	10.42	7.22	7.18	17.91	17.60	2%

Changes in Long-term Liabilities – Debt:

New debt issued during the fiscal year includes a capital lease financing of \$265,000 for a specialty truck.

**CITY OF SEBASTOPOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Rounded to the nearest \$1,000)**

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018 fiscal year, (starts July 1, 2017 and ends June 30, 2018) the following budgetary highlights included in the adopted budget follow:

- Projected general fund revenue of \$8,282,000 exceeds appropriations for expenditures of \$8,230,000 creating a general fund budgetary surplus of \$52,000.
- The water and wastewater funds also anticipate revenues over expenditures and over items, and plan to generate positive budgetary results of \$47,000 and \$28,000, respectively.
- Special revenue funds are expected to use fund balances due to capital improvements, as anticipated by the funding sources.

See the City of Sebastopol website, Finance Department, for a complete copy of the FY 17-18 adopted budget: <http://ci.sebastopol.ca.us/City-Government/Departments-Services/Finance>

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/Finance Director at the City of Sebastopol, 7120 Bodega Avenue, Sebastopol, CA 95472, (707) 823-7863.

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Sebastopol
Statement of Net Position
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 8,675,488	\$ 4,933,832	\$ 13,609,320
Receivables:			
Accounts receivable	113,148	993,618	1,106,766
Taxes receivable	903,255	-	903,255
Interest receivable	23,682	12,190	35,872
Assessment receivable	160,000	-	160,000
Prepaid items	11,127	771	11,898
Total current assets	<u>9,886,700</u>	<u>5,940,411</u>	<u>15,827,111</u>
Noncurrent assets:			
Restricted cash and investments with fiscal agents	37,354	78,508	115,862
Notes receivable	252,891	9,892	262,783
Capital assets:			
Non-depreciable	2,151,948	1,605,332	3,757,280
Depreciable, net	8,545,594	5,615,120	14,160,714
Total capital asset	<u>10,697,542</u>	<u>7,220,452</u>	<u>17,917,994</u>
Total noncurrent assets	<u>10,987,787</u>	<u>7,308,852</u>	<u>18,296,639</u>
Total assets	<u>20,874,487</u>	<u>13,249,263</u>	<u>34,123,750</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contribution	912,689	186,769	1,099,458
Deferred outflows of resources - pension	1,630,720	208,546	1,839,266
Total deferred outflows of resources	<u>2,543,409</u>	<u>395,315</u>	<u>2,938,724</u>
LIABILITIES			
Current liabilities:			
Accounts payable	341,778	38,550	380,328
Accrued interest payable	9,145	5,444	14,589
Accrued liabilities	54,294	-	54,294
Deposits payable	181,715	20,408	202,123
Unearned revenues	21,288	-	21,288
Compensated absences - due within one year	300,000	4,000	304,000
Long term debt - due within one year	251,241	217,724	468,965
Total current liabilities	<u>1,159,461</u>	<u>286,126</u>	<u>1,445,587</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	456,635	35,823	492,458
Long term debt - due in more than one year	1,984,416	2,297,674	4,282,090
Net OPEB obligation	425,443	-	425,443
Net pension liability	9,137,235	1,917,942	11,055,177
Total noncurrent liabilities	<u>12,003,729</u>	<u>4,251,439</u>	<u>16,255,168</u>
Total liabilities	<u>13,163,190</u>	<u>4,537,565</u>	<u>17,700,755</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	360,202	33,338	393,540
Total deferred inflows of resources	<u>360,202</u>	<u>33,338</u>	<u>393,540</u>
NET POSITION			
Net investment in capital assets	<u>8,461,885</u>	<u>4,705,054</u>	<u>13,166,939</u>
Restricted for:			
Equipment and infrastructure	265,779	-	265,779
Housing	415,713	-	415,713
Debt service	96,845	-	96,845
Streets	1,359,941	-	1,359,941
Other purposes	141,630	1,468,204	1,609,834
Total restricted	<u>2,279,908</u>	<u>1,468,204</u>	<u>3,748,112</u>
Unrestricted	(847,289)	2,900,417	2,053,128
Total net position	<u>\$ 9,894,504</u>	<u>\$ 9,073,675</u>	<u>\$ 18,968,179</u>

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Activities
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 2,055,024	\$ 180,139	\$ 30,809	\$ -	\$ 210,948
Public safety	5,260,822	190,018	178,663	-	368,681
Public works	938,036	539,617	-	525,005	1,064,622
Parks and recreation	749,005	66,739	-	-	66,739
Interest on long-term debt	80,566	-	-	-	-
Total governmental activities	9,083,453	976,513	209,472	525,005	1,710,990
Business-type activities:					
Water Services	1,716,237	2,457,698	-	-	2,457,698
Wastewater Services	2,889,787	3,324,934	-	-	3,324,934
Total business-type activities	4,606,024	5,782,632	-	-	5,782,632
Total primary government	\$ 13,689,477	\$ 6,759,145	\$ 209,472	\$ 525,005	\$ 7,493,622

General Revenues:

Taxes:
Property taxes
Sales taxes
Transient occupancy taxes
Other taxes
Total taxes
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning of year, as restated
Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,844,076)	\$ -	\$ (1,844,076)
(4,892,141)	-	(4,892,141)
126,586	-	126,586
(682,266)	-	(682,266)
(80,566)	-	(80,566)
<u>(7,372,463)</u>	<u>-</u>	<u>(7,372,463)</u>
-	741,461	741,461
-	435,147	435,147
-	1,176,608	1,176,608
<u>(7,372,463)</u>	<u>1,176,608</u>	<u>(6,195,855)</u>
2,478,979	-	2,478,979
3,923,850	-	3,923,850
514,225	-	514,225
1,134,089	-	1,134,089
<u>8,051,143</u>	<u>-</u>	<u>8,051,143</u>
67,458	32,728	100,186
260,341	-	260,341
31,023	(31,023)	-
<u>8,409,965</u>	<u>1,705</u>	<u>8,411,670</u>
1,037,502	1,178,313	2,215,815
8,857,002	7,895,362	16,752,364
<u>\$ 9,894,504</u>	<u>\$ 9,073,675</u>	<u>\$ 18,968,179</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

City of Sebastopol
Balance Sheet
Governmental Funds
June 30, 2017

	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6,173,867	\$ 2,445,801	\$ 8,619,668
Restricted cash and investments	-	37,354	37,354
Accounts receivable	16,435	96,713	113,148
Taxes receivable	888,179	15,076	903,255
Accrued interest receivable	15,640	8,042	23,682
Assessment receivable	-	160,000	160,000
Notes receivable	2,346	250,545	252,891
Due from other funds	153,078	-	153,078
Prepaid items	11,127	-	11,127
Total assets	\$ 7,260,672	\$ 3,013,531	\$ 10,274,203
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 246,832	\$ 67,753	\$ 314,585
Accrued liabilities	26,716	-	26,716
Due to other funds	-	153,078	153,078
Unearned revenues	9,152	12,136	21,288
Deposits	181,715	-	181,715
Total liabilities	464,415	232,967	697,382
Deferred inflows of resources:			
Unavailable revenues	146,063	425,978	572,041
Fund Balances:			
Nonspendable	11,127	-	11,127
Restricted:			
Equipment and infrastructure	-	265,779	265,779
Highways and streets	-	1,359,941	1,359,941
Public safety	-	13,485	13,485
Community promotion	-	7,094	7,094
Debt service	-	96,845	96,845
Affordable housing	-	415,713	415,713
Parks and recreation	-	121,051	121,051
Total restricted	-	2,279,908	2,279,908
Committed:			
City buildings	125,000	-	125,000
Street projects	-	154,351	154,351
Fire station bay	25,000	-	25,000
Wayfinding signs	25,000	-	25,000
Community center	10,000	-	10,000
Total committed	185,000	154,351	339,351
Assigned:			
Buildings, facilities, and infrastructure	685,000	-	685,000
Equipment, technology, and vehicle replacement	1,100,000	-	1,100,000
Pension and OPEB	1,000,000	-	1,000,000
Total assigned	2,785,000	-	2,785,000
Unassigned	3,669,067	(79,673)	3,589,394
Total fund balances	6,650,194	2,354,586	9,004,780
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,260,672	\$ 3,013,531	\$ 10,274,203

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 9,004,780
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Amounts reported for governmental activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

	Total
Non-depreciable	\$ 2,151,948
Depreciable, net	8,545,594
Total capital assets	10,697,542

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	572,041
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Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	(9,145)
--	---------

Differences between annual OPEB cost and contributions made to the City's OPEB plan are presented on the Government-Wide Financial Statements as either a Net OPEB obligation or a Net OPEB asset. There is no impact on the Government Funds Balance Sheet.	(425,443)
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Internal service funds were used by management to charge the costs of certain activities, such as employee benefits, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	1,049
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Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.	912,689
--	---------

In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	1,630,720
Deferred inflows of resources - pension	(360,202)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Total
Compensated absences - due within one year	\$ (300,000)
Long term debt - due within one year	(251,241)
Compensated absences - due in more than one year	(456,635)
Long term debt - due in more than one year	(1,984,416)
Net pension liability	(9,137,235)
Total long-term liabilities	(12,129,527)

Net Position of Governmental Activities	\$ 9,894,504
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City of Sebastopol
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
REVENUES:			
Property taxes	\$ 2,570,591	\$ 110,471	\$ 2,681,062
Sales and use taxes	4,396,515	57,935	4,454,450
Transient occupancy tax	514,225	-	514,225
Franchise fees	359,466	-	359,466
Licenses and permits	406,609	6,069	412,678
Fines and forfeitures	88,747	-	88,747
Intergovernmental	30,809	645,733	676,542
Interest and rents	84,984	27,811	112,795
Charges for services	272,156	156,547	428,703
Miscellaneous	292,493	1,653	294,146
Total revenues	9,016,595	1,006,219	10,022,814
EXPENDITURES:			
Current:			
General government	1,844,609	428,028	2,272,637
Public Safety	4,225,626	203,726	4,429,352
Parks and recreation	605,061	-	605,061
Public works	604,341	325,915	930,256
Capital outlay	391,111	797,405	1,188,516
Debt service:			
Principal	141,185	92,284	233,469
Interest	56,441	24,125	80,566
Total expenditures	7,868,374	1,871,483	9,739,857
REVENUES OVER (UNDER) EXPENDITURES	1,148,221	(865,264)	282,957
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	799	-	799
Capital lease financing	66,250	-	66,250
Transfers in	670	198,071	198,741
Transfers out	(167,048)	(670)	(167,718)
Total other financing sources (uses)	(99,329)	197,401	98,072
Net change in fund balances	1,048,892	(667,863)	381,029
FUND BALANCES:			
Beginning of year, as restated	5,601,302	3,022,449	8,623,751
End of year	\$ 6,650,194	\$ 2,354,586	\$ 9,004,780

See accompanying Notes to Basic Financial Statements.

City of Sebastopol

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 381,029
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	1,113,144
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(835,791)
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred.	912,689
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(49,643)
Interest expense on long-term debt is reported on the accrual basis of accounting on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds are recorded when paid. The following amount represents the change in accrued interest from the prior year.	-
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position.	
- Proceeds from long-term liabilities	(66,250)
- Principal repayments on long-term liabilities	233,469
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	11,069
Internal service funds were used by management to charge the costs of certain activities, such as employee benefits, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	1,049
Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however, these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.	68,294
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense does not required the use of current financial resources, and is not recognized in the governmental funds.	(731,557)
Change in Net Position of Governmental Activities	<u>\$ 1,037,502</u>

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Water Service Fund accounts for the activities associated with providing water services.

Wastewater Fund accounts for the wastewater treatment plant and wastewater pumping stations and collection systems.

City of Sebastopol
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 2,244,165	\$ 2,689,667	\$ 4,933,832	\$ 55,820
Accounts receivable	420,886	572,732	993,618	-
Interest receivable	5,524	6,666	12,190	-
Prepays	344	427	771	-
Total current assets	2,670,919	3,269,492	5,940,411	55,820
Noncurrent assets:				
Restricted cash and investments	78,508	-	78,508	-
Notes receivable	5,303	4,589	9,892	-
Capital assets:				
Non-depreciable	1,605,332	-	1,605,332	-
Depreciable, net	2,210,202	3,404,918	5,615,120	-
Total capital assets	3,815,534	3,404,918	7,220,452	-
Total noncurrent assets	3,899,345	3,409,507	7,308,852	-
Total assets	6,570,264	6,678,999	13,249,263	55,820
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contribution	95,779	90,990	186,769	-
Deferred outflows of resources - pension	106,947	101,599	208,546	-
Total deferred outflows of resources	202,726	192,589	395,315	-
LIABILITIES				
Current liabilities:				
Accounts payable	10,918	27,632	38,550	54,771
Accrued interest payable	2,879	2,565	5,444	-
Deposits payable	20,408	-	20,408	-
Compensated absences, due within one year	2,000	2,000	4,000	-
Long term debt, due within one year	150,726	66,998	217,724	-
Total current liabilities	186,931	99,195	286,126	54,771
Noncurrent liabilities:				
Compensated absences, due in more than one year	13,929	21,894	35,823	-
Long term debt, due in more than one year	1,789,689	507,985	2,297,674	-
Net pension liability	983,560	934,382	1,917,942	-
Total noncurrent liabilities	2,787,178	1,464,261	4,251,439	-
Total liabilities	2,974,109	1,563,456	4,537,565	54,771
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	17,096	16,242	33,338	-
Total deferred inflows of resources	17,096	16,242	33,338	-
NET POSITION				
Net investment in capital assets	1,875,119	2,829,935	4,705,054	-
Restricted for capital improvements	410,256	1,057,948	1,468,204	-
Unrestricted	1,496,410	1,404,007	2,900,417	1,049
Total net position	\$ 3,781,785	\$ 5,291,890	\$ 9,073,675	\$ 1,049

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2017

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,452,077	\$ 3,324,934	\$ 5,777,011	\$ 2,354,803
Other revenues	5,621	-	5,621	-
Total operating revenues	2,457,698	3,324,934	5,782,632	2,354,803
OPERATING EXPENSES:				
Personnel services	354,041	266,375	620,416	1,143,308
Interfund charges for services	726,329	589,885	1,316,214	-
Contractual and other services	156,750	84,850	241,600	-
Intergovernmental treatment costs	-	1,518,743	1,518,743	-
Utilities	136,676	48,843	185,519	-
Supplies	118,088	61,674	179,762	-
Insurance, claims, and expenses	19,079	12,026	31,105	1,210,446
Depreciation	178,033	282,565	460,598	-
Total operating expenses	1,688,996	2,864,961	4,553,957	2,353,754
OPERATING INCOME	768,702	459,973	1,228,675	1,049
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(27,241)	(24,826)	(52,067)	-
Interest and investment revenue	15,608	17,120	32,728	-
Total nonoperating revenues (expenses)	(11,633)	(7,706)	(19,339)	-
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFER	757,069	452,267	1,209,336	1,049
Transfers out	(31,023)	-	(31,023)	-
Total transfers	(31,023)	-	(31,023)	-
Change in net position	726,046	452,267	1,178,313	1,049
NET POSITION				
Beginning of year	3,055,739	4,839,623	7,895,362	-
End of year	\$ 3,781,785	\$ 5,291,890	\$ 9,073,675	\$ 1,049

See accompanying Notes to Basic Financial Statements.

City of Sebastopol
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	Enterprise Funds			Insurance and Benefit Internal Service Fund
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,231,494	\$ 3,132,751	\$ 5,364,245	\$ -
Cash payments from other funds	-	-	-	2,354,803
Cash received from others	5,621	-	5,621	-
Cash payments to suppliers for goods and services	(443,236)	(1,721,166)	(2,164,402)	(2,298,983)
Cash payments to other funds for services	(726,329)	(589,885)	(1,316,214)	-
Cash paid to employees	(361,508)	(274,375)	(635,883)	-
Net cash provided by operating activities	706,042	547,325	1,253,367	55,820
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(31,023)	-	(31,023)	-
Net cash provided by noncapital financing activities	(31,023)	-	(31,023)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(167,224)	(133,935)	(301,159)	-
Proceeds from long term debt	78,924	-	78,924	-
Long-term debt repayment	(92,117)	(52,201)	(144,318)	-
Interest paid and fiscal charges	(27,241)	(24,826)	(52,067)	-
Net cash (used in) capital and related financing activities	(207,658)	(210,962)	(418,620)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	10,084	10,454	20,538	-
Net cash provided by investing activities	10,084	10,454	20,538	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	477,445	346,817	824,262	55,820
CASH AND CASH EQUIVALENTS - Beginning of year	1,845,228	2,342,850	4,188,078	-
CASH AND CASH EQUIVALENTS - End of year	\$ 2,322,673	\$ 2,689,667	\$ 5,012,340	\$ 55,820
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 2,244,165	\$ 2,689,667	4,933,832	\$ 55,820
Restricted cash and investments	78,508	-	78,508	-
Total	\$ 2,322,673	\$ 2,689,667	\$ 5,012,340	\$ 55,820
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 768,702	\$ 459,973	\$ 1,228,675	\$ 1,049
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	178,033	282,565	460,598	-
Changes in assets and liabilities:				
Accounts receivable	(246,849)	(205,950)	(452,799)	-
Prepays	(344)	(427)	(771)	-
Notes receivable	14,582	13,767	28,349	-
Deferred employer pension contributions	(95,779)	(90,990)	(186,769)	-
Deferred outflows - pension	(17,322)	(16,455)	(33,777)	-
Accounts payable	(12,299)	5,397	(6,902)	54,771
Deposits payable	11,684	-	11,684	-
Compensated absences	(233)	(349)	(582)	-
Net pension liability	208,890	198,446	407,336	-
Deferred inflows - pension	(103,023)	(98,652)	(201,675)	-
Total adjustments	(62,660)	87,352	24,692	54,771
Net cash provided by operating activities	\$ 706,042	\$ 547,325	\$ 1,253,367	\$ 55,820
NONCASH FINANCING ACTIVITIES				
Capital lease financing	\$ 66,250	\$ 132,500	\$ 198,750	-

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund

Successor Agency Trust Fund accounts for assets and liabilities transferred from the City to the Successor Agency Trust Fund.

City of Sebastopol
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Fund
For the year ended June 30, 2017

	Successor Agency Trust Fund
	<u> </u>
ADDITIONS:	
Property tax	\$ 825,365
Total additions	<u>825,365</u>
 DEDUCTIONS:	
Bond interest	79,746
County housing costs	152,025
Administrative costs	250,000
Total Deductions	<u>481,771</u>
 Change in net position	 343,594
 NET POSITION:	
Beginning of year	<u>(1,459,381)</u>
End of year	<u><u>\$ (1,115,787)</u></u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Sebastopol

Notes to Basic Financial Statements

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sebastopol, California, (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Sebastopol is a municipal corporation governed by an elected five member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The City of Sebastopol has no component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Fund Financial Statements

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

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when cash is received by the government. The City reports the following major governmental funds:

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government.

The City reports the following proprietary funds as major:

The Water Fund accounts for the operations of the City's water treatment and distribution system.

The Wastewater Fund accounts for the operations of the City's wastewater treatment and distribution system.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers for services, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Cash, Cash Equivalents, and Investments

The City is authorized to invest in the State of California Local Agency Investment Fund, the Sonoma County Treasurer's Pool, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, bankers acceptances, repurchase agreements, certain money market and mutual funds, time deposits and savings and demand accounts. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Measurements - The City categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs. The City has no significant separately held investments and its funds are invested primarily in the Sonoma County Treasurer's Investment Pool.

For the purpose of the statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Receivables and Payables

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

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of 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.

F. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a non-spendable fund balance classification in the applicable governmental funds to indicate that they are not available financial resources.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

G. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

Donated capital assets are recorded at acquisition value at the date of donation. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2003 at the date these new financial reporting standards were implemented; and the City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided on a straight-line basis over the following useful lives:

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

J. Compensated Absences

It is the government policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Unearned Revenue

In the Government-Wide Financial Statements, unearned revenue is recorded for transactions for which revenues have not been earned. In the Fund Financial Statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting.

L. Long-Term Liabilities

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, long-term debt and other financed obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

M. Net Position and Fund Equity

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Net Position and Fund Equity, Continued

Fund Financial Statements

In the Fund Financial Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.

Restricted fund balance - This includes amounts with constraints placed on their use by those external to the City, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - This includes amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - This includes amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose.

Unassigned fund balance - This is the residual classification that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by action, which includes passage of a resolution adopting the budget and appropriating revenue for the fiscal year.

N. Net Position and Fund Equity Flow Assumptions

Government-Wide Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

Fund Financial Statements

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to apply restricted funds first. Committed, assigned, and unassigned fund balances are considered unrestricted. When an expenditure is incurred, if committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

P. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. New Accounting Pronouncements

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the City in the current fiscal year.
- GASB Statement No. 77, *Tax Abatement Disclosure*– This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The requirements of this statement were not applicable to the City for the current fiscal year.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Accounting Pronouncements, Continued

- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*– The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City for the current fiscal year.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City for the current fiscal year.
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73*. This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard. The City revised covered payroll and related pension ratios as a result of implementation of this statement.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as follows:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ 8,675,488	\$ 4,933,832	\$ 410,105	\$ 14,019,425
Restricted cash and investments	37,354	78,508	-	115,862
Total cash and investments	\$ 8,712,842	\$ 5,012,340	\$ 410,105	\$ 14,135,287

A. Summary of Cash and Investments

Cash and investments as of June 30, 2017 consist of the following:

Deposits:	
Cash on hand	\$ 525
Deposits with financial institution	<u>1,367,222</u>
Total deposits	<u>1,367,747</u>
Investments:	
County of Sonoma Investment Pool	<u>12,651,678</u>
Total investments	<u>12,651,678</u>
Total City Treasury	<u>14,019,425</u>
Restricted cash and investments	
Cash with fiscal agent	<u>115,862</u>
Total restricted cash and investments	<u>115,862</u>
Total cash and investments	<u>\$ 14,135,287</u>

B. Cash Deposits

At June 30, 2017, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a book balance of \$1,367,222 and petty cash of \$525. The bank balance in the City's general checking was \$1,518,484, fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

B. Cash Deposits, Continued

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

C. Investments

The City is authorized by State statutes to invest in the following:

- * U.S. Treasury and U.S. Agency Issues
- * Certificates of Deposit
- * California Local Agency Investment Fund (LAIF)
- * Government Bonds and Notes
- * Passbook Savings
- * Bankers Acceptances
- * Commercial Paper (Corporations)
- * Medium-Term Corporate Notes
- * Repurchase Agreements
- * Mutual Funds

D. Risks

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date has a greater sensitivity of its fair value to be subject to changes in market interest rates. In accordance with the City's investment policy, exposure to interest rate risk is mitigated by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

Cash and investments, including cash with fiscal agents, held in the City by maturity date at June 30, 2017 are shown below:

Cash and Investments	Fair Value	Investment Maturities (in years)	
		Less than 1 year	More than 1 year less than 5 years
Investments:			
County of Sonoma - investment pool	\$ 12,651,678	\$ 12,651,678	\$ -
Total cash and investments	\$ 12,651,678	\$ 12,651,678	\$ -

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the June 30, 2017 rating which meets the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements:

Investments:	Credit Quality Ratings
County of Sonoma - investment pool	Not rated

Concentration of Credit Risk: The investment policy of the City of Sebastopol contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2017 the City did not have investments (other than in external investment pools) that represented 5% or more of the City's total investments.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the City). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

E. Fair Value of Investments

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City’s investments be carried at fair market value instead of cost. If material, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The fair market value adjustment for the fiscal year ended June 30, 2017 was \$12,651,678.

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value. Inputs are assumptions that market participants use when pricing an asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City’s investment in Sonoma County’s investment pool was not subject to the levelling disclosure.

F. Cash and Investments with Fiscal Agents

Funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by state statutes. These investments include federal securities, investment agreements, interest-bearing demand or time deposits, commercial paper rated “AA-” or better by Moody’s, and money market mutual funds which are rated in the highest category by Moody’s. At June 30, 2017, cash and investments with fiscal agents totaled \$115,862.

3. LOANS AND NOTES RECEIVABLE

At June 30, 2017, the City had the following loans and notes receivable:

Party to Loan	Purpose of Loan	Amount
Governmental Activities:		
Sebastopol Industrial Park, LLC	Development agreement	\$ 14,502
Individual home buyers	Solar power equipment installation loans	238,389
	Subtotal governmental activities	252,891
Business-Type Activities:		
Sebastopol Industrial Park, LLC	Development agreement	9,892
	Total	\$ 262,783

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

3. LOANS AND NOTES RECEIVABLE, Continued

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 \$238,389 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.

4. INTERFUND TRANSACTIONS

A. Fund Financial Statements

Due To and Due From

At June 30, 2017, the City had the following short-term interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	153,078
Total		153,078

Amounts shown as due to and from other funds represent interfund balances that arise in the normal course of operation and are expected to be repaid shortly after the end of the fiscal year.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 167,048	\$ 167,048
Non-Major Governmental Funds	670	-	670
Water Fund	-	31,023	31,023
Total	<u>\$ 670</u>	<u>\$ 198,071</u>	<u>\$ 198,741</u>

Transfers represent funding of various City operations, funding for capital projects, lease payments or debt service, and intrafund transfers of specific departmental operations.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2017, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<i>Non-depreciable Assets:</i>			
Land and improvements	\$ 2,151,948	\$ 86,440	\$ 2,238,388
Construction in process	-	1,518,892	1,518,892
	<u>2,151,948</u>	<u>1,605,332</u>	<u>3,757,280</u>
<i>Depreciable Assets:</i>			
Buildings and structures	6,591,362	-	6,591,362
Machinery and equipment	2,443,666	-	2,443,666
Reservoirs	-	2,417,466	2,417,466
Pipelines and water distribution system	-	3,691,616	3,691,616
Pipelines and wastewater collection system	-	7,328,758	7,328,758
Vehicles	2,341,445	671,060	3,012,505
Infrastructure	7,587,504	-	7,587,504
	<u>18,963,977</u>	<u>14,108,900</u>	<u>33,072,877</u>
Total depreciable assets	18,963,977	14,108,900	33,072,877
Total accumulated depreciation	<u>(10,418,383)</u>	<u>(8,493,780)</u>	<u>(18,912,163)</u>
	<u>8,545,594</u>	<u>5,615,120</u>	<u>14,160,714</u>
Total depreciable assets, net	8,545,594	5,615,120	14,160,714
Total	<u><u>\$ 10,697,542</u></u>	<u><u>\$ 7,220,452</u></u>	<u><u>\$ 17,917,994</u></u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in governmental activity capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
<i>Non-Depreciable Assets:</i>					
Land and improvements	\$ 2,151,948	\$ -	\$ -	\$ -	\$ 2,151,948
Total non-depreciable assets	<u>2,151,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,151,948</u>
<i>Depreciable Assets:</i>					
Buildings	6,360,870	230,492	-	-	6,591,362
Machinery and equipment	2,520,570	8,519	(85,423)	-	2,443,666
Vehicles	2,264,717	76,728	-	-	2,341,445
Infrastructure systems	6,790,099	797,405	-	-	7,587,504
Total depreciable assets	<u>17,936,256</u>	<u>1,113,144</u>	<u>(85,423)</u>	<u>-</u>	<u>18,963,977</u>
<i>Accumulated depreciation:</i>					
Buildings	(4,828,464)	(145,808)	-	-	(4,974,272)
Machinery and equipment	(1,654,778)	(196,622)	85,423	-	(1,765,977)
Vehicles	(1,124,527)	(329,226)	-	-	(1,453,753)
Infrastructure	(2,060,246)	(164,135)	-	-	(2,224,381)
Total accumulated depreciation	<u>(9,668,015)</u>	<u>(835,791)</u>	<u>85,423</u>	<u>-</u>	<u>(10,418,383)</u>
Total depreciable assets, net	<u>8,268,241</u>	<u>277,353</u>	<u>-</u>	<u>-</u>	<u>8,545,594</u>
Total governmental activities, net	<u>\$ 10,420,189</u>	<u>\$ 277,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,697,542</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2017 was as follows:

General government	\$ 243,520
Public safety	210,351
Public works	219,817
Parks and recreation	162,103
Total depreciation expense	<u>\$ 835,791</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in business-type activity capital assets for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
<i>Non-depreciable Assets:</i>					
Land	\$ 86,440	\$ -	\$ -	\$ -	\$ 86,440
Construction in progress	1,518,892	-	-	-	1,518,892
Total non-depreciable assets	1,605,332	-	-	-	1,605,332
<i>Depreciable Assets:</i>					
Reservoirs	1,400,613	167,225	-	849,628	2,417,466
Pipelines and water distribution system	4,541,244	-	-	(849,628)	3,691,616
Pipelines and wastewater collection system	7,216,823	111,934	-	-	7,328,757
Vehicles	450,310	220,750	-	-	671,060
Total depreciable assets	13,608,990	499,909	-	-	14,108,899
<i>Accumulated depreciation:</i>					
Reservoirs	(877,993)	(62,442)	-	-	(940,435)
Pipelines and water distribution system	(3,002,233)	(100,533)	-	-	(3,102,766)
Pipelines and wastewater collection system	(3,874,522)	(262,404)	-	-	(4,136,926)
Vehicles	(278,433)	(35,219)	-	-	(313,652)
Total accumulated depreciation	(8,033,181)	(460,598)	-	-	(8,493,779)
Total depreciable assets, net	5,575,809	39,311	-	-	5,615,120
Total business-type activities, net	\$ 7,181,141	\$ 39,311	\$ -	\$ -	\$ 7,220,452

Business-type activities depreciation expense for capital assets for the year ended June 30, 2017 was as follows:

Water	\$ 178,033
Wastewater	282,565
Total depreciation expense	\$ 460,598

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT

A. Government-Wide Financial Statements

Governmental Activities

The following is a summary of governmental activity long-term debt transactions during the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year	Due in More than One Year
Special assessment bonds	\$ 185,000	\$ -	\$ (25,000)	\$ 160,000	\$ 20,000	\$ 140,000
Capital lease-capital projects	728,063	-	(58,096)	669,967	61,037	608,930
Capital lease-renewable energy	878,303	-	(97,589)	780,714	122,000	658,714
Capital lease-mobile home park	544,466	-	(30,305)	514,161	18,960	495,201
Capital lease 911 system	67,044	-	(15,838)	51,206	16,438	34,768
Capital lease-vector truck	-	66,250	(6,641)	59,609	12,806	46,803
Total	\$ 2,402,876	\$ 66,250	\$ (233,469)	\$ 2,235,657	\$ 251,241	\$ 1,984,416

Special Assessment Bonds

The special assessment bonds were issued in an original amount of \$732,475 for the purpose of facilitating improvements to the Woodstone Center. The bonds are secured by assessments levied against property owners within the assessment district and from monies on deposit in a reserve fund. The bonds consist of 4.25 to 6.7 percent serial bonds maturing through September 2, 2022.

The annual debt service requirements on the special assessment bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 20,000	\$ 9,646	\$ 29,646
2019	25,000	8,390	33,390
2020	25,000	6,956	31,956
2021	25,000	5,338	30,338
2022	30,000	3,721	33,721
2023	35,000	1,941	36,941
Total	\$ 160,000	\$ 35,992	\$ 195,992

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, 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.

The annual debt service requirements for the capital lease obligation are as follows:

Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2018	\$ 92,825	\$ 133,744	\$ 226,569
2019	92,825	133,744	226,569
2020	92,825	133,744	226,569
2021	92,825	133,744	226,569
2022	92,825	133,744	226,569
2023-2026	371,300	534,976	906,276
Total minimum lease payments	835,425	1,203,696	2,039,121
Less amounts representing interest	(165,458)	(236,099)	(401,557)
Present value of net minimum lease payments	\$ 669,967	\$ 967,597	\$ 1,637,564

Other Capital Lease Obligations

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

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 from any source of legally available funds.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Other Capital Lease Obligations, Continued

911 System - The City entered into a lease purchase arrangement with the Government Capital Corporation for the purpose of financing the acquisition of a public safety radio system. The system was capitalized as a capital asset and the original lease amount was \$91,894. The lease is payable in annual payments of \$18,379 through 2020, bears interest at 3.5 percent and is secured by the system equipment.

Vactor Truck - The City entered into a capital lease arrangement with Holman Capital Corporation for the purpose of financing the acquisition of a sewer cleaning truck in the original lease amount of \$265,000. The lease is payable in annual payments \$14,084 through 2027 and bears interest at 2.25 percent.

As of June 30, 2017, future minimum lease payments under these capital leases are as follows:

Year Ending June 30,	Renewable Energy Lease	Mobile Home Park Lease	911 System Lease	Vactor Truck Lease	Total
2018	\$ 97,589	\$ 64,584	\$ 18,379	\$ 14,084	\$ 97,047
2019	97,589	64,584	18,379	14,084	97,047
2020	97,589	64,584	18,379	14,084	97,047
2021	97,589	64,584	-	14,084	78,668
2022	97,589	64,584	-	14,084	78,668
2023-2027	292,769	322,920	-	7,042	329,962
Total minimum lease payments	780,714	645,840	55,137	77,462	700,977
Less amounts representing interest	-	(131,679)	(3,931)	(17,508)	(135,610)
Present value of net minimum lease payments	\$ 780,714	\$ 514,161	\$ 51,206	\$ 59,954	\$ 565,367

Business-Type Activities

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year	Due in More than One Year
Installment agreement	\$ 1,160,118	\$ -	\$ (41,517)	\$ 1,118,601	\$ 43,219	\$ 1,075,382
Capital lease-capital projects	1,051,509	-	(83,912)	967,597	87,942	879,655
Capital lease-vactor truck	-	198,750	(18,889)	179,861	38,418	141,443
State Drinking Water loan	170,415	78,924	-	249,339	48,145	201,194
Total	\$ 2,382,042	\$ 277,674	\$ (144,318)	\$ 2,515,398	\$ 217,724	\$ 2,297,674

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

Installment Sale Agreement

The City in fiscal 2015 entered into an installment sale agreement with Municipal Finance Corporation for obtaining financing to assist in the removal of arsenic from water well seven and its treatment system. The agreement was for \$1,200,000, bears interest at 4.10 percent on the basis of a 360 day year, is repayable in annual installments of \$89,082, and matures in 20 years. The installment agreement is a special obligation of the City repayable solely from the net revenues of its water system; and the City has pledged its water system net revenues for this purpose and for any other parity obligations.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 43,219	\$ 45,863	\$ 89,082
2019	44,991	44,091	89,082
2020	46,836	42,246	89,082
2021	48,755	40,327	89,082
2022	49,053	40,029	89,082
2023-2025	885,747	272,319	1,158,066
Total	\$ 1,118,601	\$ 484,875	\$ 1,603,476

Capital Lease Obligations

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 on page 64.

Vactor Truck - The City entered into a capital lease arrangement with Holman Capital Corporation for the purpose of financing the acquisition of a sewer cleaning truck in the original lease amount of \$265,000. The lease is payable in annual payments \$14,084 through 2027 and bears interest at 2.25 percent.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

A. Government-Wide Financial Statements, Continued

As of June 30, 2017, future minimum lease payments under these capital leases are as follows:

Year Ending June 30,	Vactor Truck Lease
2018	\$ 42,252
2019	42,252
2020	42,252
2021	42,252
2022	42,252
2023-2027	21,126
Total minimum lease payments	232,386
Less amounts representing interest	(52,525)
Present value of net minimum lease payments	<u>\$ 179,861</u>

State Revolving Fund Loan

The City in fiscal 2015 entered into a \$411,000 loan agreement for a Safe Drinking Water State Revolving Fund Loan. The loan bears interest at 2.085 percent and matures in five years. As of June 30, 2017, the city had drawn down only \$170 of the \$411,000 loan commitment.

The annual debt service requirements for the Safe Drinking Water Revolving Fund Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 48,145	\$ 4,641	\$ 52,786
2019	48,911	3,956	52,867
2020	49,937	2,931	52,868
2021	50,982	1,885	52,867
2022	51,364	816	52,180
Total	<u>\$ 249,339</u>	<u>\$ 14,229</u>	<u>\$ 263,568</u>

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

8. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City.

A summary of changes in compensated absences for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year	Due in More than One Year
Governmental activities	\$ 767,704	\$ 288,931	\$ (300,000)	\$ 756,635	\$ 300,000	\$ 456,635
Business-type activities	40,405	3,418	(4,000)	39,823	4,000	35,823
Total	\$ 808,109	\$ 292,349	\$ (304,000)	\$ 796,458	\$ 304,000	\$ 492,458

9. OTHER FUND DISCLOSURES

A. Deficit Balances

At June 30, 2017, the funds below had the following deficit fund balance or net position:

Non-major Governmental Funds:

Gas Tax Fund	\$ (39,415)
Street Lighting Assessment Fund	\$ (5,896)
General Capital Projects	\$ (34,362)

10. RISK MANAGEMENT

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

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

10. RISK MANAGEMENT, Continued

Liabilities of the City are reported in the statement of net position when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The City's only exposure to claim liabilities would be for losses, if any, not covered by REMIF. There have been no significant changes in insurance coverages in fiscal 2017. Settlements have not exceeded coverage for each of the past three fiscal years. The City has no significant uninsured claim liabilities at June 30, 2017.

11. PENSION PLANS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two miscellaneous rate plans and three safety rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PENSION PLANS, Continued

A. Benefits Provided, Continued

The rate plan provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous		
	Miscellaneous	PEPRA Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013	
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 62	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50 - 55	50 - 55	
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0% to 2.5%	
Required employee contribution rates	6.886%	6.250%	
Required employer contribution rates	8.880%	6.555%	
Required unfunded liability payment	\$ 284,298	\$	-
	Safety		
	Safety Fire	Safety Police	PEPRA Safety
	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date - Fire			
Benefit formula	3% @ 50	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0% to 2.7%
Required employee contribution rates	8.987%	8.987%	N/A
Required employer contribution rates	18.428%	18.428%	N/A
Required unfunded liability payment	\$ 39,629	\$ 334,145	\$ -

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the Plan for the measurement period ended June 30, 2016 were \$1,020,789.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PENSION PLANS, Continued

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$11,055,177.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 were as follows:

Proportion - June 30, 2015	0.130806%
Proportion - June 30, 2016	<u>0.127760%</u>
Change - Increase (Decrease)	-0.003046%

For the year ended June 30, 2017, the City recognized pension expense of \$903,441. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,099,458	\$ -
Changes of assumptions	-	(348,184)
Differences between expected and actual experience	-	(32,783)
Changes in employer's proportion	-	(12,573)
Differences between the employer's contribution and the employer's proportionate share of contributions	84,475	-
Net differences between projected and actual earnings on plan investments	<u>1,754,791</u>	<u>-</u>
Total	<u>\$ 2,938,724</u>	<u>\$ (393,540)</u>

\$1,099,458 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PENSION PLANS, Continued

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
Ending June 30:	
2018	\$ 87,667
2019	107,621
2020	794,653
2021	455,785

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.50%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan administrative expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PENSION PLANS, Continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. PENSION PLANS, Continued

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

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

1% Decrease	6.65%
Net Pension Liability	\$ 16,344,126
Current Discount Rate	7.65%
Net Pension Liability	\$ 11,055,177
1% Increase	8.65%
Net Pension Liability	\$ 6,699,039

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

12. OTHER POSTEMPLOYMENT HEALTH CARE 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, 2017, the City contributed \$68,997 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 Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Annual OPEB Cost and 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	\$ 128,291
Interest on net OPEB obligation	16,911
Adjustment to annual required contribution	<u>(26,562)</u>
Annual OPEB cost (expense)	118,640
Benefit payments made outside of CERBT	<u>(68,997)</u>
Increase in net OPEB obligation	49,643
Net OPEB obligation - beginning of year	375,800
Net OPEB obligation - end of year	<u><u>\$ 425,443</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	132,369	54.0%	365,828
6/30/2016	116,027	60.5%	375,800
6/30/2017	118,640	58.2%	425,443

Funded Status and Funding Progress – The funded status of the Plan as of July 1, 2016, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,555,262
Actuarial value of Plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 1,555,262
Funded ratio (actuarial value of Plan assets/AAL)	0.0%
Covered payroll (eligible action Plan participants)	\$ 2,982,196
UAAL as a percentage of covered payroll	52.2%

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued 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 participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 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 the closed 30-year period beginning July 1, 2009.

13. JOINTLY GOVERNED ORGANIZATIONS AND OPERATING AGREEMENTS

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations other than the insurance authority described in the preceding notes. The City is a party to the following agreement:

Santa Rosa Subregional Wastewater System - The City has an agreement with System for the treatment of wastewater as the City does not own or operate its own wastewater treatment plant. The City's obligations under the agreement are to pay to the System its share of the costs of operating the system and treatment of wastewater. The City records these payments as operating expenses in its wastewater enterprise fund.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

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.

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 position 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.

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY,
Continued

A. Long-Term Obligations

Changes in the bonds during the year ended June 30, 2017 were as follows:

	Balance			Due in		
	July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year	More than One Year
Tax allocation refunding bonds	\$ 1,910,000	\$ -	\$ (355,000)	\$ 1,555,000	\$ 365,000	\$ 1,190,000
Original issue discount	(44,914)		8,983	(35,931)	-	(35,931)
Total	\$ 1,865,086	\$ -	\$ (346,017)	\$ 1,519,069	\$ 365,000	\$ 1,154,069

Tax Allocation Refunding Bonds 2007 Series - Original Issue

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.

The annual debt service requirements for the Tax Allocation Refunding Bonds 2007 Series are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 365,000	57,580	\$ 422,580
2019	380,000	43,610	423,610
2020	395,000	28,500	423,500
2021	415,000	12,500	427,500
Total	\$ 1,555,000	\$ 142,190	\$ 1,697,190

14. PRIOR PERIOD ADJUSTMENTS

The City recorded prior period adjustments to account for sales tax considered as general-purpose sales tax in the General Fund and to reclassify deposits payable to fund balance.

Government-wide Statements

	Net Position as Previously Reported	Prior Period Adjustment Deposits Payable	Net Position as Restated
Government-wide Statements			
Governmental Activities	\$ 8,806,452	\$ 50,550	\$ 8,857,002

City of Sebastopol
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. PRIOR PERIOD ADJUSTMENTS, Continued

Fund Statements

	Fund Balance, as Previously Reported	Prior Period Adjustments		Fund Balance, as Restated
		Cash	Deposits Payable	
Fund Statements				
<u>Governmental Funds</u>				
General Fund	\$ 4,280,624	\$ 1,293,590	\$ 27,088	\$ 5,601,302
Special Sales Tax	\$ 1,293,590	\$ (1,293,590)	\$ -	\$ -
Non-major governmental funds	\$ 2,998,987	\$ -	\$ 23,462	\$ 3,022,449

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. Appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function and department. The City manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

The following are the budget comparison schedule for the General Fund

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 2,145,500	\$ 2,413,600	\$ 2,523,397	\$ 109,797
Real property transfer	40,000	45,000	47,194	2,194
Transient occupancy tax	450,000	480,000	514,225	34,225
Sales and use	4,195,650	4,105,300	4,396,515	291,215
Franchises	312,450	327,450	359,466	32,016
Subtotal	<u>7,143,600</u>	<u>7,371,350</u>	<u>7,840,797</u>	<u>469,447</u>
Licenses, permits and fees:				
Business licenses	130,000	130,000	116,535	(13,465)
Animal licenses	2,000	2,000	2,005	5
Building permits	150,000	175,000	288,069	113,069
Subtotal	<u>282,000</u>	<u>307,000</u>	<u>406,609</u>	<u>99,609</u>
Fines, forfeitures and penalties:				
Vehicle code	73,750	73,750	54,960	(18,790)
Parking fines	25,000	25,000	32,311	7,311
Other fines	-	-	1,476	1,476
Subtotal	<u>98,750</u>	<u>98,750</u>	<u>88,747</u>	<u>(10,003)</u>
Interest and rentals:				
Investment earnings	15,000	15,000	39,648	24,648
Rent - Cell Tower	36,500	40,812	40,910	98
Rent - other	5,250	5,250	4,426	(824)
Subtotal	<u>56,750</u>	<u>61,062</u>	<u>84,984</u>	<u>23,922</u>
Intergovernmental:				
Reimbursements	5,000	18,500	7,852	(10,648)
Other	12,000	21,161	22,957	1,796
Subtotal	<u>17,000</u>	<u>39,661</u>	<u>30,809</u>	<u>(8,852)</u>
Charges for current services:				
Sales of publications	1,000	1,500	-	(1,500)
Planning fees	31,000	31,000	53,591	22,591
Encroachment Permits	19,000	20,000	27,275	7,275
Engineering fees	25,000	25,000	44,535	19,535
Public Works Services	10,000	15,000	20,424	5,424
Public Safety Services	47,500	41,000	52,266	11,266
Fire Inspection Fees	28,000	31,000	33,765	2,765
Other charges	13,520	21,020	40,300	19,280
Subtotal	<u>175,020</u>	<u>185,520</u>	<u>272,156</u>	<u>86,636</u>
Donations and miscellaneous:				
Redevelopment administration	250,000	250,000	250,000	-
Sale of Land/Building	5,000	5,000	-	(5,000)
Miscellaneous	42,500	55,000	42,493	(12,507)
Subtotal	<u>297,500</u>	<u>310,000</u>	<u>292,493</u>	<u>(17,507)</u>
Total revenues	<u>8,070,620</u>	<u>8,373,343</u>	<u>9,016,595</u>	<u>643,252</u>

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule - General Fund, Continued

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
General Government:				
City Council	187,788	235,080	206,294	28,786
City Manager	215,488	235,013	231,646	3,367
City Attorney	126,058	126,058	129,453	(3,395)
City Clerk	244,793	244,793	238,969	5,824
Finance and accounting	152,425	152,425	174,737	(22,312)
Planning	521,678	521,678	454,344	67,334
Building inspection	179,964	179,964	187,906	(7,942)
General government non-departmental	231,299	260,129	221,260	38,869
Subtotal	1,859,493	1,955,140	1,844,609	110,531
Public safety:				
Police protection	3,715,881	3,616,631	3,451,168	165,463
Animal control	8,100	8,100	8,894	(794)
Fire protection	869,505	885,545	761,725	123,820
Fire emergency procedures	4,000	4,000	3,839	161
Subtotal	4,597,486	4,514,276	4,225,626	288,650
Public works:				
Corporation Yard	130,773	103,373	64,729	38,644
Streets Maintenance	300,400	300,400	278,796	21,604
Parking Lots Maintenance	51,925	51,925	110,897	(58,972)
Engineering	176,393	176,393	149,919	26,474
Subtotal	659,491	632,091	604,341	27,750
Parks and recreation:				
Parks & Landscaping Maintenance	306,055	306,055	297,535	8,520
Ives Pool	96,190	96,190	111,182	(14,992)
Recreation administration and programs	235,800	198,800	196,344	2,456
Subtotal	638,045	601,045	605,061	(4,016)
Capital outlay	-	375,650	391,111	(15,461)
Debt service:				
Principal	130,778	130,778	141,185	(10,407)
Interest	59,383	59,383	56,441	2,942
Subtotal	190,161	190,161	197,626	(7,465)
Total expenditures	7,944,676	8,268,363	7,868,374	399,989
REVENUES OVER (UNDER)				
EXPENDITURES	125,944	104,980	1,148,221	1,043,241
OTHER FINANCING SOURCES (USES):				
Capital lease financing	-	-	66,250	66,250
Sale of Land/Buildings	-	-	799	799
Transfers in	116,161	100,000	670	(99,330)
Transfers out	(154,305)	(154,305)	(167,048)	(12,743)
Total other financing sources (uses)	(38,144)	(54,305)	(99,329)	(45,024)
Net change in fund balances	\$ 87,800	\$ 50,675	1,048,892	\$ 998,217
FUND BALANCES:				
Beginning of year, as restated			5,601,302	
End of year			<u>\$ 6,650,194</u>	

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2017

2. DEFINED BENEFIT PENSION PLAN

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

	Fiscal Year End		
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	\$ 11,055,177	\$ 8,978,404	\$ 8,365,442
Proportionate share of the net pension liability	0.127760%	0.130805%	0.134439%
Covered payroll	\$ 3,816,628	\$ 3,636,221	\$ 3,289,261
Proportionate share of the net pension liability as percentage of covered payroll	289.66%	246.92%	254.33%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

Note to Schedule:

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

*B. SCHEDULE OF CONTRIBUTIONS - Last 10 Years**

	Fiscal Year End		
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution(actuarially determined)	\$ 1,099,458	\$ 920,324	\$ 796,771
Contribution in relation to the actuarially determined contributions	<u>(1,099,458)</u>	<u>(920,324)</u>	<u>(796,771)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,959,602	\$ 3,816,628	\$ 3,636,221
Contributions as a percentage of covered payroll	27.77%	24.11%	21.91%

Note to Schedule:

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

City of Sebastopol
Required Supplementary Information
For the year ended June 30, 2017

3. POSTEMPLOYMENT HEALTHCARE PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 1,461,002	\$ 1,461,002	0.00%	\$ 3,209,464	45.52%
7/1/2013	-	1,577,995	1,577,995	0.00%	2,982,196	52.91%
7/1/2016	-	1,555,262	1,555,262	0.00%	2,982,196	52.15%

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SUPPLEMENTARY INFORMATION

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Police Grant Fund accounts for accounts for the revenues and expenditures of State and Federal grants such as State SLESF (Supplemental Law Enforcement Services Fund).

Gas Tax Fund accounts for funds from the State of California under the Street and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5. The use of funds is restricted to street related projects, which can include related public facilities for non-motorized traffic, e.g. bike and pedestrian paths.

Park in Lieu receives revenue from new residential and hotel development, to mitigate the impact of such new development on City park and recreation facilities. The use of revenues from the Fund is restricted to park and recreation capital improvements.

Traffic Impact was established to reduce the traffic impacts caused by new development within the City limits and certain public improvements (transportation system infrastructure) and revenue collected from these fees shall be used solely to pay for the City's future construction of facilities or services or reimburse the City for facilities constructed by the City with funds advanced by the City from other sources.

Street Lighting Assessment is established to receive special assessment district monies used for maintenance and or servicing of existing and future public lighting facilities, and the installation or construction of public lighting for the maintenance of servicing thereof, including grading, clearing, removal of debris, the installation of curbs and gutters, walls, sidewalks or paving or water, irrigation, drainage or electrical facilities.

Asset Forfeiture is used for specified police activities (excluding regular salary) from confiscated assets of convicted drug felons.

Art in Lieu accounts for developer contributions in lieu of installation of public art on project sites and income received from art programs and events to fund public artwork, cultural programs, maintenance/conservation, and administrative costs relating to the Art in Public Places Program.

Measure M receives funding from the County for construction of eligible transportation projects that improve the quality of roads, sidewalks and bike lanes.

Housing General Plan identifies the City's housing conditions and needs, establishes the goals, objectives, and policies that are the foundation of the City's housing and growth strategy.

Street Reserve accounts for the tax reserved for local streets and roads.

Vehicle Abatement accounts for monies for inspection, mark, or tow the vehicles that appear to be abandoned, non-operable, or not registered.

Inclusionary and Linkage Housing accounts for revenue receives from fee payment to be used for the exclusive purpose of providing housing affordable to low and moderate income households in the City for construction of three or more new dwelling units, or for the division or subdivision of land into three or more lots for residential use.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, CONTINUED

Building Permit Incremental Fund accounts for revenue received from construction inspection and plan checks to fund training, certification exams and courses.

Community Development Block Grant accounts for revenue and expenditures of CDBG funds awarded by the Department of Housing and Urban Development.

CAPITAL PROJECTS FUNDS

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

Undergrounding is an in-lieu fee paid by development projects, where the City Engineer has determined physical undergrounding of overhead utilities is not practical. The Fund is used for general City utility undergrounding projects.

DEBT SERVICE FUNDS

Woodstone Assessment District is the bonds which were issued to finance construction including street improvements, drainage, street lights and signalization to the Fairfield Inn (formerly Holiday Inn), and acquisition of certain public improvements specifically benefitting properties located within the boundaries of City Assessment District 1992-1 (Woodstone Center).

Clean Renewable Energy Bonds is used for projects include solar panels to generate electricity at the City Hall/Library complex, the Police station and at the sewer lift station, and funds to implement projects for pedestrian safety contained in the Street Smart Study.

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
ASSETS				
Cash and investments	\$ -	\$ -	\$ 263,598	\$ 929,804
Restricted cash and investments	-	-	-	-
Accounts receivable	46,504	-	-	-
Taxes receivable	929	-	-	-
Accrued interest receivable	11	-	903	2,970
Assessment receivable	-	-	-	-
Notes receivable	-	-	-	2,722
Total assets	\$ 47,444	\$ -	\$ 264,501	\$ 935,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES				
Liabilities:				
Accounts payable	4,286	8,332	-	30,639
Due to other funds	27,790	31,083	-	-
Unearned revenues	-	-	-	-
Total liabilities	32,076	39,415	-	30,639
Deferred inflows of resources:				
Unavailable revenue	13,888	-	-	2,722
Fund Balances:				
Restricted for :				
Equipment and infrastructure	-	-	264,501	-
Highways and streets	-	-	-	902,135
Public safety	1,480	-	-	-
Community promotion	-	-	-	-
Debt service	-	-	-	-
Affordable housing	-	-	-	-
Parks and recreation	-	-	-	-
Committed for street projects	-	-	-	-
Unassigned	-	(39,415)	-	-
Total fund balances	1,480	(39,415)	264,501	902,135
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,444	\$ -	\$ 264,501	\$ 935,496

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan
\$ -	\$ 13,521	\$ 7,075	\$ 122,311	\$ 216,868	\$ 59,972
-	-	-	-	-	-
-	-	-	(1)	-	-
488	-	-	-	13,659	-
104	-	19	286	787	115
-	-	-	-	-	-
-	-	-	6,180	-	171
<u>\$ 592</u>	<u>\$ 13,521</u>	<u>\$ 7,094</u>	<u>\$ 128,776</u>	<u>\$ 231,314</u>	<u>\$ 60,258</u>
-	-	-	-	4,326	-
6,488	-	-	-	-	-
-	12,136	-	-	-	-
<u>6,488</u>	<u>12,136</u>	<u>-</u>	<u>-</u>	<u>4,326</u>	<u>-</u>
-	-	-	7,725	-	171
-	-	-	-	-	-
-	-	-	-	226,988	-
-	1,385	-	-	-	-
-	-	7,094	-	-	-
-	-	-	-	-	-
-	-	-	-	-	60,087
-	-	-	121,051	-	-
-	-	-	-	-	-
(5,896)	-	-	-	-	-
<u>(5,896)</u>	<u>1,385</u>	<u>7,094</u>	<u>121,051</u>	<u>226,988</u>	<u>60,087</u>
<u>\$ 592</u>	<u>\$ 13,521</u>	<u>\$ 7,094</u>	<u>\$ 128,776</u>	<u>\$ 231,314</u>	<u>\$ 60,258</u>

City of Sebastopol
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue			
	Street Reserve	Vehicle Abateemnt	Inclusionary and Linkage Housing	Building Permit Incremental Fund
ASSETS				
Cash and investments	\$ 143,419	\$ 9,591	\$ 361,799	\$ 22,940
Restricted cash and investments	-	-	-	-
Accounts receivable	-	1,029	-	-
Taxes receivable	-	-	-	-
Accrued interest receivable	915	-	1,018	56
Assessment receivable	-	-	-	-
Notes receivable	-	-	3,083	-
Total assets	\$ 144,334	\$ 10,620	\$ 365,900	\$ 22,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES				
Liabilities:				
Accounts payable	12,979	-	7,191	-
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	12,979	-	7,191	-
Deferred inflows of resources:				
Unavailable revenue	-	-	3,083	-
Fund Balances:				
Restricted for :				
Equipment and infrastructure	-	-	-	-
Highways and streets	-	-	-	-
Public safety	-	10,620	-	-
Community promotion	-	-	-	-
Debt service	-	-	-	-
Affordable housing	-	-	355,626	-
Parks and recreation	-	-	-	-
Committed for street projects	131,355	-	-	22,996
Unassigned	-	-	-	-
Total fund balances	131,355	10,620	355,626	22,996
Total liabilities, deferred inflows of resources, and fund balances	\$ 144,334	\$ 10,620	\$ 365,900	\$ 22,996

Special Revenue	Capital Projects		Debt Service		Total
Community Development Block Grant	General Capital Projects	Undergrounding	Woodstone Assessment District	Clean Renewable Energy Bonds	Non-Major Governmental Funds
\$ -	\$ -	\$ 230,177	\$ -	\$ 64,726	\$ 2,445,801
-	-	-	37,354	-	37,354
46,422	-	-	-	2,759	96,713
-	-	-	-	-	15,076
-	-	641	-	217	8,042
-	-	-	160,000	-	160,000
-	-	-	-	238,389	250,545
\$ 46,422	\$ -	\$ 230,818	\$ 197,354	\$ 306,091	\$ 3,013,531
-	-	-	-	-	\$ 67,753
45,144	34,362	-	8,211	-	153,078
-	-	-	-	-	12,136
45,144	34,362	-	8,211	-	232,967
-	-	-	160,000	238,389	425,978
1,278	-	-	-	-	265,779
-	-	230,818	-	-	1,359,941
-	-	-	-	-	13,485
-	-	-	-	-	7,094
-	-	-	29,143	67,702	96,845
-	-	-	-	-	415,713
-	-	-	-	-	121,051
-	-	-	-	-	154,351
-	(34,362)	-	-	-	(79,673)
1,278	(34,362)	230,818	29,143	67,702	2,354,586
\$ 46,422	\$ -	\$ 230,818	\$ 197,354	\$ 306,091	\$ 3,013,531

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2017

	Special Revenue			
	Police Grants	Gas Tax	Park in Lieu	Traffic Impact
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	178,663	149,947	-	-
Interest and rents	36	(2)	2,448	7,954
Charges for services	-	-	41,710	53,156
Miscellaneous	840	-	-	-
Total revenues	179,539	149,945	44,158	61,110
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public safety	203,597	-	-	-
Public works	-	190,535	-	27,475
Capital outlay	-	-	-	184,285
Debt service:				
Principal	-	-	18,802	-
Interest	-	-	12,670	-
Total expenditures	203,597	190,535	31,472	211,760
REVENUES OVER (UNDER) EXPENDITURES	(24,058)	(40,590)	12,686	(150,650)
OTHER FINANCING SOURCES (USES):				
Transfers in	17,048	-	-	-
Transfers out	(670)	-	-	-
Total other financing sources (uses)	16,378	-	-	-
Net change in fund balances	(7,680)	(40,590)	12,686	(150,650)
FUND BALANCES:				
Beginning of the year, as restated	9,160	1,175	251,815	1,052,785
End of year	<u>\$ 1,480</u>	<u>\$ (39,415)</u>	<u>\$ 264,501</u>	<u>\$ 902,135</u>

Special Revenue

Street Lighting Assessment	Asset Forfeiture	Downtown Association	Art in Lieu	Measure M	Housing General Plan
\$ 79,277	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	57,935	-
-	-	6,069	-	-	-
-	-	-	-	-	-
325	-	59	802	2,127	302
-	-	-	18,539	-	18,609
-	713	-	-	-	-
<u>79,602</u>	<u>713</u>	<u>6,128</u>	<u>19,341</u>	<u>60,062</u>	<u>18,911</u>
10,406	-	5,938	221	-	-
-	129	-	-	-	-
107,905	-	-	-	-	-
-	-	-	-	127,011	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>118,311</u>	<u>129</u>	<u>5,938</u>	<u>221</u>	<u>127,011</u>	<u>-</u>
(38,709)	584	190	19,120	(66,949)	18,911
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(38,709)</u>	<u>584</u>	<u>190</u>	<u>19,120</u>	<u>(66,949)</u>	<u>18,911</u>
32,813	801	6,904	101,931	293,937	41,176
<u>\$ (5,896)</u>	<u>\$ 1,385</u>	<u>\$ 7,094</u>	<u>\$ 121,051</u>	<u>\$ 226,988</u>	<u>\$ 60,087</u>

City of Sebastopol
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2017

	Special Revenue			
	Street Reserve	Vehicle Abateemnt	Inclusionary and Linkage Housing	Building Permit Incremental Fund
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Interest and rents	2,664	-	2,731	158
Charges for services	-	4,035	15,755	4,743
Miscellaneous	-	-	-	-
Total revenues	2,664	4,035	18,486	4,901
EXPENDITURES:				
Current:				
General Government	-	-	26,141	5,367
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	486,109	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	486,109	-	26,141	5,367
REVENUES OVER (UNDER) EXPENDITURES	(483,445)	4,035	(7,655)	(466)
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	150,000	-	-	-
Net change in fund balances	(333,445)	4,035	(7,655)	(466)
FUND BALANCES:				
Beginning of the year, as restated	464,800	6,585	363,281	23,462
End of year	<u>\$ 131,355</u>	<u>\$ 10,620</u>	<u>\$ 355,626</u>	<u>\$ 22,996</u>

Special Revenue	Capital Projects		Debt Service		Total Non-Major Governmental Funds
Community Development Block Grant	General Capital Projects	Undergrounding	Woodstone Assessment District	Clean Renewable Energy Bonds	
\$ -	\$ -	\$ -	\$ 31,194	\$ -	\$ 110,471
-	-	-	-	-	57,935
-	-	-	-	-	6,069
72,240	244,883	-	-	-	645,733
-	48	1,751	9	6,399	27,811
-	-	-	-	-	156,547
-	100	-	-	-	1,653
72,240	245,031	1,751	31,203	6,399	1,006,219
72,746	304,259	-	2,950	-	428,028
-	-	-	-	-	203,726
-	-	-	-	-	325,915
-	-	-	-	-	797,405
-	-	-	25,000	48,482	92,284
-	-	-	11,455	-	24,125
72,746	304,259	-	39,405	48,482	1,871,483
(506)	(59,228)	1,751	(8,202)	(42,083)	(865,264)
-	-	-	-	31,023	198,071
-	-	-	-	-	(670)
-	-	-	-	31,023	197,401
(506)	(59,228)	1,751	(8,202)	(11,060)	(667,863)
1,784	24,866	229,067	37,345	78,762	3,022,449
\$ 1,278	\$ (34,362)	\$ 230,818	\$ 29,143	\$ 67,702	\$ 2,354,586

City of Sebastopol

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

Police Grants

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 178,663	\$ 78,663
Interest and rents	100	100	36	(64)
Charges for services	1,000	1,000	-	(1,000)
Miscellaneous	-	-	840	840
Total revenues	101,100	101,100	179,539	78,439
EXPENDITURES:				
Current:				
Public safety	130,400	130,400	203,597	(73,197)
Total expenditures	130,400	130,400	203,597	(73,197)
REVENUES OVER (UNDER) EXPENDITURES	(29,300)	(29,300)	(24,058)	5,242
OTHER FINANCING SOURCES (USES):				
Transfers in	30,400	30,400	17,048	(13,352)
Transfers out	-	-	(670)	(670)
Total other financing sources (uses)	30,400	30,400	16,378	(14,022)
Net change in fund balances	\$ 1,100	\$ 1,100	(7,680)	\$ (8,780)
FUND BALANCES:				
Beginning of the year			9,160	
End of year			\$ 1,480	

City of Sebastopol

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

Gas Tax

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 199,205	\$ 199,205	\$ 149,947	\$ (49,258)
Interest and rents	100	100	(2)	(102)
Total revenues	199,305	199,305	149,945	(49,360)
EXPENDITURES:				
Current:				
Public works	190,200	190,200	190,535	(335)
Total expenditures	190,200	190,200	190,535	(335)
REVENUES OVER (UNDER) EXPENDITURES	9,105	9,105	(40,590)	(49,695)
OTHER FINANCING SOURCES (USES):				
Transfers in	31,175	31,175	-	(31,175)
Total other financing sources (uses)	31,175	31,175	-	(31,175)
Net change in fund balances	\$ 40,280	\$ 40,280	(40,590)	\$ (80,870)
FUND BALANCES:				
Beginning of the year			1,175	
End of year			\$ (39,415)	

City of Sebastopol

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

Park in Lieu

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 2,800	\$ 2,800	\$ 2,448	\$ (352)
Charges for services	35,000	35,000	41,710	6,710
Total revenues	37,800	37,800	44,158	6,358
EXPENDITURES:				
Debt service:				
Principal	18,802	18,802	18,802	-
Interest	12,668	12,668	12,670	(2)
Total expenditures	31,470	31,470	31,472	(2)
REVENUES OVER (UNDER) EXPENDITURES	6,330	6,330	12,686	6,356
OTHER FINANCING SOURCES (USES):				
Transfers out	(96,535)	(96,535)	-	96,535
Total other financing sources (uses)	(96,535)	(96,535)	-	96,535
Net change in fund balances	\$ (90,205)	\$ (90,205)	12,686	\$ 102,891
FUND BALANCES:				
Beginning of the year			251,815	
End of year			<u>\$ 264,501</u>	

City of Sebastopol

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

Traffic Impact

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 58,842	\$ 58,842	\$ -	\$ (58,842)
Interest and rents	3,700	3,700	7,954	4,254
Charges for services	58,616	58,616	53,156	(5,460)
Total revenues	121,158	121,158	61,110	(60,048)
EXPENDITURES:				
Current:				
Public works	-	-	27,475	(27,475)
Capital outlay	842,560	641,085	184,285	456,800
Total expenditures	842,560	641,085	211,760	429,325
REVENUES OVER (UNDER) EXPENDITURES	(721,402)	(519,927)	(150,650)	369,277
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(641,085)	-	641,085
Total other financing sources (uses)	-	(641,085)	-	641,085
Net change in fund balances	\$ (721,402)	\$ (1,161,012)	(150,650)	\$ 1,010,362
FUND BALANCES:				
Beginning of the year			1,052,785	
End of year			\$ 902,135	

City of Sebastopol

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

Street Lighting Assessment

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 79,753	\$ 79,753	\$ 79,277	\$ (476)
Interest and rents	-	-	325	325
Total revenues	79,753	79,753	79,602	(151)
EXPENDITURES:				
Current:				
General Government	91,350	91,350	10,406	80,944
Public works	20,100	20,100	107,905	(87,805)
Total expenditures	111,450	111,450	118,311	(6,861)
REVENUES OVER (UNDER) EXPENDITURES	(31,697)	(31,697)	(38,709)	(7,012)
Net change in fund balances	\$ (31,697)	\$ (31,697)	(38,709)	\$ (7,012)
FUND BALANCES:				
Beginning of the year			32,813	
End of year			<u>\$ (5,896)</u>	

City of Sebastopol

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

Asset Forfeiture

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Miscellaneous	\$ -	\$ -	\$ 713	\$ 713
Total revenues	<u>-</u>	<u>-</u>	<u>713</u>	<u>713</u>
EXPENDITURES:				
Current:				
Public safety	11,045	11,045	129	10,916
Total expenditures	<u>11,045</u>	<u>11,045</u>	<u>129</u>	<u>10,916</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(11,045)</u>	<u>(11,045)</u>	<u>584</u>	<u>11,629</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,271	10,271	-	(10,271)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>10,271</u>	<u>10,271</u>	<u>-</u>	<u>(10,271)</u>
Net change in fund balances	<u>\$ (774)</u>	<u>\$ (774)</u>	<u>584</u>	<u>\$ 1,358</u>
FUND BALANCES:				
Beginning of the year			<u>801</u>	
End of year			<u>\$ 1,385</u>	

City of Sebastopol

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

Downtown Association

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 8,225	\$ 8,225	\$ 6,069	\$ (2,156)
Interest and rents	-	-	59	59
Total revenues	8,225	8,225	6,128	(2,097)
EXPENDITURES:				
Current:				
General Government	9,600	9,600	5,938	3,662
Total expenditures	9,600	9,600	5,938	3,662
REVENUES OVER (UNDER) EXPENDITURES	(1,375)	(1,375)	190	1,565
Net change in fund balances	\$ (1,375)	\$ (1,375)	190	\$ 1,565
FUND BALANCES:				
Beginning of the year			6,904	
End of year			<u>\$ 7,094</u>	

City of Sebastopol

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

Art in Lieu

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 802	\$ 802
Charges for services	42,000	23,000	18,539	(4,461)
Total revenues	42,000	23,000	19,341	(3,659)
EXPENDITURES:				
Current:				
General Government	-	45,220	221	44,999
Total expenditures	-	45,220	221	44,999
REVENUES OVER (UNDER) EXPENDITURES	42,000	(22,220)	19,120	41,340
Net change in fund balances	\$ 42,000	\$ (22,220)	19,120	\$ 41,340
FUND BALANCES:				
Beginning of the year			101,931	
End of year			\$ 121,051	

City of Sebastopol

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

Measure M

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 50,000	\$ 50,000	\$ 57,935	\$ 7,935
Interest and rents	1,500	1,500	2,127	627
Total revenues	51,500	51,500	60,062	8,562
EXPENDITURES:				
Capital outlay	130,320	130,320	127,011	3,309
Total expenditures	130,320	130,320	127,011	3,309
REVENUES OVER (UNDER) EXPENDITURES	(78,820)	(78,820)	(66,949)	11,871
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(130,320)	-	130,320
Total other financing sources (uses)	-	(130,320)	-	130,320
Net change in fund balances	\$ (78,820)	\$ (209,140)	(66,949)	\$ 142,191
FUND BALANCES:				
Beginning of the year			293,937	
End of year			<u>\$ 226,988</u>	

City of Sebastopol

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

Housing General Plan

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 200	\$ 200	\$ 302	\$ 102
Charges for services	10,000	10,000	18,609	8,609
Total revenues	10,200	10,200	18,911	8,711
Net change in fund balances	\$ 10,200	\$ 10,200	18,911	\$ 8,711
FUND BALANCES:				
Beginning of the year			41,176	
End of year			\$ 60,087	

City of Sebastopol

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

Street Reserve

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Interest and rents	25,000	2,500	2,664	164
Total revenues	75,000	52,500	2,664	(49,836)
EXPENDITURES:				
Capital outlay	542,500	764,790	486,109	278,681
Total expenditures	542,500	764,790	486,109	278,681
REVENUES OVER (UNDER) EXPENDITURES	(467,500)	(712,290)	(483,445)	228,845
OTHER FINANCING SOURCES (USES):				
Transfers in	-	150,000	150,000	-
Transfers out	-	(764,790)	-	764,790
Total other financing sources (uses)	-	(614,790)	150,000	764,790
Net change in fund balances	\$ (467,500)	\$ (1,327,080)	(333,445)	\$ 993,635
FUND BALANCES:				
Beginning of the year			464,800	
End of year			\$ 131,355	

City of Sebastopol

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

Vehicle Abatement

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 2,000	\$ 2,000	\$ 4,035	\$ 2,035
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>4,035</u>	<u>2,035</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>	4,035	<u>\$ 2,035</u>
FUND BALANCES:				
Beginning of the year			<u>6,585</u>	
End of year			<u>\$ 10,620</u>	

City of Sebastopol

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

Inclusionary and Linkage Housing

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 2,500	\$ 2,500	\$ 2,731	\$ 231
Charges for services	95,000	95,000	15,755	(79,245)
Total revenues	97,500	97,500	18,486	(79,014)
EXPENDITURES:				
Current:				
General Government	-	7,500	26,141	(18,641)
Total expenditures	-	7,500	26,141	(18,641)
REVENUES OVER (UNDER) EXPENDITURES	97,500	90,000	(7,655)	(97,655)
Net change in fund balances	\$ 97,500	\$ 90,000	(7,655)	\$ (97,655)
FUND BALANCES:				
Beginning of the year			363,281	
End of year			\$ 355,626	

City of Sebastopol

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

Building Permit Incremental Fund

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 158	\$ 158
Charges for services	6,000	6,000	4,743	(1,257)
Total revenues	6,000	6,000	4,901	(1,099)
EXPENDITURES:				
Current:				
General Government	6,000	6,000	5,367	633
Total expenditures	6,000	6,000	5,367	633
REVENUES OVER (UNDER) EXPENDITURES	-	-	(466)	(466)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	(466)	\$ (466)
FUND BALANCES:				
Beginning of the year, as restated			23,462	
End of year			\$ 22,996	

City of Sebastopol

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

Community Development Block Grant

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 72,240	\$ 72,240
Total revenues	-	-	72,240	72,240
EXPENDITURES:				
Current:				
General Government	-	-	72,746	(72,746)
Total expenditures	-	-	72,746	(72,746)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(506)	(506)
Net change in fund balances	\$ -	\$ -	(506)	\$ (506)
FUND BALANCES:				
Beginning of the year			1,784	
End of year			\$ 1,278	

City of Sebastopol

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

General Capital Projects

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 244,883	\$ 244,883
Interest and rents	-	-	48	48
Miscellaneous	-	-	100	100
Total revenues	-	-	245,031	245,031
EXPENDITURES:				
Current:				
General Government	-	-	304,261	(304,261)
Capital outlay	-	-	(2)	(2)
Total expenditures	-	-	304,259	(304,263)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(59,228)	(59,228)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,632,730	-	(1,632,730)
Total other financing sources (uses)	-	1,632,730	-	(1,632,730)
Net change in fund balances	\$ -	\$ 1,632,730	(59,228)	\$ (1,691,958)
FUND BALANCES:				
Beginning of the year, as restated			24,866	
End of year			\$ (34,362)	

City of Sebastopol

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

Undergrounding

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ 1,000	\$ 1,000	\$ 1,751	\$ 751
Charges for services	5,000	5,000	-	(5,000)
Total revenues	6,000	6,000	1,751	(4,249)
Net change in fund balances	\$ 6,000	\$ 6,000	1,751	\$ (4,249)
FUND BALANCES:				
Beginning of the year			229,067	
End of year			\$ 230,818	

City of Sebastopol

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

Woodstone Assessment District

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 31,350	\$ 31,350	\$ 31,194	\$ (156)
Interest and rents	-	-	9	9
Total revenues	31,350	31,350	31,203	(147)
EXPENDITURES:				
Current:				
General Government	5,000	5,000	2,950	2,050
Debt service:				
Principal	20,000	20,000	25,000	(5,000)
Interest	10,655	10,655	11,455	(800)
Total expenditures	35,655	35,655	39,405	(3,750)
REVENUES OVER (UNDER) EXPENDITURES	(4,305)	(4,305)	(8,202)	(3,897)
OTHER FINANCING SOURCES (USES):				
Transfers in	4,305	4,305	-	(4,305)
Total other financing sources (uses)	4,305	4,305	-	(4,305)
Net change in fund balances	\$ -	\$ -	(8,202)	\$ (8,202)
FUND BALANCES:				
Beginning of the year			37,345	
End of year			<u>\$ 29,143</u>	

City of Sebastopol

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

Clean Renewable Energy Bonds

For the year ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rents	\$ -	\$ -	\$ 6,399	\$ 6,399
Total revenues	<u>-</u>	<u>-</u>	<u>6,399</u>	<u>6,399</u>
EXPENDITURES:				
Debt service:				
Principal	46,267	46,267	48,482	(2,215)
Total expenditures	<u>46,267</u>	<u>46,267</u>	<u>48,482</u>	<u>(2,215)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(46,267)</u>	<u>(46,267)</u>	<u>(42,083)</u>	<u>4,184</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31,023	31,023
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>31,023</u>	<u>31,023</u>
Net change in fund balances	<u>\$ (46,267)</u>	<u>\$ (46,267)</u>	<u>(11,060)</u>	<u>\$ 35,207</u>
FUND BALANCES:				
Beginning of the year			78,762	
End of year			<u>\$ 67,702</u>	

STATISTICAL SECTION

This part of the City of Sebastopol's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City.

Index

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability issues additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF SEBASTOPOL
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net Investment In Capital Assets	\$ (62,775)	\$ 1,187,807	\$ 1,911,250	\$ 3,598,601
Restricted	10,959,004	11,200,943	11,476,901	10,715,129
Unrestricted	726,684	634,006	(419,478)	(146,947)
Total Governmental Activities Net Position	\$ 11,622,913	\$ 13,022,756	\$ 12,968,673	\$ 14,166,783
Business-Type Activities				
Net Investment In Capital Assets	\$ 3,640,837	\$ 4,564,120	\$ 6,016,753	\$ 5,668,887
Restricted	-	-	-	435,861
Unrestricted	3,384,723	2,599,400	1,175,594	1,027,213
Total Business-Type Activities Net Position	\$ 7,025,560	\$ 7,163,520	\$ 7,192,347	\$ 7,131,961
Primary Government				
Net Investment In Capital Assets	\$ 3,578,062	\$ 5,751,927	\$ 7,928,003	\$ 9,267,488
Restricted	10,959,004	11,200,943	11,476,901	11,150,990
Unrestricted	4,111,407	3,233,406	756,116	880,266
Total Primary Government Net Position	\$ 18,648,473	\$ 20,186,276	\$ 20,161,020	\$ 21,298,744

Note: The City implemented GASB Statement No. 68 in FY 2015, which required the City to record their net pension liability in the statement of net position.

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 7,555,847	\$ 7,351,269	\$ 7,657,875	\$ 8,085,194	\$ 8,017,313	\$ 8,461,885	
6,152,199	7,314,525	7,398,898	4,128,962	4,314,008	2,279,908	
1,002,469	1,512,494	1,926,598	(4,937,921)	(3,524,869)	(847,289)	
<u>\$ 14,710,515</u>	<u>\$ 16,178,288</u>	<u>\$ 16,983,371</u>	<u>\$ 7,276,235</u>	<u>\$ 8,806,452</u>	<u>\$ 9,894,504</u>	
\$ 5,620,805	\$ 5,237,342	\$ 5,232,877	\$ 4,566,315	\$ 4,799,099	\$ 4,705,054	
298,317	576,831	523,783	1,544,038	1,404,798	1,468,204	
1,306,809	1,786,572	2,413,672	1,051,968	1,691,465	2,900,417	
<u>\$ 7,225,931</u>	<u>\$ 7,600,745</u>	<u>\$ 8,170,332</u>	<u>\$ 7,162,321</u>	<u>\$ 7,895,362</u>	<u>\$ 9,073,675</u>	
\$ 13,176,652	\$ 12,588,611	\$ 12,890,752	\$ 12,651,509	\$ 12,816,412	\$ 13,166,939	
6,450,516	7,891,356	7,922,681	5,673,000	5,718,806	3,748,112	
2,309,278	3,299,066	4,340,270	(3,885,953)	(1,833,404)	2,053,128	
<u>\$ 21,936,446</u>	<u>\$ 23,779,033</u>	<u>\$ 25,153,703</u>	<u>\$ 14,438,556</u>	<u>\$ 16,701,814</u>	<u>\$ 18,968,179</u>	

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities				
General government	\$ 1,257,095	\$ 1,417,079	\$ 1,273,827	\$ 693,583
Public safety	3,662,497	3,907,469	3,851,387	4,077,632
Community development	282,863	366,161	333,939	933,449
Education SERAF	-	-	797,975	164,289
Public works	1,749,796	1,695,482	1,731,633	1,343,813
Parks and recreation	334,684	409,120	428,619	475,111
Interest on long-term debt	575,260	356,054	334,818	397,315
Total Governmental Activities Expenses	7,862,195	8,151,365	8,752,198	8,085,192
Business-Type Activities				
Water	1,198,851	1,264,947	1,197,005	1,181,086
Wastewater	2,002,629	2,061,162	2,223,224	2,538,474
Total Business-Type Activities Expenses	3,201,480	3,326,109	3,420,229	3,719,560
Total Primary Government Net Expenses	\$ 11,063,675	\$ 11,477,474	\$ 12,172,427	\$ 11,804,752
Program Revenues				
Governmental Activities				
Charges for services				
General government	\$ 418,504	\$ 325,942	\$ 380,883	\$ 415,118
Public safety	231,549	194,390	172,217	347,576
Community development	-	-	-	154,344
Public works	579,199	720,893	367,857	561,378
Parks and recreation	89,543	104,698	55,168	52,032
Operating Contributions and Grants	604,678	1,064,815	819,196	696,077
Capital Contributions and Grants	1,908,819	675,868	1,279,603	361,150
Total Governmental Activities Program Revenues	3,832,292	3,086,606	3,074,924	2,587,675
Business-Type Activities				
Charges for services				
Water	1,128,518	1,136,933	1,103,451	1,108,006
Wastewater	2,241,253	2,182,325	2,111,142	2,075,731
Capital Contributions and Grants	422,402	141,922	285,497	475,435
Total Business-Type Activities Program Revenues	3,792,173	3,461,180	3,500,090	3,659,172
Total Primary Government Program Revenues	\$ 7,624,465	\$ 6,547,786	\$ 6,575,014	\$ 6,246,847

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

	2012	2013	2014	2015	2016	2017
\$	620,298	\$ 907,290	\$ 1,327,123	\$ 1,451,524	\$ 1,761,437	\$ 2,055,024
	4,076,568	4,002,741	4,154,787	4,397,921	4,193,457	5,260,822
	640,286	89,926	141,771	34,936	9,155	-
	-	-	-	-	-	-
	1,059,870	962,578	1,207,688	1,331,944	1,376,165	938,036
	485,332	684,115	771,708	644,813	1,066,267	749,005
	201,026	113,226	103,767	91,304	83,446	80,566
	7,083,380	6,759,876	7,706,844	7,952,442	8,489,927	9,083,453
	1,166,923	1,320,990	1,298,601	1,368,427	1,669,223	1,716,237
	2,195,805	2,335,916	2,605,752	2,795,925	2,887,638	2,889,787
	3,362,728	3,656,906	3,904,353	4,164,352	4,556,861	4,606,024
\$	10,446,108	\$ 10,416,782	\$ 11,611,197	\$ 12,116,794	\$ 13,046,788	\$ 13,689,477
\$	430,935	\$ 476,923	\$ 435,632	\$ 342,911	\$ 915,735	\$ 180,139
	327,309	274,025	248,479	278,638	240,886	190,018
	313,521	41,325	19,942	14,390	162,652	-
	220,180	107,687	193,334	182,878	305,614	539,617
	36,958	114,637	130,691	89,971	100,630	66,739
	598,351	813,943	553,751	579,188	484,480	209,472
	1,623,332	7,331	288,575	742,670	446,248	525,005
	3,550,586	1,835,871	1,870,404	2,230,646	2,656,245	1,710,990
	1,128,182	1,427,249	1,709,463	1,933,720	2,061,253	2,457,698
	2,099,751	2,374,980	2,688,194	2,959,002	3,116,767	3,324,934
	259,789	260,514	107,307	30,356	142,905	-
	3,487,722	4,062,743	4,504,964	4,923,078	5,320,925	5,782,632
\$	7,038,308	\$ 5,898,614	\$ 6,375,368	\$ 7,153,724	\$ 7,977,170	\$ 7,493,622

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

	Fiscal Year		
	2008	2009	2010
Net (Expense)/Revenue			
Governmental Activities	\$ (4,029,903)	\$ (5,064,759)	\$ (5,677,274)
Business-Type Activities	590,693	135,071	79,861
Total Primary Government Net Expense	(3,439,210)	(4,929,688)	(5,597,413)
General Revenues and Other Changes in Net Position			
Governmental Activities			
Taxes			
Property taxes	1,042,208	1,112,187	1,033,478
Sales and use taxes	1,580,007	1,571,378	1,385,478
Motor vehicle in lieu taxes	593,251	594,954	595,275
Transient lodging taxes	318,636	248,252	238,657
Other taxes	1,067,988	1,053,693	1,370,538
Incremental property taxes	2,005,780	1,586,215	1,925,970
Investment Earnings	-	-	-
Unrestricted interest and rents	235,897	103,019	39,501
Miscellaneous	165,677	197,793	112,925
Transfers	(1,276)	(2,889)	51,034
Special item: Forgiveness of indebtedness	-	-	(1,004,665)
Special item: Dissolution of redevelopment agency	-	-	-
Special item: Contribution of long-term loans to Sonoma County	-	-	-
Total Governmental Activities	7,008,168	6,464,602	5,748,191
Business-Type Activities			
Investment Earnings	-	-	-
Transfers	1,276	2,889	(51,034)
Total Business-Type Activities	1,276	2,889	(51,034)
Total Primary Government	7,009,444	6,467,491	5,697,157
Change in Net Position			
Governmental Activities	2,978,265	1,399,843	70,917
Business-Type Activities	591,969	137,960	28,827
Total Primary Government	\$ 3,570,234	\$ 1,537,803	\$ 99,744

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

	2011	2012	2013	2014	2015	2016	2017
\$	(5,497,517)	\$ (3,532,794)	\$ (4,924,005)	\$ (5,836,440)	\$ (5,721,796)	\$ (5,833,682)	\$ (7,372,463)
	(60,388)	124,994	405,837	600,611	758,726	764,064	1,176,608
	(5,557,905)	(3,407,800)	(4,518,168)	(5,235,829)	(4,963,070)	(5,069,618)	(6,195,855)
	1,001,252	1,292,711	1,602,494	1,392,443	1,393,021	2,459,296	2,478,979
	1,379,949	1,392,916	1,673,360	1,713,697	1,748,368	2,069,199	3,923,850
	596,548	565,094	566,513	591,353	621,440	-	-
	269,984	300,937	329,577	359,892	482,164	483,738	514,225
	1,393,950	1,358,326	1,924,257	2,273,971	2,761,809	2,246,817	1,134,089
	1,889,318	922,557	-	-	-	-	-
	-	-	-	-	-	-	67,458
	157,632	81,145	(5,330)	22,017	10,492	73,826	-
	6,994	20,555	269,884	257,126	327,178	-	260,341
	-	31,024	31,023	31,024	31,024	31,023	31,023
	-	-	-	-	-	-	-
	-	(4,909,339)	-	-	-	-	-
	-	-	-	-	(3,602,937)	-	-
	6,695,627	1,055,926	6,391,778	6,641,523	3,772,559	7,363,899	8,409,965
	-	-	-	-	-	-	32,728
	-	(31,024)	(31,023)	(31,024)	(31,024)	(31,023)	(31,023)
	-	(31,024)	(31,023)	(31,024)	(31,024)	(31,023)	1,705
	6,695,627	1,024,902	6,360,755	6,610,499	3,741,535	7,332,876	8,411,670
	1,198,110	(2,476,868)	1,467,773	805,083	(1,949,237)	1,530,217	1,037,502
	(60,388)	93,970	374,814	569,587	727,702	733,041	1,178,313
\$	1,137,722	\$ (2,382,898)	\$ 1,842,587	\$ 1,374,670	\$ (1,221,535)	\$ 2,263,258	\$ 2,215,815

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

	Fiscal Year			
	2008	2009	2010	2011*
General Fund				
Unreserved, designated	\$ 1,161,438	\$ 650,673	\$ 140,335	\$ -
Unreserved, undesignated	350,711	-	-	-
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	286,698
Total General Fund	<u>\$ 1,512,149</u>	<u>\$ 650,673</u>	<u>\$ 140,335</u>	<u>\$ 286,698</u>
All Other Governmental Funds				
Reserved	\$ 2,125,262	\$ 2,106,794	\$ 1,385,085	\$ -
Unreserved, designited	2,445,236	1,374,316	-	-
Unreserved, undesignated	709,111	955,122	2,456,904	-
Unreserved, Reported In nonmajor:				
Special Revenue Funds	1,929,319	2,416,412	2,856,424	
Capital Projects Funds	252,968	192,194	712,214	
Nonspendable	-	-	-	783,000
Restricted	-	-	-	6,093,900
Committed	-	-	-	215,339
Unassigned	-	-	-	(547,826)
Total All Other Governmental Funds	<u>7,461,896</u>	<u>7,044,838</u>	<u>7,410,627</u>	<u>6,544,413</u>
Total Governmental Funds	<u><u>\$8,974,045</u></u>	<u><u>\$7,695,511</u></u>	<u><u>\$7,550,962</u></u>	<u><u>\$6,831,111</u></u>

* GASB 54 implemented in fiscal year 10/11

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year

	2012	2013	2014	2015	2016	2017
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	11,127
	-	1,195,000	458,000	1,015,000	1,015,000	185,000
	-	-	-	-	-	2,785,000
	789,029	697,762	1,113,028	2,077,523	3,265,624	3,669,067
\$	789,029	\$ 1,892,762	\$ 1,571,028	\$ 3,092,523	\$ 4,280,624	\$ 6,650,194
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,547,599	3,025,676	3,169,424	3,573,382	3,827,777	2,279,908
	213,100	364,291	471,226	595,718	464,800	154,351
	-	-	-	-	-	(79,673)
	2,760,699	3,389,967	3,640,650	4,169,100	4,292,577	2,354,586
	\$3,549,728	\$5,282,729	\$5,211,678	\$7,261,623	\$8,573,201	\$9,004,780

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

(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Property taxes	\$ 3,047,987	\$ 2,698,402	\$ 2,959,448	\$ 2,890,570
Sales and use taxes	2,148,492	2,155,536	1,878,944	1,896,802
Other taxes	739,034	654,316	1,042,117	1,038,819
Transient occupancy taxes	-	-	-	-
Franchise fees	-	-	-	-
Licenses and permits	380,756	246,748	223,679	370,070
Fines and forfeits	86,898	73,805	88,112	97,597
Intergovernmental	2,989,638	1,808,922	2,665,525	1,610,033
Interest and rents	363,491	220,002	85,003	307,151
Charges for services	887,218	1,042,920	697,305	1,052,554
Miscellaneous	198,222	312,012	628,545	2,424,131
Total Revenues	10,841,736	9,212,663	10,268,678	11,687,727
Expenditures				
Current				
General Government	1,239,899	1,410,808	1,269,400	763,251
Public Safety	3,384,012	3,749,030	3,593,002	3,831,707
Community development	4,560,473	366,161	330,137	1,782,172
Parks and recreation	314,651	311,238	286,783	333,275
Public works	1,458,734	1,499,856	2,164,525	894,648
Education SERAF	-	-	797,975	164,289
Capital Outlay	4,278,260	1,950,605	644,674	2,054,271
Intergovernmental	-	-	-	-
Debt Service:				
Principal	781,347	899,981	926,110	3,541,529
Interest	307,131	355,845	326,655	523,626
Cost of debt issuance	380,297	-	-	-
Total Expenditures	16,704,804	10,543,524	10,339,261	13,888,768
Excess of Revenues Over (Under) Expenditures	(5,863,068)	(1,330,861)	(70,583)	(2,201,041)
Other Financing Sources (Uses)				
Capital lease financing	-	-	-	-
Sale of property	-	-	-	-
Loans and capital leases issued	-	-	-	1,484,190
Proceeds of long-term capital lease	-	45,216	-	-
Sales of capital assets	3,120,000	-	-	-
Proceeds of long-term debt	7,466,500	-	-	-
Payment to refunded bond escrow agent	(4,847,045)	-	-	-
Transfers In	2,048,624	1,549,370	1,589,594	951,526
Transfers Out	(2,049,900)	(1,552,259)	(1,538,560)	(951,526)
Total Other Financing Sources (Uses)	5,738,179	42,327	51,034	1,484,190
Extraordinary/Special Items	-	-	-	-
Net Change In Fund Balances	(\$124,889)	(\$1,288,534)	(\$19,549)	(\$716,851)
Debt Service as a percentage of non-capital expenditures ¹	11.8%	14.6%	13.6%	34.4%

Source: Basic Financial Statements- City of Sebastopol, California

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 2,215,268	\$ 1,602,494	\$ 1,392,443	\$ 1,393,024	\$ 2,459,296	\$ 2,681,062
1,977,528	2,812,420	3,214,480	3,652,138	3,940,169	4,454,450
966,989	1,010,312	1,070,444	1,218,306	-	-
-	-	-	-	483,738	514,225
-	-	-	-	351,568	359,466
321,351	364,654	290,026	314,693	488,234	412,678
174,613	124,941	117,358	158,380	122,235	88,747
2,990,419	1,337,164	1,412,805	1,443,193	979,119	676,542
92,583	12,529	76,670	43,433	92,985	112,795
648,309	676,416	922,178	843,764	717,270	428,703
690,618	79,048	54,189	67,948	434,506	294,146
10,077,678	8,019,978	8,550,593	9,134,879	10,069,120	10,022,814
763,950	876,686	1,308,096	1,501,999	1,628,362	2,272,637
3,727,294	3,746,490	3,950,740	4,175,290	4,329,264	4,429,352
893,424	88,735	140,258	35,436	9,600	-
277,746	374,110	679,488	544,596	524,035	605,061
761,911	809,017	1,124,226	1,073,855	1,443,331	930,256
-	-	-	-	-	-
1,610,157	228,939	240,332	80,472	554,243	1,188,516
329,888	-	-	-	-	-
1,299,299	349,214	357,250	358,175	302,357	233,469
211,532	114,692	105,278	93,135	82,796	80,566
-	-	-	-	-	-
9,875,201	6,587,883	7,905,668	7,862,958	8,873,988	9,739,857
202,477	1,432,095	644,925	1,271,921	1,195,132	282,957
-	-	-	-	85,423	66,250
-	269,883	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	799
-	-	-	-	-	-
-	-	-	-	-	-
565,248	265,144	256,529	256,301	417,645	198,741
(534,224)	(234,121)	(225,505)	(225,277)	(386,622)	(167,718)
31,024	300,906	31,024	31,024	116,446	98,072
(3,514,884)	-	-	-	-	-
(\$3,281,383)	\$1,733,001	\$675,949	\$1,302,945	\$1,311,578	\$381,029
19.0%	7.3%	6.0%	5.8%	4.6%	3.7%

CITY OF SEBASTOPOL
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Taxable Assessed Value ¹	Total Direct Tax Rate
2008	\$ 920,926,108	\$ 38,166,497	\$ 12,500	\$ 959,080,105	1.1294%
2009	949,722,087	39,480,371	12,500	989,189,958	1.1250%
2010	932,154,944	40,354,704	12,500	972,497,148	1.1234%
2011	921,301,455	41,224,537	20,260	962,505,732	1.1234%
2012	925,157,423	40,782,023	20,260	965,919,186	1.1325%
2013	936,099,537	32,978,628	20,260	969,057,905	1.1247%
2014	984,165,141	33,736,420	-	1,017,901,561	1.1247%
2015	1,030,201,370	33,857,950	-	1,064,059,320	1.1157%
2016	1,101,325,085	34,718,413	-	1,136,043,498	1.1152%
2017	1,159,102,311	36,169,711	-	1,195,272,022	1.1247%

¹ Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value as it appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect:

- a) annual inflation up to 2 percent
- b) current market value at time of ownership change;
- c) market value for new construction

Note: Estimated actual value of taxable property cannot easily be determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

Source: Sonoma County Assessor 2007/08 - 2016/17 Combined Tax Rolls

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

Agency	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Basic Levy 1	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Palm Drive Health Care District	0.00990	0.00550	0.00540	0.00540	0.00550	0.00550	0.00550	0.00520	0.00520	0.00520
Sebastopol Elementary Bonds	0.03950	0.03950	0.03950	0.03950	0.03950	0.03810	0.03810	0.03700	0.03500	0.03300
Sonoma County Junior College	0.02500	0.02500	0.02500	0.02500	0.02100	0.02100	0.02100	0.01800	0.01600	0.01500
Sonoma County Junior College 2014	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02500
Twin Hills Elementary	0.03650	0.03650	0.03500	0.03500	0.04400	0.03700	0.03700	0.03300	0.03300	0.03200
West Sonoma County Unified High	0.01150	0.01150	0.01150	0.01150	0.01550	0.01610	0.01610	0.01550	0.01900	0.01750
West Sonoma Russian River Project	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700	0.00700
Total Direct & Overlapping Tax Rates²	1.12940	1.12500	1.12340	1.12340	1.13250	1.12470	1.12470	1.11570	1.11520	1.13470
City's Share of 1% Levy Per Prop 13³	0.19685	0.19685	0.19685	0.19685	0.19685	0.19685	0.19685	0.19685	0.19685	0.19685

Voter Approved City Debt Rate

Redevelopment Rate⁴	1.01690	1.01250	1.01240	1.01240	1.01250					
Total Direct Rate⁵	0.37305	0.37328	0.37667	0.37800	0.37692	0.37463	0.14272	0.14272	0.14284	0.14285

Note:

¹ In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

² Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³ City's Share of 1 % Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴ Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵ Total Direct Rate is the weighted average of all individual direct rates applied by the City/ Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/ Agency in the same proportions as general fund revenue.

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Taxable Assessed Value	Percent Of Total Assessed Valuation	Rank	Taxable Assessed Value ¹	Percent Of Total Assessed Valuation	Rank
Barlow Star LLC	\$ 25,525,003	2.14%	1	N/A	N/A	N/A
O Reilly Properties LLC	15,579,380	1.30%	2	15,468,896	1.61%	1
Redwood Marketplace	8,215,080	0.69%	3	7,258,635	0.76%	4
Longs Drug Stores Inc.	7,310,640	0.61%	4	N/A	N/A	N/A
Maxwell Myers Company	5,300,000	0.44%	5	N/A	N/A	N/A
Charles R Pendergast Trust	5,268,842	0.44%	6	4,872,571	0.51%	6
Lok Sebastopol Hotel Company LLC	5,265,138	0.44%	7	4,518,850	0.47%	8
Diajeff LLC ET AL	4,642,413	0.39%	8	N/A	N/A	N/A
Southpoint Avenue Investors LLC	4,359,425	0.36%	9	3,858,640	0.40%	10
M And J Interest LLC	4,126,045	0.35%	10	N/A	N/A	N/A
	<u>\$ 85,591,966</u>	<u>7.16%</u>		<u>\$ 35,977,592</u>	<u>3.75%</u>	

Source: Sonoma County Assessor 2007/08 and 2017/18 Combined Tax Rolls and the SBE Non Unitary Tax Roll

CITY OF SEBASTOPOL
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS*

Fiscal Year	Taxes Levied for the Fiscal Year			Collections within the Fiscal Year of the Levy	
	City	RDA/Successor Agency	Total ¹	Amount	Percent of Levy
2017	\$ 2,523,397	\$ 825,365	\$ 3,348,762	\$ 3,348,762	100.00%

¹ Schedule excludes unitary tax.

² Sebastopol is part of Sonoma County which adopted the Teeter Plan.

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: Sonoma County Tax Collector/Treasurer

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

Fiscal Year	Governmental Activities						Total ²
	Special Assessment Bonds	Capital Lease Obligation	CEC Loan	2007 Tax Allocation Refunding Bond	Residential Development Loan		
2008	\$ 305,000	\$ 5,984,569	\$ 148,438	\$ 4,300,000	\$ -	\$ 10,738,007	
2009	295,000	5,377,930	128,311	4,050,000	-	9,851,241	
2010	285,000	4,769,888	107,243	3,795,000	-	8,957,131	
2011	275,000	4,443,559	85,230	3,505,000	1,747,069	10,055,858	
2012	255,000	3,367,736	62,193	-	-	3,684,929	
2013	240,000	3,057,583	38,131	-	-	3,335,714	
2014	225,000	3,001,169	12,974	-	-	3,239,143	
2015	205,000	2,415,429	-	-	-	2,620,429	
2016	185,000	2,273,334	-	-	-	2,458,334	
2017	160,000	2,075,657	-	-	-	2,235,657	

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

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

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

n/a: not available

Source: Basic Financial Statements - City of Sebastopol, California

Business-Type Activities

Installment Agreement	Capital Lease Obligation	State Drinking Water Loan	CEC Loan	Total ²	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
\$ 177,798	\$ 1,593,304	\$ -	\$ 70,691	\$ 1,841,793	12,579,800	4.78%	1,630
130,886	1,657,483	-	61,088	1,849,457	11,700,698	4.41%	1,522
81,173	1,632,523	-	51,073	1,764,769	10,721,900	4.17%	1,384
27,881	1,542,671	-	40,698	1,611,250	11,667,108	5.09%	1,469
-	1,448,181	-	29,651	1,477,832	5,162,761	2.17%	697
-	1,349,964	-	17,689	1,367,653	4,703,367	1.80%	632
-	1,244,969	-	6,193	1,251,162	4,490,305	1.82%	604
1,200,000	1,150,336	142,819	-	2,493,155	5,113,584	1.97%	686
1,160,118	1,130,420	170,415	-	2,460,953	3,761,788	1.42%	500
1,118,601	1,147,458	249,339	-	2,515,398	3,912,195	1.38%	516

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

Fiscal Year	General Bonded Debt Outstanding		Percentage of Personal Income ¹	Percentage of Total Taxable Assessed Value ²	Per Capita ¹
		Total			
2008	\$	-	0.00%	0.00%	\$ -
2009		-	0.00%	0.00%	-
2010		-	0.00%	0.00%	-
2011		-	0.00%	0.00%	-
2012		-	0.00%	0.00%	-
2013		-	0.00%	0.00%	-
2014		-	0.00%	0.00%	-
2015		-	0.00%	0.00%	-
2016		-	0.00%	0.00%	-
2017		-	0.00%	0.00%	-

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

² See Assessed Value and Actual Value of Taxable Property schedule for property value data.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
DIRECT AND OVERLAPPING DEBT GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017

	Percent Applicable ¹	Debt June 30, 2017
<hr/> OVERLAPPING TAX AND ASSESSMENT DEBT: <hr/>		
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	n/a	\$ <u> -</u> ¹
<hr/> DIRECT AND OVERLAPPING GENERAL FUND DEBT: <hr/>		
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	n/a	\$ <u> -</u>
COMBINED TOTAL DEBT		\$ <u><u> -</u></u> ¹
TOTAL DIRECT DEBT		\$ <u> -</u>
TOTAL OVERLAPPING DEBT		<u> -</u>
COMBINED TOTAL DEBT		\$ <u><u> -</u></u> ¹

¹ The information needed to complete the direct and overlapping debt schedule was currently unavailable, this information will be provided going forward.

RATIOS TO 2016-17 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	n/a	
Combined Direct Debt	n/a	
Combined Total Debt	n/a	

CITY OF SEBASTOPOL
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal year			
	2008	2009	2010	2011
Total assessed value of all real and personal property	\$ 959,105,105	\$ 989,214,958	\$ 972,522,148	\$ 962,546,252
Debt limit percentage	3.75%	3.75%	3.75%	3.75%
Total debt limit	35,966,441	37,095,561	36,469,581	36,095,484
Amount applicable to debt limit	10,738,007	9,851,241	8,957,131	10,055,858
Legal debt margin	<u>\$ 25,228,434</u>	<u>\$ 27,244,320</u>	<u>\$ 27,512,450</u>	<u>\$ 26,039,626</u>
Total net debt applicable to the limit as a percentage of debt limit	29.86%	26.56%	24.56%	27.86%

Note: California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus the limit shown is 3.75% (1/4 of 15%).

Source: Basic Financial Statements - City of Sebastopol, California

Fiscal year

2012	2013	2014	2015	2016	2017
\$ 965,959,706	\$ 969,098,425	\$ 1,017,901,561	\$ 1,064,059,320	\$ 1,136,043,498	\$ 1,195,272,022
3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
36,223,489	36,341,191	38,171,309	39,902,225	42,601,631	44,822,701
3,684,929	3,335,714	3,239,143	2,620,429	2,458,334	2,235,657
<u>\$ 32,538,560</u>	<u>\$ 33,005,477</u>	<u>\$ 34,932,166</u>	<u>\$ 37,281,796</u>	<u>\$ 40,143,297</u>	<u>\$ 42,587,044</u>
10.17%	9.18%	8.49%	6.57%	5.77%	4.99%

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

Tax Allocation Revenue Bonds

Fiscal Year	Property Tax Increment	Principal	Interest	Coverage
2008	\$ 2,005,780	\$ 598,661	\$ 177,633	2.58
2009	1,586,215	586,600	224,834	1.95
2010	1,925,970	605,300	202,810	2.38
2011	1,889,318	2,907,750	399,907	0.57
2012	922,557	939,495	101,273	0.89
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-

Special Assessment Bonds

Fiscal Year	Special Assessments	Principal	Interest	Coverage
2008	\$ 30,273	\$ 10,000	\$ 24,130	0.89
2009	31,384	10,000	24,410	0.91
2010	30,665	10,000	24,674	0.88
2011	32,351	10,000	22,276	1.00
2012	31,479	20,000	22,468	0.74
2013	30,602	15,000	21,302	0.84
2014	32,121	15,000	19,924	0.92
2015	31,082	20,000	17,004	0.84
2016	32,420	20,000	15,312	0.92
2017	31,194	25,000	11,455	0.86

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

Note: As of June 30, 2013, pledged revenue for tax allocation bonds was zero, due to transfer of liabilities to Successor Agency.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
PLEDGED REVENUE COVERAGE
PROPRIETARY FUNDS
LAST TEN FISCAL YEARS

Installment Sale Agreement and State Drinking Water Loan

Fiscal Year	Operating Revenue	Adjusted Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2008	n/a	n/a	n/a	\$ -	\$ -	n/a
2009	n/a	n/a	n/a	-	-	n/a
2010	n/a	n/a	n/a	-	-	n/a
2011	n/a	n/a	n/a	-	-	n/a
2012	n/a	n/a	n/a	-	-	n/a
2013	n/a	n/a	n/a	-	-	n/a
2014	n/a	n/a	n/a	-	-	n/a
2015	1,933,720	(1,194,003)	739,717	-	-	n/a
2016	2,061,253	(1,493,267)	567,986	39,881	49,201	6.38
2017	2,467,685	(1,538,204)	929,481	41,517	47,565	10.43

Note: There were no pledges of non-general obligation debt from 2018 to 2014.

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest, depreciation or amortization.

Source: Basic Financial Statements - City of Sebastopol, California

CITY OF SEBASTOPOL
DEMOGRAPHIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income		% of Pop 25+ with High School Degree	% of Pop 25+ with Bachelors Degree	Unemployment Rate	Median Age
		Total (in thousands)	Per Capita				
2007	7,716	\$ 263,316	\$ 34,126	n/a	n/a	2.7%	n/a
2008	7,687	265,605	34,552	n/a	n/a	3.6%	n/a
2009	7,745	257,257	33,216	88.89%	37.50%	6.3%	44.90
2010	7,943	229,187	28,854	90.80%	37.60%	6.8%	46.40
2011	7,405	237,412	32,061	93.10%	38.60%	6.3%	47.20
2012	7,445	260,940	35,049	93.50%	38.90%	4.2%	48.70
2013	7,440	247,209	33,227	92.50%	35.50%	3.3%	48.90
2014	7,454	259,973	34,877	94.90%	39.20%	4.8%	48.70
2015	7,527	264,433	35,131	94.70%	42.90%	3.8%	49.70
2016	7,579	283,772	37,441	93.80%	41.20%	3.4%	51.30

Source:

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

2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

2010 and later - Income, Age and Education Data - US Census Bureau, most recent American Community Survey

n/a: not available

CITY OF SEBASTOPOL
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2017			Fiscal Year 2007		
	Employees	Percent of Total Employment	Rank	Employees	Percent of Total Employment	Rank
O'Reilly Media Inc.	186	4%	N/A	N/A	N/A	N/A
Traditional Medicinals Inc	140	3%	N/A	N/A	N/A	N/A
TLC Child and Family Services	130	3%	N/A	N/A	N/A	N/A
Whole Foods Market	125	3%	N/A	N/A	N/A	N/A
Apple Valley Post Acute Rehab	120	3%	N/A	N/A	N/A	N/A
Zak Zaikine Productions	120	3%	N/A	N/A	N/A	N/A
Analy High School	115	3%	N/A	N/A	N/A	N/A
Manzana Products Company Inc	110	3%	N/A	N/A	N/A	N/A
Safeway	95	2%	N/A	N/A	N/A	N/A
Antique Society	85	2%	N/A	N/A	N/A	N/A
	<u>1,226</u>	<u>27.86%</u>				

Source: City of Sebastopol

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

	Fiscal Year
	2017
Governmental Activities	
General Government	
City council	6.00
City manager	1.75
City attorney	0.25
Finance	4.00
Building inspection	1.50
Planning	2.76
Public Safety	
Police	34.25
Fire	33.50
Public Works and facilities	
Administration	2.75
Water	1.00
Laborer	4.00
Engineering	1.75
Maintenance	6.00
 Total Full-Time Equivalent Employees	 99.51

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department

**CITY OF SEBASTOPOL
OPERATING INDICATORS
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS***

	Fiscal Year				
	2013	2014	2015	2016	2017
Building					
Residential Building Permits	n/a	n/a	302	432	393
Land use entitlement applications	n/a	n/a	54	32	25
Police					
Citations issued	n/a	n/a	n/a	n/a	872
Arrests made	n/a	n/a	823	623	669
Requests for services	n/a	n/a	7,801	7,830	7,703
Fire					
Fire responses	861	1,055	1,071	1,056	1,150
Fire Inspections	200	200	200	300	350
Area served (sq. miles)	1.20	1.20	1.20	1.20	1.20
Public Works					
Encroachment permits	83	93	117	98	59
Capital improvement projects	n/a	n/a	n/a	n/a	n/a
Park acres overseen		96.00	96.00	96.00	97.70
Street maintenance - crack seal (streets)	n/a	n/a	n/a	n/a	n/a
Street maintenance - traffic marking paint (gal.)	n/a	n/a	n/a	n/a	n/a
Street light repairs	n/a	n/a	n/a	n/a	n/a
Water/Waste Water					
Active Residential Accounts	n/a	n/a	2,550	2,470	2,682
Active Commerical Accounts	n/a	n/a	477	335	473
Average Daily Water Consumption	n/a	n/a	758,904	783,561	838,673
Ground Storage Capacity (gallons)	n/a	n/a	\$7.5m	\$7.5m	\$7.5m
Elevated Storage Capacity (gallons)	n/a	n/a	0 - no elevated tanks	0 - no elevated tanks	0 - no elevated tanks
Ground Water Production Capacity (gallons per day)	n/a	n/a	3,225,600	3,225,600	n/a
Pump Capacity (gallons per minute)	n/a	n/a	2,240	2,240	n/a
Waste Water Treatment Capacity (gallons per day)	n/a	n/a	840,000	840,000	n/a

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Police					
Stations	1	1	1	1	1
Fire					
Stations	1	1	1	1	1
Public Works					
Streets (centerline miles)	n/a	n/a	n/a	n/a	n/a
Street lights	n/a	n/a	n/a	n/a	n/a
Traffic signals	2	2	2	2	2
Parks and Recreation					
Office buildings	4	4	4	4	4
Park acreage	96	96	96	96	97.7
Playing fields/courts	n/a	n/a	n/a	n/a	n/a
Swimming pools	1	1	1	1	1
Water play features	n/a	n/a	n/a	n/a	n/a
Water					
Water mains (miles)	37	37	37	37	37
Fire hydrants	n/a	n/a	n/a	450	450
Storage capacity (million gallons)	7.50	7.50	7.50	7.50	7.50
Treatment capacity (million gallons)					
Wastewater					
Sewer mains (miles)	29	29	29	29	29
Treatment capacity (million gallons)	n/a	n/a	n/a	n/a	n/a

* The schedule is intended to show information for ten years, additional years will be displayed as it becomes available.

Source: City of Sebastopol Finance Department