

CITY OF SONOMA

Audited Financial Statements

June 30, 2021

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CITY OF SONOMA

Comprehensive Annual Financial Report

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sonoma, 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 Sonoma, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Sonoma, California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison for the General Fund, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions 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.

To the City Council
City of Sonoma, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sonoma's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Richardson & Company, LLP

August 12, 2024

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management's Discussion and Analysis

This narrative of the City of Sonoma's financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying Basic Financial Statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ As of June 30, 2021, total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows by \$64.7 million (net position). The portion of net position that may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position) was \$4.0 million. The portion of net position that was restricted and may only be used for specific purposes was \$5.0 million. The remaining \$55.7 million was invested in capital assets.
- ◆ Overall, City-wide revenue from all governmental and business-type activities was \$28.2 million, an increase of \$0.2 million from the previous fiscal year. City-wide expenditures from all governmental and business-type activities were \$26.9 million, a decrease of \$0.4 million the previous fiscal year.
- ◆ As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$11.9 million. Of the combined fund balances, \$9.4 million or 78.7 percent) is available to meet the City's current and future needs (committed, assigned and unassigned balances).
- ◆ The General Fund reported a total fund balance of \$9.5 million at the end of the 2020-21 fiscal year. This represents a decrease in fund balance of \$0.2 million, or 2.2 percent from the previous fiscal year. Of the total fund balance, \$4.6 million, or 50.3 percent, was unassigned or available for spending at the City's discretion.
- ◆ As of June 30, 2021, the committed amount in the General Fund of \$3.9 million represents amounts committed for operations (\$2.4 million) and unanticipated emergencies (\$1.5 million). See Note H in the Notes to the Basic Financial Statements.
- ◆ The City's net pension liability increased by \$1.2 million to \$16.8 million. This obligation remains larger than the sum of all other bond and long-term liabilities combined. For more information on the net pension liability, please refer to Note I in the Notes to the Basic Financial Statements.
- ◆ The City ended the fiscal year with \$3.5 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt and restricted net position).

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management's Discussion and Analysis, Continued

The Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to that used by commercial enterprises. The Statement of Activities provides information about the City's revenues and expenses, also on a full accrual basis, with emphasis on measuring the net revenues and expenses of City programs. The Statement of Activities explains in detail the change in net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type Activities, as explained below. All of the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, community development, and parks and recreation. These services are supported by general City revenues such as taxes and by specific program revenues such as development related permit fees.
- ◆ **Business-type activities** – All of the City's enterprise activities are reported here and include the Water and Cemetery activities. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is 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 compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental 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 Fund 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 evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements 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 Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management’s Discussion and Analysis, Continued

Subordinate schedules present the details of these nonmajor funds. Major funds present the major activities of the City for the year and may change from year to year as a result of changes in the pattern of the City’s activities.

For the fiscal year ended June 30, 2021, the City’s major funds include the General Fund, Water Enterprise Fund and Cemetery Enterprise Fund.

For the fiscal year ended June 30, 2021, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Cemetery activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for information technology assets, long term building maintenance, and vehicle replacement.

Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these activities.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the Basic Financial Statements can be found on pages 27-60 of this report. Required Supplementary Information follows the notes on pages 61-63.

Combining and Individual Fund Financial Statements and Schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 65-80 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$64.7 million as of June 30, 2021. The Summary of Net Position as of June 30, 2021, and 2020, follows:

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 19,209,634	\$ 17,895,102	\$ 8,049,413	\$ 6,364,150	\$ 27,259,047	\$ 24,259,252
Capital assets	40,501,229	40,867,328	16,364,088	16,685,049	\$ 56,865,317	57,552,377
Total Assets	59,710,863	58,762,430	24,413,501	23,049,199	84,124,364	81,811,629
Total Deferred Outflows	2,955,334	2,989,849	305,499	315,847	3,260,833	3,305,696
Long-term liabilities	15,677,566	15,146,431	2,536,897	2,456,685	18,214,463	17,603,116
Other liabilities	2,676,748	2,294,276	780,427	624,743	3,457,175	2,919,019
Total Liabilities	18,354,314	17,440,707	3,317,324	3,081,428	21,671,638	20,522,135
Total Deferred Inflows	906,941	1,354,012	93,026	129,913	999,967	1,483,925
Net position:						
Net investment in capital assets	40,375,982	40,654,878	15,304,088	15,550,049	55,680,070	56,204,927
Restricted	2,509,237	2,100,731	2,517,474	-	5,026,711	2,100,731
Unrestricted	519,723	201,951	3,487,088	4,603,656	4,006,811	4,805,607
Total Net Position	\$ 43,404,942	\$ 42,957,560	\$ 21,308,650	\$ 20,153,705	\$ 64,713,592	\$ 63,111,265

Total assets increased by \$2.3 million or (2.8 percent) to \$84.1 million. A decrease of \$0.7 million in capital assets was offset by an increase of \$3.0 million in current and other assets. The decrease in governmental and business activities capital assets was primarily the result of standard depreciation.

Total liabilities increased by \$1.1 million or (7.1percent) to \$22.0 million. The changes in liabilities included an increase in other liabilities (primarily payables) of \$0.5 million and the increase in long-term liabilities by \$0.6 million. The City’s deferred inflow of resources (\$0.9 million in governmental activities and \$0.1 million in business-type activities) is related to the net pension liability as required by GASB 68.

The restricted net position at the end of fiscal year 2020-21 was \$5.0 million, an increase of \$2.9 million, or 136.9 percent, and includes funding restricted for public safety, public works, community development activities, debt service and donations. Restricted fund balances are resources that are subject to externally enforceable legal restrictions by parties altogether outside the government, (creditors, grantors, contributors, and other governments) or subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g. Gas Tax).

As of June 30, 2021, the City had \$4.0 million of unrestricted net position, which is a decrease of \$0.8 million. At the end of the fiscal year 2020-21 , the City had positive balances in all three categories of total net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

By far, the largest portion of the City’s net position (86.4 percent) reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Another portion of the City’s net position, \$5.0 million, or 7.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3.7 million or 5.8 percent, may be used to meet the government’s ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects, etc.).

The following table (Statement of Activities) shows how the government’s net position changed during the fiscal year 2020-21 as compared to 2019-20. The City’s overall net position increased by \$1.3 million during the current fiscal year.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,197,513	\$ 3,990,609	\$ 6,305,136	\$ 5,994,971	\$ 10,502,649	\$ 9,985,580
Grants and contributions:					-	-
Operating	1,146,258	1,315,527	-	-	1,146,258	1,315,527
Capital	920,931	938,584	204,648	72,891	1,125,579	1,011,475
General revenues:					-	-
Property taxes, levied for general purposes	3,572,774	3,700,552	-	-	3,572,774	3,700,552
Transient occupancy taxes	3,088,589	3,463,110	-	-	3,088,589	3,463,110
Sales and use taxes	3,320,033	3,171,890	-	-	3,320,033	3,171,890
Measure J	2,546,124	2,265,087	-	-	2,546,124	2,265,087
Franchise taxes	560,718	557,266	-	-	560,718	557,266
Other taxes	491,641	480,756	-	-	491,641	480,756
State motor vehicle in-lieu	1,219,655	1,165,312	-	-	1,219,655	1,165,312
Investment earnings	14,467	239,605	49,161	81,795	63,628	321,400
Other general revenues	380,724	379,284	140,921	123,951	521,645	503,235
Total Revenues	21,459,427	21,667,582	6,699,866	6,273,608	28,159,293	27,941,190
Expenses:						
Governmental activities:					-	-
General government	3,395,795	3,480,332	-	-	3,395,795	3,480,332
Public safety	13,099,746	13,621,527	-	-	13,099,746	13,621,527
Public works	2,712,854	2,826,356	-	-	2,712,854	2,826,356
Community development	2,007,441	2,066,225	-	-	2,007,441	2,066,225
Parks and recreation	661,104	710,192	-	-	661,104	710,192
Interest and fiscal charges	53,832	31,233	-	-	53,832	31,233
Business-type activities:					-	-
Water	-	-	4,508,730	4,157,804	4,508,730	4,157,804
Cemetery	-	-	382,705	367,474	382,705	367,474
Interest on long-term debt	-	-	42,071	44,996	42,071	44,996
Total Expenses	21,930,772	22,735,865	4,933,506	4,570,274	26,864,278	27,306,139
Excess (Deficiency) of revenues over expenditures before transfers	(471,345)	(1,068,283)	1,766,360	1,703,334	1,295,015	635,051
Transfers	611,415	599,341	(611,415)	(599,341)	-	-
Transfers related to fiduciary activities	-	-	-	-	-	-
Change in Net Position	140,070	(468,942)	1,154,945	1,103,993	1,295,015	635,051
Restatement	7,335	-	-	-	7,335	-
Net position, beginning of year	42,957,560	43,426,502	\$ 20,153,705	19,049,712	63,111,265	62,476,214
NET POSITION, JUNE 30	\$ 43,104,965	\$ 42,957,560	\$ 21,308,650	\$ 20,153,705	\$ 64,413,615	\$ 63,111,265

**City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021**

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City’s total revenues for governmental and business-type activities increased by \$0.2 million, or 0.8 percent, from \$27.9 million to \$28.2 million for the fiscal year ended June 30, 2021. Approximately 81.8 percent of the City’s key revenues are generated from five major sources.

Following is a discussion of the variances in key revenues from the prior fiscal year:

1. **Charges for Services** – Revenue from charges for services for the fiscal year ended June 30, 2021, increased by \$0.5 million, or 5.2 percent, from \$10.0 million to \$10.5 million. This increase was primarily due to an increase in the ambulance billing revenues and an increase in water enterprise revenues.
2. **Property Taxes** - Revenue for the fiscal year ended June 30, 2021, decreased by \$0.1 million, or 3.5 percent, from \$3.7 million to \$3.6 million. This decrease reflects the weaker real estate market within the City of Sonoma.
3. **Transient Occupancy Taxes** – Annual receipts from the City’s Transient Occupancy Tax (TOT) decreased by \$0.4 million, or 10.8 percent, from \$3.5 million to \$3.1 million. This marked decrease was the direct result of curtailed tourism due to the COVID pandemic.
4. **Sales and Use Taxes**- Revenues increased by \$0.1 million, or 4.7 percent, in 2021 from \$3.2 million to \$3.3 million.
5. **Measure J** – Revenue from the Measure J sales tax increased by \$0.2 million, or 12.4 percent, from \$2.3 million to \$2.5 million.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$26.9 million. Governmental activity expenses totaled \$22.0 million, or 81.6 percent, of total expenses. Business-type activities expenses totaled \$4.9 million during the fiscal year. Public safety costs represented 59.7 percent of total governmental activities expenses.

Governmental Activities

The following table shows the cost of each of the City’s major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City’s taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal year ended June 30, 2021, was as follows:

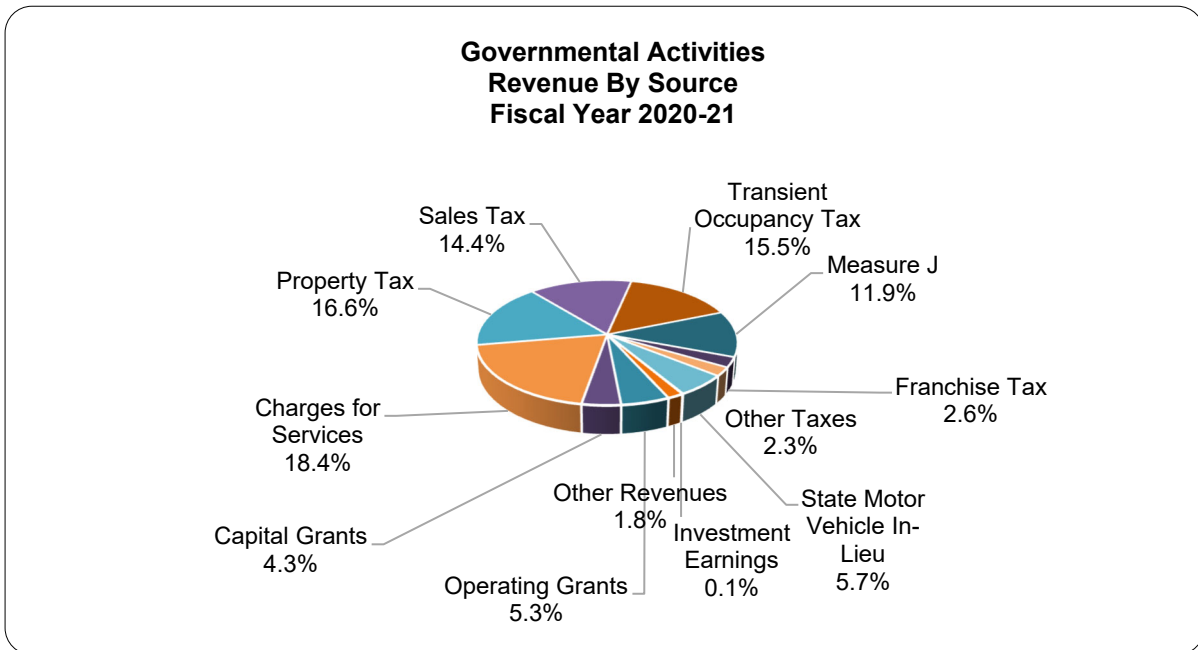
**City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021**

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

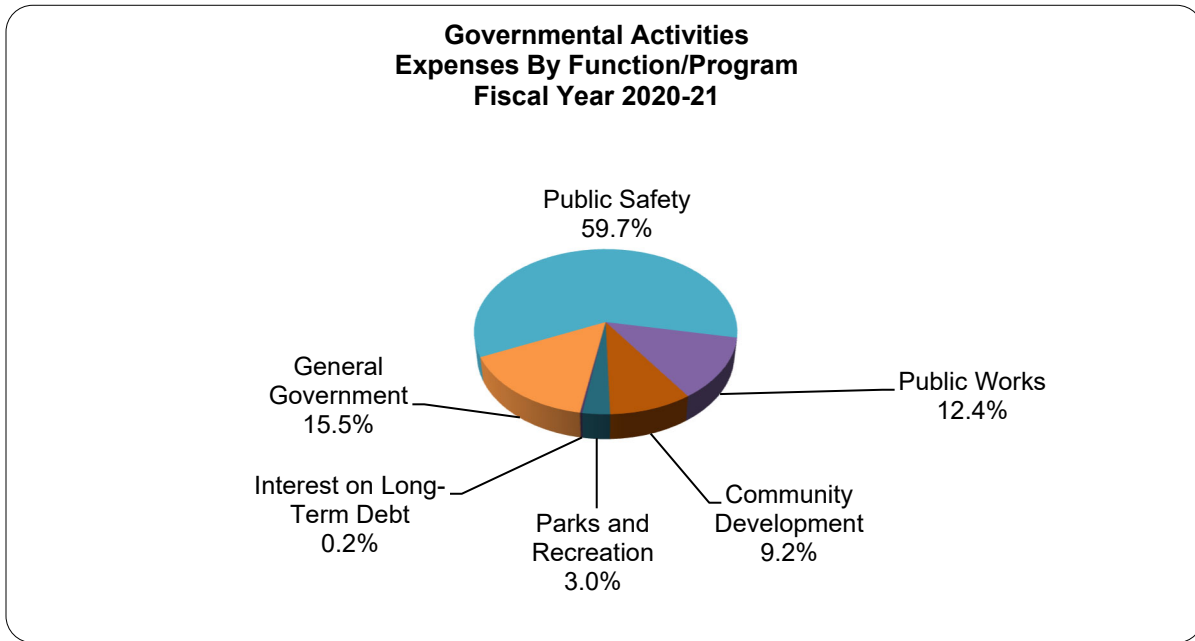
	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Revenue (Expenses of Activities)</u>
General government	\$ 3,395,795	\$ 442,501	\$ (2,953,294)
Public safety	13,099,746	3,812,305	(9,287,441)
Public works	2,712,854	1,510,655	(1,202,199)
Community development	2,007,441	491,333	(1,516,108)
Parks and recreation	661,104	7,908	(653,196)
Interest on long-term debt	53,832	-	(53,832)
TOTAL	\$ 21,930,772	\$ 6,264,702	\$ (15,666,070)

Revenues by source and expenses by function/program for the fiscal year ended June 30, 2021, are as follows:

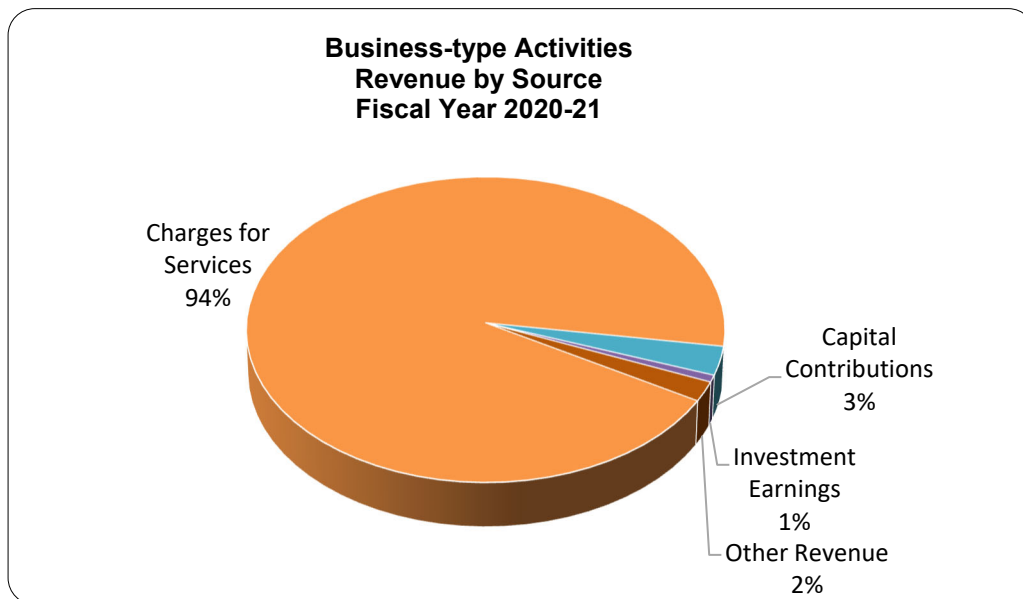


Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued



Business-type activities. The City’s net position for business-type activities increased by \$1.2 million, or 5.7 percent. The City has two business-type activities, the Water and Cemetery operations. The revenue by source for the Water and Cemetery business-type activities for the fiscal year ended June 30, 2021, are as follows:

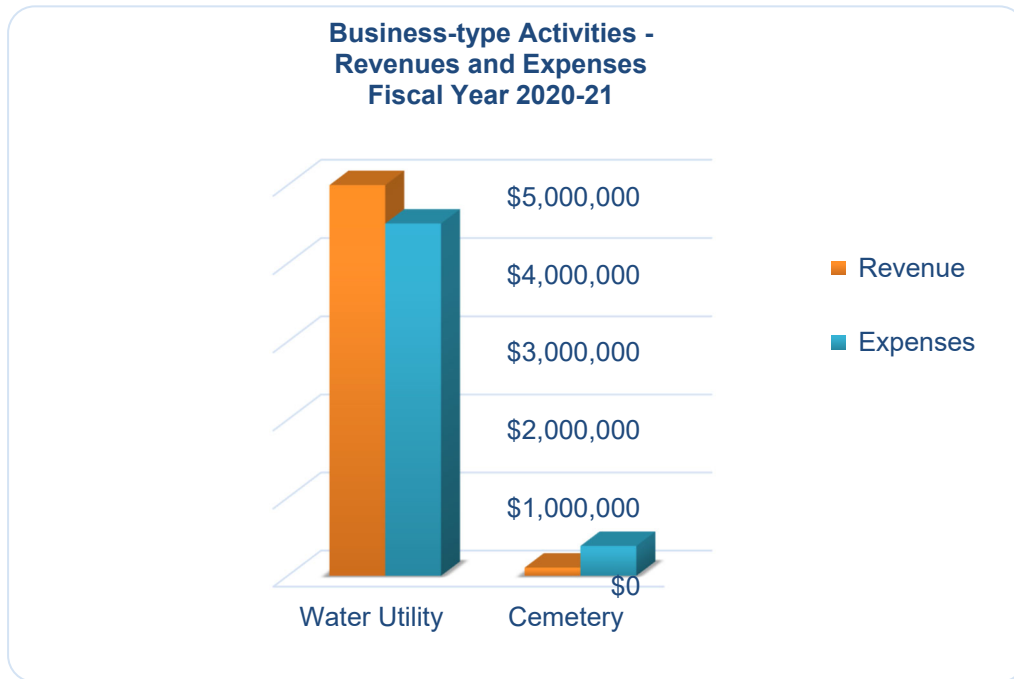


City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The operating revenues and expenses for the business-type activities for the fiscal year ended June 30, 2021, are as follows:



Financial Analysis of the Government’s Funds

The City of Sonoma uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide financial statements.

Governmental funds. The City’s governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2021, the City’s governmental funds reported combined fund balances of \$11.6 million.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2021, the General Fund’s fund balance totaled \$9.2 million, of which \$3.9 million was committed by the City Council for emergency and operating reserves. \$0.9 million was assigned – these are resources that are constrained by City Council’s intent to be used for specific purposes but are neither restricted nor committed. The remaining fund balance of \$4.3 million was unassigned.

Proprietary funds. The City’s proprietary funds unrestricted net position decreased by \$1.1 million in the fiscal year ended June 30, 2021, due to operating loss from water and cemetery enterprises.

General Fund Budgetary Highlights

General Fund revenues totaled \$19.4 million for the fiscal year ended June 30, 2021, which was \$2.7 million, or 16.5 percent, over the budget estimate of \$16.7 million. Total General Fund expenditures were \$20.0 million, or 3.7 percent, over the budget appropriation of \$19.3 million.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management’s Discussion and Analysis, Continued

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$56.9 million. This investment in capital assets includes land, buildings and improvements, equipment and vehicles, infrastructure and construction in progress.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,141,367	\$ 5,141,367	\$ 960,472	\$ 960,472	\$ 6,101,839	\$ 6,101,839
Buildings and improvements	14,191,776	14,014,688	1,756,888	1,819,018	15,948,664	15,833,706
Equipment and vehicles	2,294,097	2,600,383	140,983	129,117	2,435,080	2,729,500
Infrastructure	17,661,695	17,697,624	13,204,381	13,631,731	30,866,076	31,329,355
Construction in progress	1,212,294	1,413,266	301,364	144,711	1,513,658	1,557,977
Total	\$ 40,501,229	\$ 40,867,328	\$ 16,364,088	\$ 16,685,049	\$ 56,865,317	\$ 57,552,377

During the fiscal year ended June 30, 2021, the City’s total investment in capital assets decreased by \$0.7 million. As a net result of ongoing projects offset by \$34.3 million in depreciation. Additional information about the City’s capital assets can be found in Note F on pages 43 and 44 in the Notes to the Basic Financial Statements.

Long-term Debt

At June 30, 2021, the City’s debt was comprised of the following:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital Lease Obligations	\$ 125,247	\$ 166,996		\$ -	\$ 125,247	\$ 166,996
Pension Obligation bonds	-	395,000		-	-	395,000
PG&E Loan	-	45,454		-	-	45,454
Water Installment Sale	-	-	\$ 1,060,000	1,135,000	1,060,000	1,135,000
Total	\$ 125,247	\$ 607,450	\$ 1,060,000	\$ 1,135,000	\$ 1,187,268	\$ 1,742,450

The City made all required debt service payments on the issues listed above. Additional information on outstanding debt may be found in Note G on pages 45 and 46 in the Notes to the Basic Financial Statements.

Economic Outlook

The local economy continued to perform well during the 2020-21 fiscal year. The City’s population decreased to 10,924 in 2021. Total sales tax revenues increased by approximately 4.7 percent during FY 2020-21, nearly reaching pre-pandemic levels. Transient Occupancy Tax (TOT), a major source of revenue for the City, decreased 10.8 percent compared to last fiscal year due to COVID-19 pandemic. The budget outlook for FY 2021-22 is foreshadowing diminished revenues and the City is exploring reductions in the annual operating and capital budgets to address the expected downturn.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 pandemic and related state and local shelter-in-place orders are disrupting the tourist based transient occupancy taxes and related sales tax for Cities who rely on the tourist industry as their major revenue sources. The City has lost a significant amount of revenue due to this pandemic and

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2021

Management's Discussion and Analysis, Continued

appropriate and important part of the budget solution related to this world-wide health emergency. However, these are one-time funds, so the City has developed a multi-year General Fund forecast model as a tool for remaining on a financially sustainable path, with several scenarios for key revenues. The impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are unclear and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

Requests for Information

The Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sonoma Finance Department, No. 1 The Plaza, Sonoma, CA 95476, or visit the City's web page at www.sonomacity.org.

BASIC FINANCIAL STATEMENTS

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CITY OF SONOMA
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 14,502,533	\$ 7,613,954	\$ 22,116,487
Taxes receivable	2,848,273		2,848,273
Accounts receivable, net	1,276,918	752,963	2,029,881
Internal balances	332,496	(332,496)	-
Interest receivable	1,748	4,024	5,772
Due from other governments	8,751		8,751
Other assets	57,380	10,968	68,348
Notes receivable, net	181,535		181,535
Capital assets:			
Non-depreciable	6,353,661	1,261,836	7,615,497
Depreciable, net of accumulated depreciation	34,147,568	15,102,252	49,249,820
Total capital assets	<u>40,501,229</u>	<u>16,364,088</u>	<u>56,865,317</u>
TOTAL ASSETS	<u>59,710,863</u>	<u>24,413,501</u>	<u>84,124,364</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	2,955,334	305,499	3,260,833
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,955,334</u>	<u>305,499</u>	<u>3,260,833</u>
LIABILITIES			
Accounts payable and accrued expenses	825,604	120,405	946,009
Other payables		3,187	3,187
Due to other governments	884,020	436,064	1,320,084
Accrued interest payable		10,335	10,335
Deposits payable	967,124	210,436	1,177,560
Long-term liabilities:			
Due within one year			
Bonds, capital leases and contracts	41,749	80,000	121,749
Compensated absences	187,843	76,112	263,955
Due in more than one year			
Bonds, capital leases and contracts	83,498	980,000	1,063,498
Net pension liability	15,364,476	1,400,785	16,765,261
TOTAL LIABILITIES	<u>18,354,314</u>	<u>3,317,324</u>	<u>21,671,638</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	906,941	93,026	999,967
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>906,941</u>	<u>93,026</u>	<u>999,967</u>
NET POSITION			
Net investment in capital assets	40,375,982	15,304,088	55,680,070
Restricted for:			
Future water capacity		2,517,474	2,517,474
Public safety	140,938		140,938
Public works	2,075,017		2,075,017
Community development	244,136		244,136
Donations	49,146		49,146
Unrestricted	519,723	3,487,088	4,006,811
TOTAL NET POSITION	<u>\$ 43,404,942</u>	<u>\$ 21,308,650</u>	<u>\$ 64,713,592</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental Activities				
General government	\$ 3,395,795	\$ 442,501		
Public safety	13,099,746	2,698,547	\$ 1,113,758	
Public works	2,712,854	589,724		\$ 920,931
Community development	2,007,441	458,833	32,500	
Parks and recreation	661,104	7,908		
Interest on long-term debt	53,832			
Total governmental activities	<u>21,930,772</u>	<u>4,197,513</u>	<u>1,146,258</u>	<u>920,931</u>
Business-type activities				
Water	4,508,730	6,200,043		204,648
Cemetery	382,705	105,093		
Interest on long-term debt	42,071			
Total business-type activities	<u>4,933,506</u>	<u>6,305,136</u>	<u>-</u>	<u>204,648</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 26,864,278</u>	<u>\$ 10,502,649</u>	<u>\$ 1,146,258</u>	<u>\$ 1,125,579</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy taxes, levied for general purposes
- Sales taxes
- Measure J
- Franchise taxes
- Other taxes

Intergovernmental:

- State motor vehicle in-lieu tax (MVLFF)
- Unrestricted investment earnings
- Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as previously reported

Restatement

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (2,953,294)		\$ (2,953,294)
(9,287,441)		(9,287,441)
(1,202,199)		(1,202,199)
(1,516,108)		(1,516,108)
(653,196)		(653,196)
(53,832)		(53,832)
<u>(15,666,070)</u>		<u>(15,666,070)</u>
	\$ 1,895,961	1,895,961
	(277,612)	(277,612)
	(42,071)	(42,071)
<u>-</u>	<u>1,576,278</u>	<u>1,576,278</u>
<u>(15,666,070)</u>	<u>1,576,278</u>	<u>(14,089,792)</u>
3,572,774		3,572,774
3,088,589		3,088,589
3,320,033		3,320,033
2,546,124		2,546,124
560,718		560,718
491,641		491,641
1,219,655		1,219,655
14,467	49,161	63,628
380,724	140,921	521,645
<u>15,194,725</u>	<u>190,082</u>	<u>15,384,807</u>
611,415	(611,415)	-
<u>15,806,140</u>	<u>(421,333)</u>	<u>15,384,807</u>
140,070	1,154,945	1,295,015
42,957,560	20,153,705	63,111,265
307,312		307,312
<u>43,264,872</u>	<u>20,153,705</u>	<u>63,418,577</u>
<u>\$ 43,404,942</u>	<u>\$ 21,308,650</u>	<u>\$ 64,713,592</u>

CITY OF SONOMA
Balance Sheet
Governmental Funds
June 30, 2021

	Major Fund		
	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 8,044,477	\$ 2,505,861	\$ 10,550,338
Receivables:			
Taxes receivable	2,749,390	98,883	2,848,273
Accounts receivable, net	1,217,841	59,077	1,276,918
Intergovernmental	8,751		8,751
Interest receivable	(1,625)	1,320	(305)
Due from other funds	339,317		339,317
Prepaid items	20,086		20,086
TOTAL ASSETS	\$ 12,378,237	\$ 2,665,141	\$ 15,043,378
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 730,476	\$ 54,025	\$ 784,501
Due to other governments	884,020		884,020
Due to other funds		56,932	56,932
Deposits payable	815,407	142,460	957,867
TOTAL LIABILITIES	2,429,903	253,417	2,683,320
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	461,571		461,571
Fund balances:			
Nonspendable - prepaid items	20,086		20,086
Restricted for:			
Public safety		140,938	140,938
Public works		2,075,017	2,075,017
Community development		244,136	244,136
Cemetery improvements	49,146		49,146
Committed	3,880,308		3,880,308
Assigned	915,533		915,533
Unassigned (deficit)	4,621,690	(48,367)	4,573,323
TOTAL FUND BALANCES	9,486,763	2,411,724	11,898,487
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,378,237	\$ 2,665,141	\$ 15,043,378

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balance, governmental funds	\$	11,898,487
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		40,501,229
Revenues which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.		461,571
Pension contributions subsequent to the plan's measurement date and other deferrals will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.		2,955,334
Internal service funds are used by management to charge the costs of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. This amount excludes long-term assets and liabilities reported separately below.		4,172,828
Long-term assets and liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Long-term debt		(125,247)
Compensated absences		(187,843)
Net pension liability		(15,364,476)
Employee pension differences to be recognized in the future as pension expense are reported as deferred inflows of resources on the statement of net position.		(906,941)
		(906,941)
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION	\$	<u><u>43,404,942</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund		Other Governmental Funds	Total Governmental Funds
	General Fund		Funds	Funds
REVENUES				
Property taxes	\$ 4,717,429			\$ 4,717,429
Sales taxes	5,866,157			5,866,157
Other taxes	3,860,899	\$ 275,128		4,136,027
Licenses and permits	7,640	46,445		54,085
Fines and forfeitures	17,281			17,281
Intergovernmental	1,013,834	595,679		1,609,513
Use of money and property	92,101	5,275		97,376
Charges for services	3,533,829			3,533,829
Other revenues	299,532			299,532
TOTAL REVENUES	19,408,702		922,527	20,331,229
EXPENDITURES				
Current:				
General government	2,614,555			2,614,555
Public safety	13,235,564	6,995		13,242,559
Public works	1,828,008	4,300		1,832,308
Community development	1,561,721	60,384		1,622,105
Parks and recreation	602,428	26,592		629,020
Debt Service:				
Principal	45,454	436,749		482,203
Interest and other charges	37,849	15,983		53,832
Capital outlay	42,193	390,657		432,850
TOTAL EXPENDITURES	19,967,772		941,660	20,909,432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(559,070)		(19,133)	(578,203)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	5,000			5,000
Transfers in	796,212	449,649		1,245,861
Transfers out	(449,649)	(100,000)		(549,649)
TOTAL OTHER FINANCING SOURCES AND USES	351,563		349,649	701,212
CHANGE IN FUND BALANCE	(207,507)		330,516	123,009
Fund balances, beginning of year as originally reported	9,386,958	2,081,208		11,468,166
Restatement	307,312			307,312
Fund balances, beginning of year as restated	9,694,270	2,081,208		11,775,478
FUND BALANCES, END OF YEAR	\$ 9,486,763		\$ 2,411,724	\$ 11,898,487

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds: \$ 123,009

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	432,850
Depreciation expense	(1,459,357)
Donation of assets	660,408

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 190,192

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds, net of amortization of deferred amount on refunding. 482,203

Internal service funds are used by management to charge the costs of activities to individual funds. The net revenue of certain internal service funds is reported with governmental activities. 311,547

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	8,927
Change in deferred outflow of resources	(34,515)
Change in net pension obligation	(1,022,265)
Change in deferred inflow of resources	447,071
	447,071

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 140,070**

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities-			Governmental
	Water	Cemetery	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 7,607,119	\$ 6,835	\$ 7,613,954	\$ 3,952,195
Receivables:				
Accounts	750,952	2,011	752,963	
Interest	4,014	10	4,024	2,053
Notes				181,535
Due from other funds				288,613
Advances to other funds	-		-	
Prepaid items	8,879	2,089	10,968	37,294
Total current assets	<u>8,370,964</u>	<u>10,945</u>	<u>8,381,909</u>	<u>4,461,690</u>
Noncurrent assets:				
Capital assets				
Non-depreciable	1,065,532	196,304	1,261,836	
Depreciable, net of accumulated	13,986,551	1,115,701	15,102,252	1,954,350
Total non-current assets	<u>15,052,083</u>	<u>1,312,005</u>	<u>16,364,088</u>	<u>1,954,350</u>
TOTAL ASSETS	<u>23,423,047</u>	<u>1,322,950</u>	<u>24,745,997</u>	<u>6,416,040</u>
Deferred outflow of resources:				
Pensions	231,947	73,552	305,499	
Total deferred outflow of resources	<u>231,947</u>	<u>73,552</u>	<u>305,499</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	89,808	30,597	120,405	41,103
Due to other funds		570,998	570,998	
Due to other governments	436,064		436,064	
Deposits payable	135,022	75,414	210,436	9,257
Interest payable	10,335		10,335	
Other payables	3,183	4	3,187	
Compensated absences, current portion	59,346	16,766	76,112	
Loans payable, current portion	80,000		80,000	
Total current liabilities	<u>813,758</u>	<u>693,779</u>	<u>1,507,537</u>	<u>50,360</u>
Non-current liabilities:				
Loans payable	980,000		980,000	
Net pension liability	1,063,531	337,254	1,400,785	
Total non-current liabilities	<u>2,043,531</u>	<u>337,254</u>	<u>2,380,785</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,857,289</u>	<u>1,031,033</u>	<u>3,888,322</u>	<u>50,360</u>
Deferred inflow of resources:				
Pensions	70,629	22,397	93,026	
Total deferred inflow of resources	<u>70,629</u>	<u>22,397</u>	<u>93,026</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	13,992,083	1,312,005	15,304,088	1,954,350
Restricted for future water capacity	2,517,474		2,517,474	
Unrestricted (deficit)	4,217,519	(968,933)	3,248,586	4,411,330
TOTAL NET POSITION	<u>\$ 20,727,076</u>	<u>\$ 343,072</u>	21,070,148	<u>\$ 6,365,680</u>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

238,502

TOTAL NET POSITION PER GOVERNMENT-WIDE FINANCIAL STATEMENTS \$ 21,308,650

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Funds
	Water	Cemetery		
OPERATING REVENUES				
Charges for services	\$ 6,200,043	\$ 105,093	\$ 6,305,136	
Interdepartmental charges				\$ 606,156
Other operating revenue	(491)	141,286	140,795	
TOTAL OPERATING REVENUES	<u>6,199,552</u>	<u>246,379</u>	<u>6,445,931</u>	<u>606,156</u>
OPERATING EXPENSES				
Personnel expense	952,829	247,433	1,200,262	
Maintenance and operations	66,363	11,644	78,007	144,913
Depreciation	480,828	38,663	519,491	312,483
Other operating expenses	3,008,710	84,965	3,093,675	66,118
TOTAL OPERATING EXPENSES	<u>4,508,730</u>	<u>382,705</u>	<u>4,891,435</u>	<u>523,514</u>
OPERATING INCOME (LOSS)	<u>1,690,822</u>	<u>(136,326)</u>	<u>1,554,496</u>	<u>82,642</u>
NON-OPERATING REVENUES (EXPENSES)				
Proceeds from sale of assets	126		126	
Interest revenue	49,092	69	49,161	1,219
Interest expense	(42,071)		(42,071)	
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>7,147</u>	<u>69</u>	<u>7,216</u>	<u>1,219</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,697,969</u>	<u>(136,257)</u>	<u>1,561,712</u>	<u>83,861</u>
Capital contributions	204,648		204,648	
Transfers in		39,903	39,903	
Transfers out	(651,318)		(651,318)	(84,797)
CHANGE IN NET POSITION	<u>1,251,299</u>	<u>(96,354)</u>	<u>1,154,945</u>	<u>(936)</u>
Net position, beginning of year	<u>19,475,777</u>	<u>439,426</u>	<u>19,915,203</u>	<u>6,366,616</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 20,727,076</u>	<u>\$ 343,072</u>		<u>\$ 6,365,680</u>
Change in net position			1,154,945	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>-</u>	
CHANGE IN NET POSITION OF BUSINESS TYPE ACTIVITIES			<u>\$ 1,154,945</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities-		Total	Governmental
	Enterprise Funds			Activities
	Water	Cemetery		Internal Service
				Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 6,559,152	\$ 265,847	\$ 6,824,999	
Cash paid to suppliers	(3,222,389)	(64,227)	(3,286,616)	\$ (218,141)
Cash paid to employees and related benefits	(847,984)	(223,605)	(1,071,589)	
Cash (paid) received from interfund services provided	(164,518)	(11,142)	(175,660)	606,156
Other operating revenues received				-
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,324,261	(33,127)	2,291,134	388,015
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Amounts received (paid) to other funds	(134,393)	39,903	(94,490)	(84,797)
Other revenues received	126		126	
CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(134,267)	39,903	(94,364)	(84,797)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital expenditures	(198,530)		(198,530)	-
Capital revenues received	204,648		204,648	
Principal paid on long-term liabilities	(75,000)		(75,000)	
Interest paid on long-term liabilities	(42,802)		(42,802)	
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(111,684)	-	(111,684)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	57,378	59	57,437	9,069
CHANGE IN CASH AND INVESTMENTS	2,135,688	6,835	2,142,523	312,287
Cash and investments, beginning of year	5,471,431		5,471,431	3,639,908
CASH AND INVESTMENTS, END OF YEAR	\$ 7,607,119	\$ 6,835	\$ 7,613,954	\$ 3,952,195
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,690,822	\$ (136,326)	\$ 1,554,496	\$ 82,642
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	480,828	38,663	519,491	312,483
Change in pension obligation and related deferred inflows (outflows)	110,749	23,264	134,013	
Changes in operating assets and liabilities:				
Accounts and other receivables	(76,464)	19,468	(56,996)	
Prepaid expenses	(8,860)	(2,085)	(10,945)	8,606
Accounts payable and accrued expenses	(304,913)	23,321	(281,592)	(15,716)
Deposits payable	1,404		1,404	
Unearned revenue				-
Compensated absences	(5,904)	564	(5,340)	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,887,662	\$ (33,131)	\$ 1,854,531	\$ 388,015

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
	Successor Agency	
	Former Sonoma Community Development Agency	
ASSETS		
Current assets:		
Cash and investments	\$ 1,873,301	\$ 1,358,853
Cash and investments with trustee/fiscal agent	7,737,746	
Receivables:		
Interest	6,902	
Total current assets	9,617,949	1,358,853
TOTAL ASSETS	\$ 9,617,949	\$ 1,358,853
LIABILITIES AND NET POSITION		
Current liabilities:		
Interest payable	\$ 189,273	
Notes payable, due within one year	209,784	
Bonds payable, due within one year	1,280,000	
Total current liabilities	1,679,057	
Long-term liabilities:		
Notes payable, due after one year	1,677,822	
Bonds payable, due after one year	28,755,119	
Total long-term liabilities	30,432,941	
TOTAL LIABILITIES	32,111,998	-
Net position (deficit):		
Net position held in trust for:		
Redevelopment Dissolution	(22,651,549)	
Sonoma Valley Fire District		\$ 1,358,853
TOTAL NET POSITION (DEFICIT)	(22,651,549)	1,358,853
TOTAL LIABILITIES AND NET POSITION	\$ 9,460,449	\$ 1,358,853

The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Property taxes	\$ 3,241,640	
Investment income	(5,731)	
	3,235,909	-
Total operating revenues	3,235,909	-
DEDUCTIONS:		
Community development	114,000	
Interest and trustee fees	1,845,963	
Transfers to Sonoma Valley Fire District		\$ 2,419,522
	1,959,963	2,419,522
Total operating expenses	1,959,963	2,419,522
Change in Net Position	1,275,946	(2,419,522)
Net position, beginning of year	(23,927,495)	3,778,375
Net position, end of year	\$ (22,651,549)	\$ 1,358,853

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sonoma (City) was incorporated in 1883, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety, public works and facilities, community services, public utilities, and community development.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City applies all GASB pronouncements to its activities. The more significant of these accounting policies are described below.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales tax, property tax, Measure J (Transactions and Use Tax), and Transient Occupancy Tax (TOT).

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Sonoma, Finance Department, 1 The Plaza Sonoma, CA 95476.

The City's reporting entity includes the following blended component unit:

Sonoma Community Housing Corporation – was created as a public benefit corporation to provide affordable public housing. It is governed by two members of the City Council and two City employees. The only activity of the Sonoma Community Housing Corporation is reported in the Sonoma Creek Senior Housing Special Revenue Fund.

Sonoma Public Financing Authority – is governed by a board comprised of members of the City's elected Council.

The above component units are included in the City's basic financial statements using the blended method because of the significance of their operational or financial relationships with the City. There are no component units of the City that meet the criteria for discrete presentation.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City is a member of joint powers authorities (JPA) in which the City has only a residual equity interest in the related entity. The City is not liable for the liabilities of the entities if they dissolve under the related JPA agreement. However, Senate Bill 1912, effective January 1, 2019, requires members of a JPA that participates in a public retirement system to agree on the apportionment of the JPA's retirement liability to the members of the JPA if the JPA dissolves or otherwise terminates its contract with the public retirement system. The City is a member of the following joint ventures: Sonoma County Waste Management Agency (WMA) (waste recycle services), Sonoma County Library JPA, Sonoma County Public Safety Consortium (SCPSC), Sonoma Valley Fire & Rescue Authority (SVFRA) (fire and emergency medical services), Sonoma Valley Groundwater Sustainability Agency (SGA) (groundwater sustainability planning) and Sonoma Valley Citizens Advisory Commission (SVCAC) (local planning). The financial statements of the joint powers authorities are available on the websites of the related entities, if applicable.

During the year ended June 30, 2021, no amounts were contributed to WMA or Sonoma County Library JPA or SVCAC. The City paid \$84,145 to SCPSC, \$5,260,948 to SVFRA and \$97,767 to SGA during the year ended June 30, 2021.

Basis of Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities display information about the nonfiduciary activities of the government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues, while business-type activities rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources classified as program revenues are reported as *general revenues*.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental fund in the accompanying financial statements:

- **General Fund** – The General Fund is the primary operating fund of the City. It accounts for all activities except those legally or administratively required to be accounted for in another fund. From this fund are paid the City’s general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

The City reported both of its enterprise funds as major funds in the accompanying financial statements:

- **Water Enterprise Fund** – Accounts for the operations of the City’s treatment and distribution system.
- **Cemetery Enterprise Fund** – Accounts for the operation and maintenance of the Mountain Valley and Veteran’s Cemeteries.

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds - Special revenue funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Internal Service Funds – Internal service funds are used to account for building maintenance, fleet and information technology services provided to other departments or agencies of the City on a cost-reimbursement basis.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Fiduciary Funds

Private Purpose Trust Funds - Private Purpose Trust Funds are used to account for fiduciary assets not required to be reported in another fiduciary fund type. The City’s private purpose trust funds are used to account for the activities of the Successor Agency to the Community Redevelopment Agency of City of Sonoma as described in Note M.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds - Agency Funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not presented in the government-wide financial statements.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds, with the exception of agency funds, which have no measurement focus. The accounting objectives of economic resources measurement focus are the determination of net income, financial position, and cash flows. 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 recorded in the year for which they are levied. Sales taxes are recognized when the underlying sales transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. All assets and liabilities (whether current or noncurrent) as well as deferred outflows and inflows of resources, associated with their activities are reported. Fund equity is classified as net position, which serves as an indicator of financial position.

In the governmental fund financial statements, the “current financial resources” measurement focus is used and the modified accrual basis of accounting. Only current financial assets and liabilities along with deferred outflows and inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statements, proprietary funds and private purpose trust funds are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund, including charges for services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount, and available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant, sales tax and emergency medical services (EMS) revenues. Grant revenues are considered to be available if collected within 180 days and sales tax and EMS revenues are considered to be available if collected within 90 days of the end of the current fiscal period.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, franchise 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 year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 nonoperating revenues and expenses.

Accounts Receivable

Included in accounts receivable in the General Fund are ambulance fees receivable arising from billings to insurance companies and patients for ambulance services. The City has a receivable balance of \$225,814, which is net of an allowance for doubtful accounts of \$212,424 at June 30, 2021. The allowance includes an estimate for future uncollectible debt and insurance write-offs.

Property Tax Revenues

Sonoma County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Prepaid Items

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. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated acquisition cost at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25 – 50 years
Machinery and equipment	8 – 30 years
Furniture and fixtures	5 – 12 years
Software	5 – 7 years
Infrastructure	5 – 60 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position reports a separate section for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expenditure/expense) or an inflow of resources (revenue) until the earnings process is complete. The governmental funds report unavailable revenues for grants and other revenues when the amounts meet the asset recognition criteria under GASB 33 and were accrued as receivables, but the amounts were not received in the availability period. Deferred outflows and inflows of resources include amounts deferred related to the City's pension plans under GASB 68 as described in Note I.

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for 40 to 120 hours of unused annual leave depending upon their length of service. All vacation pay is accrued when incurred in the government-wide and proprietary 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 or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

Long-term Obligations

Long-term debt of governmental funds are reported at face value in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, proceeds from borrowing are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Equity Classification

Government-Wide Statements

Equity in government-wide and proprietary fund statements is classified as net position and is displayed in three components:

Net investment capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages,

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The net investment in capital assets for the City represents the balance of capital assets, net of depreciation since the City has no long-term liabilities outstanding.

Restricted net position – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed in the following components:

Nonspendable Fund Balance – Assets that will never convert to cash (prepaid items and inventory) and assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable not deferred in the fund statements).

Restricted Fund Balance – Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments), or subject to limitations imposed by law through constitutional provisions or enabling legislation (e.g., Gas Tax).

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council modifies or removes the fund balance commitment.

Assigned Fund Balance – Resources constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. Governmental fund amounts in excess of nonspendable, restricted and committed in other than the General Fund are automatically reported as assigned.

Unassigned Fund Balance – Unassigned fund balance is the residual classification of the City’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The City’s committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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 Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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. The net position liability is generally liquidated by the City's General, Internal Service and Water Funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

New Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if the holding meets the definition of an investment. Special-purpose governments engaged in only fiduciary activities, fiduciary funds and endowments should measure the majority equity interest that meets the definition of an investment at fair value. For all other holdings of a majority equity interest in a legally separate

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

organization, a government should report the legally separate organization as a component unit because it is considered to be financially accountable for the legally separate organization and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 2) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 3) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 4) reporting by public entity and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. This Statement is applicable for item 4 above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

The City is currently analyzing the impact of the required implementation of these new statements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the Sonoma Municipal Code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal City Council action or approval.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

The City establishes budgets for all governmental funds except the Public, Educational and Governmental, Strong Motion, Asset Forfeiture, Bond Property Maintenance, Schell Drainage, Abandoned Vehicle, and Sonoma Creek Senior Housing Funds.

The General, Measure M and Cemetery Funds had expenditures in excess of final appropriation for the year ended June 30, 2021 by \$548,559, \$115,916 and \$8,270, respectively. These over-expenditures were funded by available fund balance.

NOTE C – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. At June 30, 2021, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

Government-wide Statements of Net Position	
Governmental Activities	\$ 14,502,533
Business-type Activities	7,613,954
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	1,873,301
Private Purpose Trust Fund - Restricted Cash	7,737,746
Custodial Funds	1,358,853
	<hr/>
Total cash and investments	\$ 33,086,387
	<hr/>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – CASH AND INVESTMENTS (Continued)

As of June 30, 2021, the City’s cash and investments consisted of the following:

Cash on hand	\$ 850
Deposits with financial institutions	8,939,050
Investments:	
Held by City	16,408,741
Held by fiscal agents	<u>7,737,746</u>
Total cash and investments	<u>\$ 33,086,387</u>

Investments Authorized by the California Government Code and the City’s Investment Policy: The City’s Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The following table also identifies certain provisions of the California Government Code, or the City’s Investment Policy where the City’s Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Government Agency securities	5 years	None	None
Bankers' Acceptances	270 days	30%	30%
Negotiable Certificate of Deposit	5 years	50%	None
Certificates of Deposits	5 years	None	None
State of California Local Agency Investment Fund (State Pool)	N/A	None	\$50 Million per entity
Money Market Funds	N/A	None	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
Repurchase Agreements	1 year	25%	None

Investments Authorized by Debt Agreements: The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposits with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

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, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City generally manages its interest rate risk by investing in the Local Agency Investment Fund (LAIF), which provides the necessary cash flow and liquidity needed for operations, as well as purchasing a combination of shorter term and longer term investments so that a portion of the portfolio is maturing or coming close to maturing evenly over time.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity or earliest call date:

Authorized Investment Type	12 Months or less	13 to 36 Months	Total
California Local Agency Investment Fund	\$ 16,408,741		\$ 16,408,741
Money market mutual fund	7,737,746		7,737,746
Total investments	24,146,487	-	24,146,487
Cash on hand	850		850
Cash in bank	8,939,050		8,939,050
Total cash and investments	\$ 33,086,387	\$ -	\$ 33,086,387

Investment in LAIF: The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds,

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – CASH AND INVESTMENTS (Continued)

United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The total fair value amount invested by all public agencies in LAIF is \$193,463,490,765 managed by the State Treasurer. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by the State Statute. At June 30, 2021, these investments matured in an average of 291 days.

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. The following are credit ratings issued by Moody's and Standard and Poor's as of June 30, 2021:

Investment Type	Aaa/AAA	Not Rated	Total
California Local Agency Investment Fund		\$ 16,408,741	\$ 16,408,741
Money market mutual fund	\$ 7,737,746		7,737,746
Totals	<u>\$ 7,737,746</u>	<u>\$ 16,408,741</u>	<u>\$ 24,146,487</u>

Concentration of Credit Risk: The investment policy of the City has no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. No investments exceeded 5% of total investments at June 30, 2021.

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 the failure of the counterparty (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, 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 governmental unit). 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the City had \$9,293,169 in deposits at banks above the federally insured limit, which are collateralized.

Fair Value Measurement: The City categorizes its fair value measurements within the fair value 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE C – CASH AND INVESTMENTS (Continued)

The City has the following recurring fair value measurements as of June 30, 2021:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market mutual fund	\$ 7,737,746		\$ 7,737,746	
Total investments by fair value level	7,737,746	\$ -	\$ 7,737,746	\$ -
Investments uncategorized				
California Local Agency Investment Fund	16,408,741			
	<u>\$ 24,146,487</u>			

All securities classified in Level 2 are valued using pricing models that are based on market data, such as matrix or model pricing, which use standard inputs, which include benchmark yields, reported trades, broker/dealer quotes, issue spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

NOTE D – NOTES RECEIVABLE

The City and the Valley of the Moon Fire District have entered into a capital lease for a fire apparatus. At June 30, 2021, the lease receivable balance was \$181,535.

Future minimum lease payments to be received are as follows:

	Principal	Interest
2021	\$ 44,375	\$ 2,723
2022	45,041	2,057
2023	45,717	1,382
2024	46,402	696
Total	<u>\$ 181,535</u>	<u>\$ 6,858</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE E – INTERFUND TRANSACTIONS

Interfund transactions between funds are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables as appropriate, and are subject to elimination upon consolidation. The City transfers resources among funds in the course of normal operations. Services provided, deemed to be at market or near market rates, such as vehicle maintenance, are accounted for as revenues and expenditures/ expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	2012 Pension Obligation Bonds Debt Service Fund	\$ 402,900 (C)
	2008 CREB Debt Service Fund	41,749 (C)
	Capital Improvement Program Fund	5,000 (B)
Major Enterprise Funds:		
Water	General Fund	611,415 (A)
	Cemetery Fund	39,903 (A)
Non-Major Special Revenue Funds:		
Computer Loan Fund	General Fund	60,311 (D)
Hardscape Fund	General Fund	24,486 (D)
Supplemental Law Enforcement	General Fund	100,000 (A)
		<u>\$ 1,285,764</u>

- (A) Transfer resources to fund incurring expenditures
- (B) Transfer to fund capital improvements
- (C) Transfer to fund debt service payments
- (D) Transfer to closeout internal service funds

The Water Fund transfers were made to provide resources recorded to other funds for water projects or related activities.

Other Special Revenue transfers out were to fund various programs and projects expended out of other funds.

Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2021, the following funds have interfund balances.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE E – INTERFUND TRANSACTIONS (Continued)

Fund Making Loan	Fund Receiving Loan	Amount
General Fund	Major Enterprise Fund:	
	Cemetery Fund	\$ 282,385
	Non-Major Special Revenue Funds:	
	Bond Property Maintenance	19,144
	Abandoned Vehicle	1,106
	Pension Obligation Bonds	6,529
	Public, Educational & Govt Fund	30,153
Internal Service Funds	Major Enterprise Fund	
	Cemetery Fund	288,613
	Total Due To/Due From Other Funds	<u>\$ 627,930</u>

Long-Term Interfund Advances

The General Fund was reflecting an advance from the Water Fund for interfund transfers made from the Water Fund to General Fund related to franchise fees, and in lieu property tax that were determined to be disallowed. The advance was repaid during the year ended June 30, 2021.

NOTE F – CAPITAL ASSETS

Capital assets at June 30 comprise:

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 5,141,367				\$ 5,141,367
Construction in progress	1,413,266	\$ 365,528		\$ (566,500)	1,212,294
Total capital assets, not being depreciated	<u>6,554,633</u>	<u>365,528</u>	-	<u>(566,500)</u>	<u>6,353,661</u>
Capital assets, being depreciated:					
Buildings and improvements	24,172,569	660,408			24,832,977
Equipment and vehicles	6,546,655	67,322			6,613,977
Infrastructure	22,662,312			566,500	23,228,812
Total capital assets, being depreciated	<u>53,381,536</u>	<u>727,730</u>	-	-	<u>54,675,766</u>
Less accumulated depreciation for:					
Buildings and improvements	(10,157,881)	(483,320)			(10,641,201)
Equipment and vehicles	(3,946,272)	(373,608)			(4,319,880)
Infrastructure	(4,964,688)	(602,429)			(5,567,117)
Total accumulated depreciation	<u>(19,068,841)</u>	<u>(1,459,357)</u>	-	-	<u>(20,528,198)</u>
Capital assets being depreciated, net	<u>34,312,695</u>	<u>(731,627)</u>	-	-	<u>34,147,568</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 40,867,328</u>	<u>\$ (366,099)</u>	-	-	<u>\$ 40,501,229</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE F – CAPITAL ASSETS (Continued)

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
<u>Business-Type Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 960,472				\$ 960,472
Construction in progress	144,711	\$ 156,653			301,364
Total capital assets, not being depreciated	<u>1,105,183</u>	<u>156,653</u>		<u>-</u>	<u>1,261,836</u>
Capital assets, being depreciated:					
Buildings and improvements	3,136,523				3,136,523
Equipment and vehicles	638,315	41,877			680,192
Infrastructure	25,085,976				25,085,976
Total capital assets, being depreciated	<u>28,860,814</u>	<u>41,877</u>	<u>-</u>	<u>-</u>	<u>28,902,691</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,317,505)	(62,130)			(1,379,635)
Equipment and vehicles	(509,198)	(30,011)			(539,209)
Infrastructure	(11,454,245)	(427,350)			(11,881,595)
Total accumulated depreciation	<u>(13,280,948)</u>	<u>(519,491)</u>	<u>-</u>		<u>(13,800,439)</u>
Capital assets being depreciated, net	<u>15,579,866</u>	<u>(477,614)</u>		<u>-</u>	<u>15,102,252</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u><u>\$ 16,685,049</u></u>	<u><u>\$ (320,961)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,364,088</u></u>

Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

	<u>Depreciation</u>
Governmental Activities:	
General government	\$ 90,681
Parks and Recreation	113,998
Public safety	272,000
Public works	638,110
Community development	32,084
MIS Fund	14,575
Vehicle Replacement Fund	297,908
Total Governmental Activities	<u><u>\$ 1,459,356</u></u>
Business-type Activities:	
Water	\$ 480,828
Cemetery	38,663
Total Business-type Activities	<u><u>\$ 519,491</u></u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
<u>Governmental Activities</u>					
Capital Lease Obligations - CREBs	\$ 166,996		\$ (41,749)	\$ 125,247	\$ 41,749
Pension Obligation bond	395,000		(395,000)	-	
PG&E Loan	45,454		(45,454)	-	
Total Governmental Long-Term Debt	607,450	-	(482,203)	125,247	41,749
Compensated absences	196,770		(8,927)	187,843	
Net pension liability	14,342,211	\$ 1,022,265		15,364,476	
Total Governmental Long-Term Debt, Net	\$ 15,146,431	\$ 1,022,265	\$ (491,130)	\$ 15,677,566	\$ 41,749
<u>Business-type Activities</u>					
2012 Refunding Water Sales Agreement	\$ 1,135,000		\$ (75,000)	\$ 1,060,000	\$ 80,000
Total Business-type Long-Term Debt	1,135,000	-	(75,000)	1,060,000	80,000
Compensated absences	81,452		(5,340)	76,112	
Net pension liability	1,240,233	\$ 160,552	-	1,400,785	
Total Business-type Activity Debt	\$ 2,456,685	\$ 160,552	\$ (80,340)	\$ 2,536,897	\$ 80,000

All of the City’s debt are direct borrowings.

Governmental Activities

Capital Lease Obligations

In 2007, the City submitted applications to the United States Internal Revenue Service (IRS) for allocation of Clean Renewable Energy Bonds (CREBs). The IRS awarded the City an allocation of \$1,156,000 to finance solar paneling projects at four different municipal facilities within the City limits. Bonds were issued on July 10, 2008 and tax credits were granted to the lender upon financing. The obligation is a lease agreement with Municipal Finance Corporation in the amount of \$1,156,000 entered into on July 10, 2008. Principal installments of \$41,749 are made on December 15 of each year, with the final installment due on December 15, 2024. If the City were to default on this lease, any payments in default will accrue interest at the rate of 8%.

2012 Pension Obligation Bond

On December 20, 2012, the City issued Taxable Pension Obligation Bonds in the amount of \$2,925,000 to refund its obligation to make certain payments to PERS in respect of retired public safety and miscellaneous employees under the Side Fund program of PERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.5%. Debt service will be funded from the revenue of the General Fund. Interest rates vary from 2% to 4%. The principal installments and interest are payable annually beginning on June 1, 2013 and the final payment will be made on June 1, 2021. The Indenture of Trust states that an event of default exists if the City fails to make the due and punctual payment of the principal or interest or if the City fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – LONG-TERM LIABILITIES (Continued)

Trustee, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, shall declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available in law or at equity.

Note Payable - PG&E

In 2017, the City signed a loan agreement with Pacific Gas and Electric Company (PG&E). PG&E loaned the City \$250,000 under its On-Bill Financing Program in order to help the City finance a project to convert the City’s streetlights to LED. Principal payments of \$5,682 are due monthly, beginning July 2017 and ending February 2021. If the City were to default on this loan, the entire outstanding loan balance would become immediately due and payable within 30 days. Additionally, failure to repay the loan balance in accordance with the terms of the loan agreement could result in shut-off of utility energy service, adverse credit reporting, and collection procedures, including legal action.

Business-type Activities

2012 Refunding Water Installment Sale

On October 1, 2001, the Sonoma Public Financing Authority issued the 2001 Revenue Bonds, Series A in the amount of \$1,605,000 to finance improvements to the Water System. On October 1, 2012, the City entered into an agreement with Public Property Financing Corporation of California (“Corporation”) whereby Corporation purchases and resells the improvements to the Water System from and to the City for \$1,605,000. The proceeds from the 2012 Refunding Water Installment Sale were used to repay the 2001 Revenue Bonds, Series A. The Corporation assigned and transferred certain of its rights, including the right to receive the installment payment to City National Bank. The principal amount is payable annually beginning from October 1, 2013 until October 1, 2031. Interest is payable semi-annually on April 1 and October 1. Any payments in default would continue to be obligations of the City until the amount in default had been fully paid, and the amount in default would bear an annual interest rate of 10%.

Future debt service for Governmental Activities and Business-Type Activities at June 30, 2021, is as follows for all debt except compensated absences and claims liabilities:

For the Year Ending June 30	Governmental	Business-Type Activities	
	Activities	2012 Refunding Water	
	Capital Lease	Installment Sale	
	Principal	Principal	Interest
2022	\$ 41,749	\$ 80,000	\$ 39,780
2023	41,749	85,000	36,563
2024	41,749	85,000	33,248
2025		90,000	29,835
2026		90,000	26,325
2027-2031		515,000	74,003
2032		115,000	2,243
Totals	\$ 125,247	\$ 1,060,000	\$ 241,997

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE H – NET POSITION AND FUND BALANCES

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ 20,086		\$ 20,086
Total Nonspendable	<u>20,086</u>	<u>-</u>	<u>20,086</u>
Restricted for:			
Public safety		\$ 140,938	140,938
Public works		2,075,017	2,075,017
Community development		244,136	244,136
Donations	49,146		49,146
Total Restricted	<u>49,146</u>	<u>2,460,091</u>	<u>2,509,237</u>
Committed for:			
Emergency Reserve	1,500,000		1,500,000
Operating Reserve	2,380,308		2,380,308
Total Committed	<u>3,880,308</u>	<u>-</u>	<u>3,880,308</u>
Assigned for:			
General Plan Reserve	500,000		500,000
Special Projects Reserve	150,850		150,850
Affordable housing	264,663		264,663
Total Assigned	<u>915,513</u>	<u>-</u>	<u>915,513</u>
Unassigned	4,621,710	(48,367)	4,573,343
Total Unassigned	<u>4,621,710</u>	<u>(48,367)</u>	<u>4,573,343</u>
Total Fund Balances	<u>\$ 9,486,763</u>	<u>\$ 2,411,724</u>	<u>\$ 11,898,487</u>

The following describes the purpose of each committed category used by the City:

Emergency Reserve – represents amounts set aside by the City Council for emergencies. At June 30, 2021, the emergency reserve was \$1,500,000.

Operating reserve – represents amounts set aside by the City Council for operations. Operating reserve is designated at 17% of operating expenditures. At June 30, 2021, the operating reserve was \$2,399,683.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE H – NET POSITION AND FUND BALANCES (CONTINUED)

Fund Balance Deficits

Deficit fund balances consisted of the following:

	As of <u>June 30, 2021</u>
Nonmajor Special Revenue Funds	
Public Educational and Governmental	\$ (19,445)
Bond Property Maintenance	(19,144)
Abandoned Vehicle	(4,442)
Nonmajor Debt Service Funds	
2012 Pension Obligation Bonds	(5,336)
Fiduciary Funds	
Successor Agency Private Purpose Trust	(22,651,549)

The above deficit fund balance in the Public Educational and Governmental Fund and Bond Property Maintenance Fund has occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The fund balance will be restored in the near future as revenues are received.

The deficit fund balance in the Successor Agency Private Purpose trust is principally due to long term liabilities resulting from the issuance of Tax Allocation Bonds made by the original Redevelopment Agency. These bonds will be paid according to the annual debt amortization schedule currently in effect. The source of these funds will be provided by tax increment available from the former redevelopment area.

NOTE I – PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). The Fire and Police Safety Plans have no current employees participating in the CalPERS Fire and Police Safety Plans because the City has contracted out public safety. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

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 50 (52 for PEPRA Miscellaneous Plan) 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 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION PLAN (Continued)

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	City Miscellaneous	City PEPRA Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula (at full retirement)	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 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	11.746%	7.874%
	Safety Police	Safety Fire
	Prior to January 1, 2013	January 1, 1965 to May 5, 2010
Benefit formula (at full retirement)	3.0% @ 50	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 57	50
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	3.00%

All Plans except the PEPRA plans are closed to new members that are not already CalPERS participants. There are no active members in the Safety Plans so no contributions are being made. In addition to the contribution rates noted above, payments toward the unfunded liability were made totaling \$827,488.

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 annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans 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.

For the year ended June 30, 2021, the contributions paid to each Plan were as follows:

	City Miscellaneous Plans	Safety Plans
	\$	\$
Contributions - employer	672,382	689,501

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
City Miscellaneous Plans	\$ 7,612,967
Safety Plans	<u>9,152,294</u>
Total Net Pension Liability	<u><u>\$ 16,765,261</u></u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.17390%	0.13806%
Proportion - June 30, 2021	<u>0.18048%</u>	<u>0.13737%</u>
Change - Increase	0.00658%	-0.00069%

For the year ended June 30, 2021, the City recognized pension expense of \$2,155,336. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions combined from the following sources:

<u>City Miscellaneous Plans</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 722,111	
Differences between actual and expected experience	392,319	
Changes in assumptions		(54,299)
Change in employer's proportion	319,738	
Differences between the employer's contribution and the employer's proportionate share of contributions		(451,275)
Net differences between projected and actual earnings on plan investments	226,155	
Total	<u><u>\$ 1,660,323</u></u>	<u><u>\$ (505,574)</u></u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION PLAN (Continued)

Safety Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 689,501	
Differences between actual and expected experience	709,714	
Changes in assumptions		(30,486)
Change in employer's proportion	2,378	(28,003)
Differences between the employer's contribution and the employer's proportionate share of contributions		(435,904)
Net differences between projected and actual earnings on plan investments	198,918	
Total	\$ 1,600,511	\$ (494,393)
Total	\$ 3,260,834	\$ (999,967)

The \$722,111 and \$689,501 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	City Miscellaneous Plans	Safety Plans
2022	\$ 12,087	\$ (27,597)
2023	164,032	182,309
2024	148,048	162,236
2025	108,470	99,669
	\$ 432,637	\$ 416,617

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for each of the Plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions: The demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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.

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 for each of the Plans. 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	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Private Equity	8.0%	6.30%	7.23%
Inflation Sensitive		0.77%	1.81%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	100.0%		

(a) An expected inflation of 2.00% used for this period.

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

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE I – PENSION PLAN (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 each Plan, calculated using the discount rate for each 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:

	City Miscellaneous Plans	Safety Plans
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 11,697,421	\$ 12,816,374
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 7,612,967	\$ 9,152,294
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 4,238,111	\$ 6,145,571

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

NOTE J – RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially, each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF’s stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF’s stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

Members and associate members participate in the workers’ compensation and general liability programs and have the option of participating in other coverage programs which provide property, flood and earthquake, fidelity/faithful performance, dental, vision, employee assistance and auto physical damage.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE J – RISK MANAGEMENT (Continued)

The City of Sonoma participates in the following REMIF programs:

General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Sonoma self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$750,000 per loss occurrence. Excess of \$750,000 to a total of \$40,000,000 coverage per occurrence is covered by Munich Reinsurance America and SCOR Reinsurance Co.

Included in the general liability insurance premium is bonds coverage of up to \$10,000 per occurrence against loss of money, securities and other property through employee's dishonesty, forgery or alteration loss, computer fraud involving money, securities and other property, loss related to the fraudulent transfer of funds and public official faithful performance. The City of Sonoma has a \$5,000 deductible for this coverage.

Workers' Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Sonoma is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000. Losses in excess of \$5,000 up to \$1,000,000 are covered by Safety National Casualty.

Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Sonoma has a deductible level of \$10,000 and a coverage limit of \$400,000,000.

The property insurance program includes boiler and machinery coverage which provides up to \$21,245,000 coverage per occurrence. The City of Sonoma has a deductible of \$5,000.

Auto Physical Damage Insurance

The City of Sonoma has a deductible of \$10,000 per vehicle. Damages in excess of \$10,000 up to \$10,000,000 per occurrence is covered by Hanover Insurance Company.

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years.

NOTE K – LEASE COMMITMENT

The City leases the Sebastiani Theatre located in the City of Sonoma under an operating lease beginning in December 2016 and expiring in November 2041. The City sub-leases the Sebastiani Theatre for the same term. The City's minimum base rent per month increases by 2% each year of the lease. The lease includes an option to renew the lease for an additional term of twenty-five years. Minimum rental expense

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE K – LEASE COMMITMENT (Continued)

for the year ended June 30, 2021 was \$69,891. Sub-lease rental income for the year ended June 30, 2021 was \$39,945. Future minimum lease payments under these agreements are as follows for the years ended June 30:

	Lease Payments	Sub-Lease Receipts	Net
2022	\$ 71,288	\$ 35,644	\$ 35,644
2023	72,714	36,357	36,357
2024	74,168	37,084	37,084
2025	75,652	37,826	37,826
2026	77,165	38,582	38,583
2027-2031	409,600	204,800	204,800
2032-2036	452,232	226,116	226,116
2037-2041	499,300	249,650	249,650
2042	43,629	21,814	21,815
Total	<u>\$ 1,775,748</u>	<u>\$ 887,873</u>	<u>\$ 887,875</u>

NOTE L – OTHER COMMITMENTS AND CONTINGENT LIABILITIES

The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2021, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

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

At June 30, 2021, the City had outstanding commitments with contractors for the following projects:

Project	Remaining Commitment
Chase Street Bridge	\$ 33,820
Fryer Creek	30,959
Biennial Slurry Seal Projects	2,014
Roadway Safety Improvement	103,057
Bicycle & Pedestrian Improvements	10,261
Montini Trail Connection Enhancement	10,819
Depot Park Frontage Improvements	7,073
	<u>\$ 198,003</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE L – OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The City entered into a contract in the amount of \$532,549 for the 2020 Fire Flow Improvement project.

On May 18, 2020, the City of Sonoma entered into a five-year extension of the Agreement for Law Enforcement Services with the County of Sonoma Sheriff's Office to provide law enforcement services within the City's municipal boundaries, which expires on June 30, 2025. The Agreement has two five-year options to extend the term through June 30, 2035. The Agreement is cancelable by either party with two years notice. The original Agreement for Law Enforcement Services was executed in 2004. Budgeted contract amounts for the year ended June 30, 2021 are \$5,162,195.

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, as amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

Under the provisions of AB 1484, the City could elect to become the Housing Successor and retain the housing assets. On January 30, 2012, the City elected to not retain the housing assets of the former Sonoma Community Development Agency with City Resolution No. 06-2012, and on February 1, 2012, such housing assets and functions were transferred to the Housing Authority of the County of Sonoma.

The City also elected to become the Successor Agency and on February 1, 2012, the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of the City Council, one former Redevelopment Agency employee appointed by the Mayor and the remaining members are appointed by external agencies with an interest in Successor Agency assets. Pursuant to Senate Bill 107, on July 1, 2018, a single consolidated County Oversight Board was established for the four city Oversight Boards.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency, including paying debt service payments of existing Redevelopment Agency debt agreements. Currently, the last of the obligations of the former Redevelopment Agency will terminate in 2037.

The following disclosures of the Successor Agency as of June 30, 2021 are required by debt continuing disclosure requirements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Fiduciary Activities:					
Note Payable - SERAF	\$ 1,189,589		\$ (60,869)	\$ 1,128,720	\$ 182,607
Note Payable - USDA	758,886			758,886	27,177
	1,948,475	-	(60,869)	1,887,606	209,784
2010 Tax Allocation Bonds	6,290,000		(465,000)	5,825,000	480,000
2011 Tax Allocation Bonds	14,455,000		(180,000)	14,275,000	185,000
2015 Tax Allocation Bonds	10,610,000		(585,000)	10,025,000	615,000
Less: Discount	(97,120)	\$ 7,239		(89,881)	
	31,257,880	7,239	(1,230,000)	30,035,119	1,280,000
Total Fiduciary Debt	\$ 33,206,355	\$ 7,239	\$ (1,290,869)	\$ 31,922,725	\$ 1,489,784

Note Payable - SERAF

The Agency borrowed \$1,920,016 from the Low and Moderate Income Housing Fund to meet the payments to the Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal year 2009/10 pursuant to Health and Safety Code Section 33690(a). The loan was to be repaid by June 30, 2015 and was not, so the Agency owes this amount to the entity that assumed the Agency's housing assets, the Sonoma County Housing Authority. This loan, which was included on the Recognized Obligation Payment Schedule, was approved by the Department of Finance. The Agency is required to repay the Housing Authority by March 2030, with semi-annual payments of \$60,869 due in September and March each year. There is no specific default provision for this loan, however this loan is an enforceable obligation under California Health and Safety Code Section 34171(d)(1)(G).

Note Payable - USDA

In April 2005, the Agency obtained an \$816,635 loan from the U.S. Department of Agriculture to assist the Agency in purchasing and operating the Village Green Apartments II low/moderate income housing rental project. The loan is fully amortized over 30 years at an interest rate of 5.625%. The loan is secured by an interest in the property and rental income and is subordinated to an existing loan with Exchange Bank. Payments of \$48,906 are due monthly. The loan agreement states that default exists if the City fails to comply with the terms of the agreement, including timely payments, or if any of the City's representations are false or misleading. Upon any such default, USDA Rural Housing Service may declare the unpaid balance of the note immediately due and payable and take possession of the collateral.

2010 Tax Allocation Refunding Bonds

In September 2010, the Agency issued \$10,120,000 of tax allocation bonds to refund the 1997 Tax Allocation Bonds and the 2000 Tax Allocation Refunding Bonds. Annual interest rates vary between 2% and 5% per annum. The Bonds mature semi-annually in increasing amounts on each December 1, through

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

2030. The bonds are secured by a lien on tax revenues. Principal payments of \$430,000 to \$710,000 are due annually on December 1 through 2030. Interest payments of \$17,750 to \$159,569 are due semiannually on December 1 and June 1 through December 1, 2030. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee, with the prior written consent of the Bond Insurer, may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

2011 Tax Allocation Bonds

In February 2011, the Agency issued tax allocation bonds in the amount of \$15,750,000, with variable interest rates of 2.25% to 6.50% per annum, to provide funds for certain community development projects. The bonds mature semi-annually in increasing amounts on each December 1, through 2036. The bonds are secured by a lien on Successor Agency tax revenues. Principal payments of \$155,000 to \$2,940,000 are due annually on December 1, 2015 through 2036. Interest payments of \$104,737 to \$523,409 are due semiannually on December 1 and June 1 through December 1, 2036. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

2015 Tax Allocation Bonds

In October 2015, the Agency issued tax allocation bonds in the amount of \$13,150,000, with variable rate of 2.00% to 4.00% per annum. The 2015 bonds are secured on a subordinate bases to the 2010 and 2011 bonds. The bonds mature semi-annually in increasing amounts on each December 1, through 2033. The bonds are secured by a lien on Successor Agency tax revenues. Principal payments of \$515,000 to \$1,120,000 are due annually on June 1, 2019 through 2033. Interest payments of \$28,000 to \$297,550 are due semiannually on December 1 and June 1 through 2033. The Indenture of Trust states that an event of default exists if the Agency fails to make the due and punctual payment of the principal or interest or if the Agency fails to observe any of the agreements or conditions of the Indenture for a period of 30 days. Upon any such event of default, the Trustee may declare the principal and accrued interest of all of the Bonds to be due and payable immediately and exercise any other remedies available to the Trustee and the Owners in law or at equity.

The pledged revenues reported above represents tax revenues deposited into the Redevelopment Property Tax Trust Fund administered by the County of Sonoma Auditor-Controller's Office, less property tax administration fees and tax sharing payments made to other local agencies as required under Community Redevelopment Law (net pledged tax increment revenues). A portion of the net pledged tax increment revenues reported above are not intended to represent the amount received by the Agency and reported in the Successor Agency Private-Purpose Trust Fund. Although the Agency does not receive all of the net pledged tax increment revenues, additional revenues would be available to the Agency in the future if necessary to make debt service payments.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE M – SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY (Continued)

Future debt service for Fiduciary Activities at June 30, 2021 is as follows:

Year Ending June 30,	2010 Tax Allocation Refunding		2011 Tax Allocation Bonds		2015 Tax Allocation Refunding	
	Bond				Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 480,000	\$ 258,255	\$ 185,000	\$ 1,005,069	\$ 615,000	\$ 501,250
2023	500,000	240,485	200,000	993,269	645,000	470,500
2024	515,000	221,193	210,000	979,669	675,000	438,250
2025	535,000	200,450	220,000	964,619	715,000	404,500
2026	560,000	175,750	235,000	948,694	755,000	368,750
2027-2031	3,235,000	420,125	1,450,000	4,461,195	4,445,000	1,234,750
2032-2036			8,835,000	2,954,915	2,175,000	164,750
2037-2039			2,940,000	104,737		
Total	\$ 5,825,000	\$ 1,516,258	\$ 14,275,000	\$ 12,412,167	\$ 10,025,000	\$ 3,582,750
Due within one year	\$ 480,000	\$ 258,255	\$ 185,000	\$ 1,005,069	\$ 615,000	\$ 501,250
Due after one year	5,345,000	1,516,258	14,090,000	11,407,098	9,410,000	3,081,500
Total	\$ 5,825,000	\$ 1,774,513	\$ 14,275,000	\$ 12,412,167	\$ 10,025,000	\$ 3,582,750

Year Ending June 30,	Note Payable - USDA		Note Payable - SERAF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 27,177	\$ 41,390	\$ 182,607		\$ 1,489,784	\$ 1,805,964
2023	7,950	40,956	121,738		1,474,688	1,745,210
2024	8,409	40,497	121,738		1,530,147	1,679,609
2025	8,895	40,011	121,738		1,600,633	1,609,580
2026	9,408	39,498	121,738		1,681,146	1,532,692
2027-2031	55,841	188,689	459,161		9,645,002	6,304,759
2032-2036	660,867	135,443			11,670,867	3,255,108
2037-2038					2,940,000	104,737
Total	\$ 778,547	\$ 526,484	\$ 1,128,720	\$ -	\$ 32,032,267	\$ 18,037,659
Due within one year	\$ 27,177	\$ 41,390	\$ 182,607		\$ 1,489,784	\$ 1,805,964
Due after one year	751,370	485,094	946,113		30,542,483	16,231,695
Total	\$ 778,547	\$ 526,484	\$ 1,128,720	\$ -	\$ 32,032,267	\$ 18,037,659

Commitments and Contingencies

State Approval of Enforceable Obligations: The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semiannually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE N – FUND RECLASSIFICATION

The City reclassified the Hardscape Maintenance and Computer Loans Internal Service Funds to be reported as part of the General Fund, instead of reporting it as an Internal Service Fund. The fund balances in these internal service funds were transferred by recording transfers in and out during the year ended June 30, 2021.

NOTE O – RESTATEMENTS TO IMPLEMENT GASB STATEMENT NO. 84

During the year ended June 30, 2021, the City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this Statement, the City reevaluated whether its agency funds met the revised definition of fiduciary activities. The City determined that the cultural fine arts, tree trust, public art and pool scholarship funds previously reported as agency funds met the criteria to be reported as part of the City's operations and reclassified them into the General Fund. Due to this change, the July 1, 2020 fund balance of \$307,312 was reclassified to the General Fund. Government-wide net position increased by \$307,312 as of July 1, 2020 as a result of this reclassification.

Implementation of GASB No. 84 also resulted in the City reporting net position of \$3,778,375 as of July 1, 2020 that was previously reported as amounts held in trust.

NOTE P – SUBSEQUENT EVENTS

In November 2021 the Successor Agency refinanced the 2010 Refunding Tax Allocation Bonds and the 2011 Tax Allocation Bonds with 2021 Private Placement Bonds with a par value of \$14,514,767 at an interest rate of 2.11%. The cash flow savings to the Successor Agency is estimated to be \$2.34 million.

In May of 2023 the City contracted for the construction of the Chase Street Bridge in the amount of \$2,871,557.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SONOMA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLANS (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	18.04800%	0.17390%	0.16748%	0.16282%	0.15635%	0.14510%	0.06028%
Proportionate share of the net pension liability	\$ 7,612,967	\$ 6,963,686	\$ 6,311,664	\$ 6,418,432	\$ 5,431,662	\$ 3,980,687	\$ 3,750,501
Covered payroll - measurement period	\$ 3,356,511	\$ 3,163,178	\$ 3,130,032	\$ 2,939,508	\$ 3,557,230	\$ 2,505,994	\$ 2,505,994
Proportionate share of the net pension liability as a percentage of covered payroll	226.81%	220.15%	201.65%	218.35%	152.69%	158.85%	149.66%
Plan fiduciary net position as a percentage of the total pension liability	75.20%	76.22%	77.57%	76.17%	77.42%	82.52%	83.03%
Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Discount rate	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed as indicated above.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN -
CITY MISCELLANEOUS PLANS (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 722,111	\$ 713,710	\$ 608,365	\$ 511,035	\$ 441,187	\$ 399,422	\$ 288,054
Contributions in relation to the actuarially determined contributions	(722,111)	(713,710)	(608,365)	(511,035)	(441,187)	(399,422)	(288,054)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 3,367,336	\$ 3,356,511	\$ 3,163,178	\$ 3,130,032	\$ 2,939,508	\$ 3,557,230	\$ 2,505,994
Contributions as a percentage of covered payroll	21.44%	21.26%	19.23%	16.33%	15.01%	11.23%	11.49%
Valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal						
Amortization method	Level percentage of payroll, closed						
Remaining amortization period	Varies, not more than 30 years						
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service						
Payroll growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.000%	7.250%	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(3)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

(1) Net of administrative expenses, includes inflation

(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007

(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore only five years are presented.

CITY OF SONOMA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - SAFETY PLANS (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.13737%	0.13806%	0.13875%	0.13480%	0.12357%	0.17640%	0.07112%
Proportionate share of the net pension liability	\$ 9,152,294	\$ 8,618,758	\$ 8,141,052	\$ 8,054,588	\$ 7,123,086	\$ 5,668,192	\$ 4,425,144
Covered payroll - measurement period							
Proportionate share of the net pension liability as a percentage of covered payroll							
Plan fiduciary net position as a percentage of the total pension liability	66.08%	67.50%	68.93%	69.91%	71.42%	75.21%	81.42%
Valuation date:	June 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Discount rate	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%

Notes to Schedule:

There is no covered payroll as the City does not currently employ safety personnel.

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and to 7.15% in 2018 and 2019.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN -
SAFETY PLANS (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 689,501	\$ 610,926	\$ 508,835	\$ 404,714	\$ 327,470	\$ 251,382	\$ 543,178
Contributions in relation to the actuarially determined contributions	(689,501)	(610,926)	(508,835)	(404,714)	(327,470)	(251,382)	(543,178)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll - fiscal year

Contributions as a percentage of covered - payroll

Valuation date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates

Actuarial cost method					Entry age normal		
Amortization method					Level percentage of payroll, closed		
Remaining amortization period					Varies, not more than 30 years		
Asset valuation method	Market	Market	Market	Market	Market	Market	15-year
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases					Varies by Entry Age and Service		
Payroll growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.000%	7.250%	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(3)	(3)	(3)	(3)	(2)	(2)	(2)

Notes to Schedule:

(1) Net of administrative expenses, includes inflation

(2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007

(3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015; therefore only five years are presented.

CITY OF SONOMA
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property taxes	\$ 4,684,721	\$ 4,684,721	\$ 4,717,429	\$ 32,708
Sales taxes	5,023,327	5,023,327	5,866,157	842,830
Other taxes	3,168,849	3,134,819	3,860,899	726,080
Licenses and permits	7,700	7,700	7,640	(60)
Fines and forfeitures	76,875	76,875	17,281	(59,594)
Intergovernmental	32,500	32,500	1,013,834	981,334
Use of money and property	133,304	133,304	92,101	(41,203)
Charges for services	2,716,060	3,541,617	3,533,829	(7,788)
Reimbursements	25,000	25,000	-	(25,000)
Other revenues	5,000	5,000	299,532	294,532
TOTAL REVENUES	<u>15,873,336</u>	<u>16,664,863</u>	<u>19,408,702</u>	<u>2,743,839</u>
EXPENDITURES				
Current:				
General government	2,784,158	2,839,108	2,614,555	224,553
Public safety	12,265,182	12,467,470	13,235,564	(768,094)
Public works	1,610,920	1,695,920	1,828,008	(132,088)
Community development	1,515,969	1,515,969	1,561,721	(45,752)
Parks and recreation	601,703	611,703	602,428	9,275
Debt Service:				
Principal	68,182	68,182	45,454	22,728
Interest	-	37,849	37,849	-
Capital outlay	-	23,665	42,193	(18,528)
TOTAL EXPENDITURES	<u>18,846,114</u>	<u>19,259,866</u>	<u>19,967,772</u>	<u>(707,906)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,972,778)</u>	<u>(2,595,003)</u>	<u>(559,070)</u>	<u>2,035,933</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	5,000	5,000
Transfers in	872,941	872,941	796,212	(76,729)
Transfers out	(459,049)	(608,996)	(449,649)	159,347
TOTAL OTHER FINANCING SOURCES AND USES	<u>413,892</u>	<u>263,945</u>	<u>351,563</u>	<u>87,618</u>
NET CHANGE IN FUND BALANCES	<u>(2,558,886)</u>	<u>(2,331,058)</u>	<u>(207,507)</u>	<u>2,123,551</u>
Fund balances, beginning of year as originally reported	9,386,958	9,386,958	9,386,958	-
Restatement	7,335	7,335	307,312	299,977
Fund balances, beginning of year as restated	<u>9,394,293</u>	<u>9,394,293</u>	<u>9,694,270</u>	<u>299,977</u>
FUND BALANCES , END OF YEAR	<u>\$ 6,835,407</u>	<u>\$ 7,063,235</u>	<u>\$ 9,486,763</u>	<u>\$ 2,423,528</u>

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue	These funds account for restricted revenues (for specified purposes).
Capital Projects	These funds account for construction or acquisition of governmental capital assets (capital outlay).
Debt Service	These funds account for the accumulation of resources to pay principal and interest on debt.

CITY OF SONOMA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Governmental Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Nonmajor Funds Totals
ASSETS				
Cash and investments	\$ 2,158,560	\$ 346,108	\$ 1,193	\$ 2,505,861
Receivables:				
Taxes	98,883			98,883
Accounts	59,077			59,077
Interest	1,137	183		1,320
TOTAL ASSETS	\$ 2,317,657	\$ 346,291	\$ 1,193	\$ 2,665,141
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 53,675	\$ 350	\$ -	\$ 54,025
Due to other funds	50,403		6,529	56,932
Deposits payable	142,460			142,460
TOTAL LIABILITIES	246,538	350	6,529	253,417
 Fund balances:				
Restricted for:				
Public safety	140,938			140,938
Public works	1,729,076	345,941		2,075,017
Community development	244,136			244,136
Unassigned	(43,031)		(5,336)	(48,367)
TOTAL FUND BALANCES	2,071,119	345,941	(5,336)	2,411,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,317,657	\$ 346,291	\$ 1,193	\$ 2,665,141

CITY OF SONOMA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

Governmental Funds				
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Nonmajor Funds Totals
REVENUES				
Taxes and assessments	\$ 275,128			\$ 275,128
Licenses and permits	40,078	\$ 6,367		46,445
Intergovernmental	586,457	9,222		595,679
Use of money and property	5,013	269	\$ (7)	5,275
TOTAL REVENUES	<u>906,676</u>	<u>15,858</u>	<u>(7)</u>	<u>922,527</u>
EXPENDITURES				
Current:				
Public safety	6,995			6,995
Public works	2,978	1,322		4,300
Community development	60,384			60,384
Parks and recreation	26,592		-	26,592
Debt Service:				
Principal			436,749	436,749
Interest and fiscal charges			15,983	15,983
Capital outlay	386,273	4,384		390,657
TOTAL EXPENDITURES	<u>483,222</u>	<u>5,706</u>	<u>452,732</u>	<u>941,660</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		5,000	444,649	449,649
Transfers out	(100,000)			(100,000)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(100,000)</u>	<u>5,000</u>	<u>444,649</u>	<u>349,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>323,454</u>	<u>15,152</u>	<u>(8,090)</u>	<u>330,516</u>
Fund balances, beginning of year	<u>1,747,665</u>	<u>330,789</u>	<u>2,754</u>	<u>2,081,208</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 2,071,119</u></u>	<u><u>\$ 345,941</u></u>	<u><u>\$ (5,336)</u></u>	<u><u>\$ 2,411,724</u></u>

NON-MAJOR SPECIAL REVENUE FUNDS

<u>Fund</u>	<u>Description</u>
Public, Educational and Governmental	Accounts for revenues and expenditures related to public, educational and governmental (PEG) channels instituted by the Cable Communications Policy Act of 1984.
Strong Motion	Accounts for State of California "strong motion" fees paid by building permit applicants. Funds are paid regularly to State Department of Conservation.
Asset Forfeiture	Accounts for funds received from seizure and forfeiture of assets that represent the proceeds of, or were used to facilitate crime. Funds are expended according to legal restrictions.
SLESF Law Enforcement Fund	Accounts for Supplemental Law Enforcement Services Funds (SLESF) which are collected by the State of California as part of the State Vehicle License Fee.
Bond Property Maintenance Fund	Accounts for revenues and expenditures related to maintenance of the Bond Property.
Schell Drainage Fund	Accounts for funds used for tracking of mitigation fees for specific projects.
Abandoned Vehicle Fund	Accounts for funds received from the Abandoned Vehicle Abatement program and must be expended in compliance with legal restrictions.
Sonoma Creek Senior Housing Fund	Accounts for revenues and expenditures related to Sonoma Creek Senior Housing.
Gas Tax	Accounts for proceeds and expenditures of gas tax revenue received under the California Streets and Highways Code.
Road Maintenance SB1	Accounts for funds received by the State of California to be used for road maintenance and rehabilitation.
Measure M	Accounts for funds received from a Countywide 1/4 cent sales tax and designated to be used for transportation projects.
Park Measure M	Accounts for funds received from a Countywide 1/8 cent sales tax and designated to be used for parks maintenance and capital projects.

CITY OF SONOMA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	Public, Educational and Governmental	Strong Motion	Asset Forfeiture	Supplemental Law Enforcement	Bond Property Maintenance
ASSETS					
Cash and investments	\$ 379	\$ 6,554	\$ 15,965	\$ 106,852	
Receivables:					
Taxes					
Accounts	20,979			18,057	
Interest		3	8	56	
	<u>21,358</u>	<u>6,557</u>	<u>15,973</u>	<u>124,965</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 21,358</u>	<u>\$ 6,557</u>	<u>\$ 15,973</u>	<u>\$ 124,965</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	10,650	\$ 1			
Due to other funds	30,153				\$ 19,144
Deposits payable					
	<u>40,803</u>	<u>1</u>			<u>19,144</u>
TOTAL LIABILITIES	<u>40,803</u>	<u>1</u>			<u>19,144</u>
Fund balances:					
Restricted for:					
Public safety			\$ 15,973	\$ 124,965	
Public works					
Community development		6,556			
Unassigned	\$ (19,445)				(19,144)
	<u>(19,445)</u>	<u>6,556</u>	<u>15,973</u>	<u>124,965</u>	<u>(19,144)</u>
TOTAL FUND BALANCES	<u>(19,445)</u>	<u>6,556</u>	<u>15,973</u>	<u>124,965</u>	<u>(19,144)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 21,358</u>	<u>\$ 6,557</u>	<u>\$ 15,973</u>	<u>\$ 124,965</u>	<u>\$ -</u>

Schell Drainage	Abandoned Vehicle	Sonoma Creek Senior Housing	Gas Tax	Road Maintenance SB1	Measure M	Parks Measure M	Totals
\$ 195,826	\$ 111	\$ 237,455	\$ 449,460	\$ 490,210	\$ 505,096	\$ 150,652	\$ 2,158,560
				37,329	25,560	35,994	98,883
					20,041		59,077
103	2	125	236	259	266	79	1,137
<u>\$ 195,929</u>	<u>\$ 113</u>	<u>\$ 237,580</u>	<u>\$ 449,696</u>	<u>\$ 527,798</u>	<u>\$ 550,963</u>	<u>\$ 186,725</u>	<u>\$ 2,317,657</u>
	\$ 3,449		\$ 28		\$ 14,455	\$ 25,092	\$ 53,675
	1,106						50,403
\$ 142,460							142,460
<u>142,460</u>	<u>4,555</u>		<u>28</u>		<u>14,455</u>	<u>25,092</u>	<u>246,538</u>
							140,938
53,469			449,668	\$ 527,798	536,508	161,633	1,729,076
		\$ 237,580					244,136
	(4,442)						(43,031)
<u>53,469</u>	<u>(4,442)</u>	<u>237,580</u>	<u>449,668</u>	<u>527,798</u>	<u>536,508</u>	<u>161,633</u>	<u>2,071,119</u>
<u>\$ 195,929</u>	<u>\$ 113</u>	<u>\$ 237,580</u>	<u>\$ 449,696</u>	<u>\$ 527,798</u>	<u>\$ 550,963</u>	<u>\$ 186,725</u>	<u>\$ 2,317,657</u>

CITY OF SONOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021

	Public, Educational and Governmental	Strong Motion	Asset Forfeiture	Supplemental Law Enforcement	Bond Property Maintenance
REVENUES					
Taxes	\$ 32,554				
Licenses and permits		\$ (5)			
Intergovernmental		115		\$ 129,509	
Use of money and property	(2)	23	\$ (17)	249	
TOTAL REVENUES	<u>32,552</u>	<u>133</u>	<u>(17)</u>	<u>129,758</u>	
EXPENDITURES					
Current:					
Public safety					
Public works					
Community development	60,384				
Parks and recreation					
Capital outlay					
TOTAL EXPENDITURES	<u>60,384</u>				
REVENUES OVER (UNDER) EXPENDITURES	(27,832)	133	(17)	129,758	
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out				(100,000)	
TOTAL OTHER FINANCING SOURCES AND USES				<u>(100,000)</u>	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(27,832)	133	(17)	29,758	
FUND BALANCES (DEFICIT)					
Beginning of year	<u>8,387</u>	<u>6,423</u>	<u>15,990</u>	<u>95,207</u>	<u>\$ (19,144)</u>
End of year	<u>\$ (19,445)</u>	<u>\$ 6,556</u>	<u>\$ 15,973</u>	<u>\$ 124,965</u>	<u>\$ (19,144)</u>

<u>Schell Drainage</u>	<u>Abandoned Vehicle</u>	<u>Sonoma Creek Senior Housing</u>	<u>Gas Tax</u>	<u>Road Maintenance SB1</u>	<u>Measure M</u>	<u>Parks Measure M</u>	<u>Totals</u>
					\$ 102,013	\$ 140,561	\$ 275,128
					40,083		40,078
\$ 77	\$ 2,915		\$ 249,067	\$ 204,851			586,457
	17	\$ (51)	2,471	(89)	1,790	545	5,013
<u>77</u>	<u>2,932</u>	<u>(51)</u>	<u>251,538</u>	<u>204,762</u>	<u>143,886</u>	<u>141,106</u>	<u>906,676</u>
	6,995						6,995
			2,978				2,978
							60,384
						26,592	26,592
			132,382	25,220	228,671		386,273
	<u>6,995</u>		<u>135,360</u>	<u>25,220</u>	<u>228,671</u>	<u>26,592</u>	<u>483,222</u>
77	(4,063)	(51)	116,178	179,542	(84,785)	114,514	423,454
							-
							(100,000)
							(100,000)
77	(4,063)	(51)	116,178	179,542	(84,785)	114,514	323,454
<u>53,392</u>	<u>(379)</u>	<u>237,631</u>	<u>333,490</u>	<u>348,256</u>	<u>621,293</u>	<u>47,119</u>	<u>1,747,665</u>
<u>\$ 53,469</u>	<u>\$ (4,442)</u>	<u>\$ 237,580</u>	<u>\$ 449,668</u>	<u>\$ 527,798</u>	<u>\$ 536,508</u>	<u>\$ 161,633</u>	<u>\$ 2,071,119</u>

NON-MAJOR CAPITAL PROJECTS AND DEBT SERVICE FUNDS

Fund	Description
<hr/>	
Capital Projects Funds	
Capital Improvement Program	The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.
<hr/>	
Debt Service Funds	
2008 CREBs	Accounts for debt service related to the Clean Renewable Energy Bonds.
2012 Pension Obligation Bonds	Accounts for debt service for the Pension Obligation Bond issued in 2012.

CITY OF SONOMA
Combining Balance Sheet
Nonmajor Capital Projects and Debt Service Funds
June 30, 2021

	Capital Projects Funds	Debt Service Funds			Totals
	Capital Improvement Program	2008 CREBs	2012 Pension Obligation Bonds	Sub-totals	
ASSETS					
Cash and investments	\$ 346,108		\$ 1,193	\$ 1,193	\$ 347,301
Interest receivable	183				183
TOTAL ASSETS	<u>\$ 346,291</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 1,193</u>	<u>\$ 347,484</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 350				\$ 350
Interest payable					
Due to other funds			\$ 6,529	\$ 6,529	6,529
TOTAL LIABILITIES	<u>350</u>		<u>6,529</u>	<u>6,529</u>	<u>6,879</u>
Fund balances:					
Restricted for					
Public works	345,941				345,941
Debt service					-
Unassigned (deficit)			(5,336)	(5,336)	(5,336)
TOTAL FUND BALANCES	<u>345,941</u>	<u>-</u>	<u>(5,336)</u>	<u>(5,336)</u>	<u>340,605</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 346,291</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 1,193</u>	<u>\$ 347,484</u>

CITY OF SONOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects and Debt Service Funds
For the Year Ended June 30, 2021

	Capital Projects Funds	Debt Service Funds			Totals
	Capital Improvement Program	2008 CREBs	2012 Pension Obligation Bonds	Sub-totals	
REVENUES					
Licenses and permits	\$ 6,367				\$ 6,367
Intergovernmental	9,222				9,222
Use of money and property	269		\$ (7)	\$ (7)	262
TOTAL REVENUES	<u>15,858</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>	<u>15,851</u>
EXPENDITURES					
Current:					
Public works	1,322				1,322
Capital outlay	4,384				4,384
Debt service:					
Principal		\$ 41,749	395,000	436,749	436,749
Interest and fiscal charges			15,983	15,983	15,983
TOTAL EXPENDITURES	<u>5,706</u>	<u>41,749</u>	<u>410,983</u>	<u>452,732</u>	<u>458,438</u>
REVENUES OVER (UNDER) EXPENDITURES	10,152	(41,749)	(410,990)	(452,739)	(442,587)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,000	41,749	402,900	444,649	449,649
TOTAL OTHER FINANCING SOURCES AND USES	<u>5,000</u>	<u>41,749</u>	<u>402,900</u>	<u>444,649</u>	<u>449,649</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	15,152		(8,090)	(8,090)	7,062
FUND BALANCES (DEFICIT)					
Beginning of year	330,789		2,754	2,754	333,543
End of year	<u>\$ 345,941</u>	<u>\$ -</u>	<u>\$ (5,336)</u>	<u>\$ (5,336)</u>	<u>\$ 340,605</u>

INTERNAL SERVICE FUNDS

<u>Fund</u>	<u>Description</u>
MIS Fund	Accounts for Management Information System maintenance and equipment replacement. Costs are distributed among user departments and transferred as approved in the annual budget process.
Admin Hearings Fund	Accounts for all activities of the City's Administrative Hearings as charged to departments.
Vehicle Replace Fund	Accounts for costs to replace vehicles based on a depreciation schedule. Costs are distributed among user departments and transferred as approved in the annual budget process.
Insurance Fund	Accounts for the City's self-insurance programs, the costs of which are distributed among designated user departments.
Long-term Building Maintenance Fund	Accounts for the City's building maintenance reserve programs, the costs of which are distributed among designated user departments.
Computer Loans Fund	Accounts for loans to employees for computer purchases. Reimbursements are collected from employee payroll.
Hardscape Maintenance Fund	Accounts for the City's hardscape maintenance reserve programs.

CITY OF SONOMA
Combining Statement of Net Position
Internal Service Funds
June 30, 2021

	MIS Fund	Admin Hearings Fund	Vehicle Replacement Fund	Insurance Fund
ASSETS				
Current assets:				
Cash and investments	\$ 216,829	\$ 9,500	\$ 1,472,632	\$ 46,554
Receivables:				
Interest	114	5	777	24
Notes			181,535	
Due from other funds			288,613	
Total Current Assets	216,943	9,505	1,980,851	46,578
Noncurrent assets:				
Capital assets, net	24,665		1,929,685	
Total Noncurrent Assets	24,665	-	1,929,685	-
TOTAL ASSETS	\$ 241,608	\$ 9,505	\$ 3,910,536	\$ 46,578
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable	\$ 41,103			
Deposits payable		\$ 9,257		
TOTAL LIABILITIES	41,103	9,257	-	-
Net Position:				
Net investment in capital assets	24,665		\$ 1,929,685	
Unrestricted	175,840	248	1,980,851	\$ 46,578
TOTAL NET POSITION	200,505	248	3,910,536	46,578
TOTAL LIABILITIES AND NET POSITION	\$ 241,608	\$ 9,505	\$ 3,910,536	\$ 46,578

Building Maintenance Fund	Totals
\$ 2,206,680	\$ 3,952,195
1,133	2,053
	181,535
	<u>288,613</u>
<u>2,207,813</u>	<u>4,461,690</u>
	1,954,350
<u>-</u>	<u>1,954,350</u>
<u>\$ 2,207,813</u>	<u>\$ 6,416,040</u>
	\$ 41,103
	9,257
<u>-</u>	<u>50,360</u>
	1,954,350
\$ 2,207,813	<u>4,411,330</u>
<u>2,207,813</u>	<u>6,365,680</u>
<u>\$ 2,207,813</u>	<u>\$ 6,416,040</u>

CITY OF SONOMA
Combining Statement of Revenues, Expenditures and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2021

	<u>MIS Fund</u>	<u>Admin Hearings Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Insurance Fund</u>
OPERATING REVENUES				
Interdepartmental charges	\$ 233,120		\$ 189,190	
TOTAL OPERATING REVENUES	233,120	-	189,190	-
OPERATING EXPENSES				
Repairs and maintenance	144,913			
Depreciation	14,575		297,908	
Other operating	57,512		8,606	
TOTAL OPERATING EXPENSES	217,000	-	306,514	-
OPERATING INCOME (LOSS)	16,120	-	(117,324)	-
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	129	\$ 34	145	\$ (51)
TOTAL NONOPERATING REVENUES (EXPENSES)	129	34	145	(51)
NET INCOME (LOSS) BEFORE TRANSFERS	16,249	34	(117,179)	(51)
Transfers out				
TOTAL TRANSFERS	-	-	-	-
CHANGE IN NET POSITION	16,249	34	(117,179)	(51)
NET POSITION				
Net position, beginning of year	184,256	214	4,027,715	46,629
End of year	<u>\$ 200,505</u>	<u>\$ 248</u>	<u>\$ 3,910,536</u>	<u>\$ 46,578</u>

Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
\$ 183,846			\$ 606,156
183,846	-	-	606,156
			144,913
			312,483
			66,118
-	-	-	523,514
183,846	-	-	82,642
962			1,219
962	-	-	1,219
184,808	-	-	83,861
	\$ (60,311)	\$ (24,486)	(84,797)
-	(60,311)	(24,486)	(84,797)
184,808	(60,311)	(24,486)	(936)
2,023,005	60,311	24,486	6,366,616
<u>\$ 2,207,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,365,680</u>

CITY OF SONOMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2021

	<u>MIS Fund</u>	<u>Admin Hearings Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash paid to suppliers	\$ (164,911)		\$ (53,230)	
Cash (paid) received from interfund services provided	233,120		189,190	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>68,209</u>	<u>-</u>	<u>135,960</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Amounts received (paid) to other funds				
CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	510	\$ 29	3,284	\$ 91
CHANGE IN CASH AND INVESTMENTS	68,719	29	139,244	91
Cash and investments, beginning of year	148,110	9,471	1,333,388	46,463
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 216,829</u>	<u>\$ 9,500</u>	<u>\$ 1,472,632</u>	<u>\$ 46,554</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 16,120		\$ (117,324)	
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation and amortization	14,575		297,908	
Changes in operating assets and liabilities:				
Prepaid expenses			8,606	
Accounts payable and accrued expenses	37,514		(53,230)	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 68,209</u>	<u>\$ -</u>	<u>\$ 135,960</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
			\$ (218,141)
\$ 183,846			606,156
<u>183,846</u>	<u>-</u>	<u>-</u>	<u>388,015</u>
	\$ (60,311)	\$ (24,486)	(84,797)
-	(60,311)	(24,486)	(84,797)
<u>4,970</u>	<u>130</u>	<u>55</u>	<u>9,069</u>
188,816	(60,181)	(24,431)	312,287
<u>2,017,864</u>	<u>60,181</u>	<u>24,431</u>	<u>3,639,908</u>
<u>\$ 2,206,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,952,195</u>
\$ 183,846			\$ 82,642
			312,483
			8,606
			<u>(15,716)</u>
<u>\$ 183,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,015</u>

AGENCY FUNDS

Fund	Description
Valley of the Moon Fire Protection District	Accounts for assets held as the fiscal agent for the Valley of the Moon Fire Protection District

CITY OF SONOMA
Other Supplementary Information
Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2021

	Valley of Moon Fire
ASSETS	
Cash and investments	\$ 1,358,853
	TOTAL ASSETS 1,358,853
 NET POSITION	
Restricted for other governments	\$ 1,358,853

CITY OF SONOMA
Other Supplementary Information
Combining Schedule of Changes in Fiduciary Net Position
Cusotodial Funds
June 30, 2021

	Valley of Moon Fire
DEDUCTIONS	
Transfers to Sonoma Valley Fire District	\$ 2,419,522
TOTAL DEDUCTIONS	<u>2,419,522</u>
NET INCREASE (DECREASE) IN	
FIDUCIARY NET POSITION	2,419,522
Net position, beginning of year - As previously reported	
Restatement for implementation of GASB 84	<u>3,778,375</u>
Net position, beginning of year - as restated	<u>3,778,375</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,358,853</u></u>