

CITY OF SONOMA

Audited Financial Statements

June 30, 2020

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CITY OF SONOMA
 Audited Financial Statements
 For the Year Ended June 30, 2020

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CITY OF SONOMA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sonoma, California

Opinions

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2020, 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

To the City Council
City of Sonoma, California

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 management's discussion and analysis on pages 3 through 14, the 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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund

To the City Council
City of Sonoma, California

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

November 13, 2023

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ As of June 30, 2020, total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows by \$63.1 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 \$4.8 million. The portion of net position that was restricted and may only be used for specific purposes was \$2.1 million. The remaining \$56.2 million was invested in capital assets.
- ◆ Overall, City-wide revenue from all governmental and business-type activities was \$27.9 million, an increase of \$2.0 million from the previous fiscal year. City-wide expenditures from all governmental and business-type activities were \$27.3 million, an increase of \$3.2 million the previous fiscal year.
- ◆ As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$11.5 million. Of the combined fund balances, \$9.4 million or (82 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 \$9.4 million at the end of the 2019-20 fiscal year. This represents a decrease in fund balance of \$0.1 million, or 1 percent from the previous fiscal year. Of the total fund balance, \$4.7 million, or 50 percent, was unassigned or available for spending at the City's discretion.
- ◆ As of June 30, 2020, 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 \$1.1 million to \$15.6 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 \$4.4 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).

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management's Discussion and Analysis, Continued

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.

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

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management's Discussion and Analysis, Continued

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. Subordinate schedules present the detail 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, 2020, the City's major funds include the General Fund, Water Enterprise Fund and Cemetery Enterprise Fund.

For the fiscal year ended June 30, 2020, 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 28-61 of this report. Required Supplementary Information follows the notes on pages 62-64.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management’s Discussion and Analysis, Continued

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 64-81 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 \$63.1 million as of June 30, 2020. The Summary of Net Position as of June 30, 2020, and 2019, follows:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 17,895,102	\$ 17,398,575	\$ 6,364,150	\$ 4,750,603	\$ 24,259,252	\$ 22,149,178
Capital assets	40,867,328	40,730,464	16,685,049	17,134,652	57,552,377	57,865,116
Total Assets	58,762,430	58,129,039	23,049,199	21,885,255	81,811,629	80,014,294
Total Deferred Outflows	2,989,849	2,983,653	315,847	373,497	3,305,696	3,357,150
Long-term liabilities	15,146,431	14,467,878	2,456,685	2,594,130	17,603,116	17,062,008
Other liabilities	2,294,276	1,850,345	624,743	468,931	2,919,019	2,319,276
Total Liabilities	17,440,707	16,318,223	3,081,428	3,063,061	20,522,135	19,381,284
Total Deferred Inflows	1,354,012	1,367,967	129,913	145,979	1,483,925	1,513,946
Net position:						
Net investment in capital assets	40,654,878	40,408,083	15,550,049	15,924,652	56,204,927	56,332,735
Restricted	2,100,731	1,406,329	-	-	2,100,731	1,406,329
Unrestricted	201,951	1,612,090	4,603,656	3,125,060	4,805,607	4,737,150
Total Net Position	\$ 42,957,560	\$ 43,426,502	\$ 20,153,705	\$ 19,049,712	\$ 63,111,265	\$ 62,476,214

Total assets increased by \$1.8 million or (2.2 percent) to \$81.8 million. A decrease of \$0.3 million in capital assets was offset by an increase of \$2.1 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 (5.9%) to \$20.5 million. The changes in liabilities included an increase in other liabilities (primarily payables) of \$0.6 million. The increase in long-term liabilities included a decrease of \$0.6 million in bonds, capital leases and contracts offset by an increase of \$1.1 million in net pension liability.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The restricted net position at the end of fiscal year 2019-20 was \$2.1 million, an increase of \$0.7 million, or 49 percent, and includes funding restricted for public safety, public works, community development activities and debt service. 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, 2020, the City had \$4.8 million of unrestricted net position, which is an increase of \$0.1 million. At the end of the 2020 fiscal year, 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 (91 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.

Another portion of the City's net position, \$2.1 million, or 3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4.8 million, or 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).

The following table (Statement of Activities) shows how the government's net position changed during the fiscal year 2019-20 as compared to 2018-19. The City's overall net position increased by \$0.6 million during the current fiscal year.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3,990,609	\$ 2,735,106	\$ 5,994,971	\$ 5,161,119	\$ 9,985,580	\$ 7,896,225
Grants and contributions:						
Operating	1,315,527	1,357,436	-	-	1,315,527	1,357,436
Capital	938,584	294,793	72,891	388,833	1,011,475	683,626
General revenues:					-	-
Property taxes, levied					-	-
for general purposes	3,700,552	3,468,468	-	-	3,700,552	3,468,468
Transient occupancy taxes	3,463,110	4,000,953	-	-	3,463,110	4,000,953
Sales and use taxes	3,171,890	3,361,377	-	-	3,171,890	3,361,377
Measure J	2,265,087	2,588,046	-	-	2,265,087	2,588,046
Franchise taxes	557,266	530,607	-	-	557,266	530,607
Other taxes	480,756	310,788	-	-	480,756	310,788
State motor vehicle in-lieu	1,165,312	1,084,317	-	-	1,165,312	1,084,317
Investment earnings	239,605	359,476	81,795	71,177	321,400	430,653
Other general revenues	379,284	98,561	123,951	145,868	503,235	244,429
Total Revenues	21,667,582	20,189,928	6,273,608	5,766,997	27,941,190	25,956,925
Expenses:						
Governmental activities:						
General government	3,480,332	3,235,101	-	-	3,480,332	3,235,101
Public safety	13,621,527	12,079,192	-	-	13,621,527	12,079,192
Public works	2,826,356	3,030,048	-	-	2,826,356	3,030,048
Community development	2,066,225	1,621,807	-	-	2,066,225	1,621,807
Parks and recreation	710,192	552,536	-	-	710,192	552,536
Interest and fiscal charges	31,233	45,883	-	-	31,233	45,883
Business-type activities:					-	-
Water	-	-	4,157,804	3,195,921	4,157,804	3,195,921
Cemetery	-	-	367,474	342,404	367,474	342,404
Interest on long-term debt	-	-	44,996	47,921	44,996	47,921
Total Expenses	22,735,865	20,564,567	4,570,274	3,586,246	27,306,139	24,150,813
Excess (Deficiency) of revenues over						
expenditures before transfers	(1,068,283)	(374,639)	1,703,334	2,180,751	635,051	1,806,112
Transfers	599,341	577,062	(599,341)	(577,062)	-	-
Transfers related to fiduciary acti	-	(9,372)	-	-	-	(9,372)
Change in Net Position	(468,942)	193,051	1,103,993	1,603,689	635,051	1,796,740
Net position, beginning of year	43,426,502	43,233,451	19,049,712	17,446,023	62,476,214	60,679,474
NET POSITION, JUNE 30	\$ 42,957,560	\$ 43,426,502	\$20,153,705	\$ 19,049,712	\$ 63,111,265	\$ 62,476,214

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

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 \$2.0 million, or 7.6 percent, from \$26.0 million to \$27.9 million for the fiscal year ended June 30, 2020. Approximately 82% 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, 2020, increased by \$2.1 million, or 26.5 percent, from \$7.9 million to \$10.0 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, 2020, increased by \$0.2 million, or 6.7 percent, from \$3.5 million to \$3.7 million. This increase reflects the continued strong real estate market within the City of Sonoma.
3. **Transient Occupancy Taxes** – Annual receipts from the City’s Transient Occupancy Tax (TOT) decreased by \$0.5 million, or 13.4 percent, from \$4.0 million to \$3.5 million. This marked decrease was the direct result of curtailed tourism due to the COVID pandemic.
4. **Sales and Use Taxes**- Revenues decreased by \$0.2 million, or 5.6 percent, in 2020 from \$3.4 million to \$3.2 million.
5. **Measure J** – Revenue from the Measure J sales tax decreased by \$0.3 million, or 11.3 percent, from \$2.6 million to \$2.3 million.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$27.3 million. Governmental activity expenses totaled \$22.7 million, or 83.3 percent, of total expenses. Business-type activities expenses totaled \$4.6 million during the fiscal year. Public safety costs represented 60 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, 2020, was as follows:

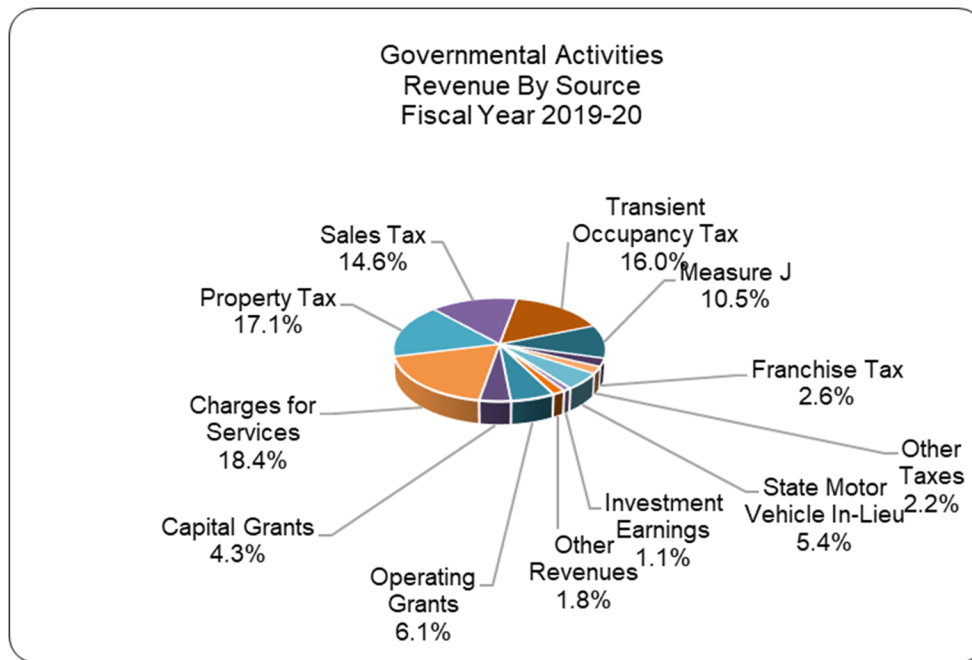
City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

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	\$ 3,480,332	\$ 461,725	\$ (3,018,607)
Public safety	13,621,527	3,369,764	(10,251,763)
Public works	2,826,356	1,837,053	(989,303)
Community development	2,066,225	513,058	(1,553,167)
Parks and recreation	710,192	63,120	(647,072)
Interest on long-term debt	31,233	-	(31,233)
TOTAL	\$ 22,735,865	\$ 6,244,720	\$ (16,491,145)

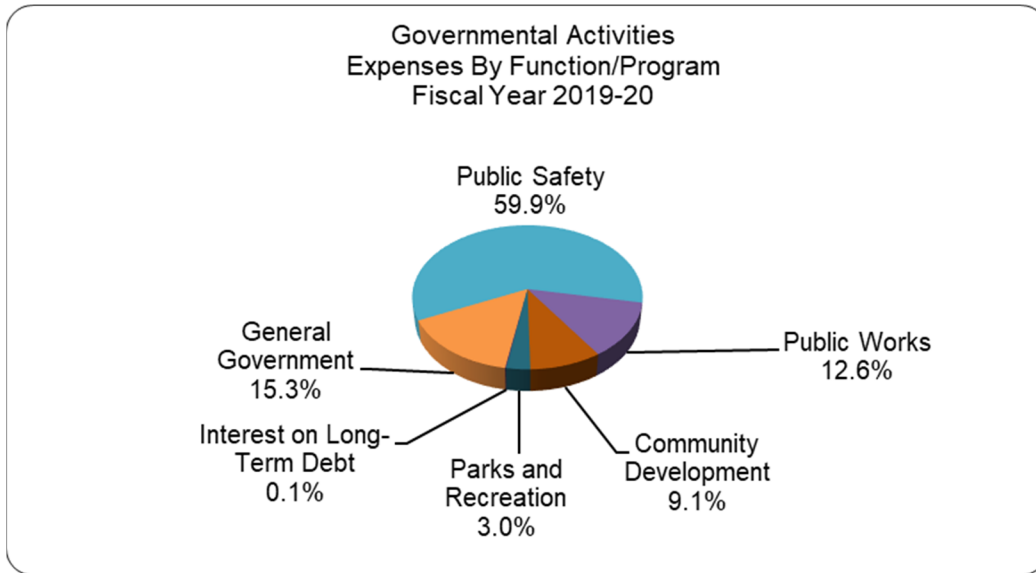
Revenues by source and expenses by function/program for the fiscal year ended June 30, 2020, are as follows:



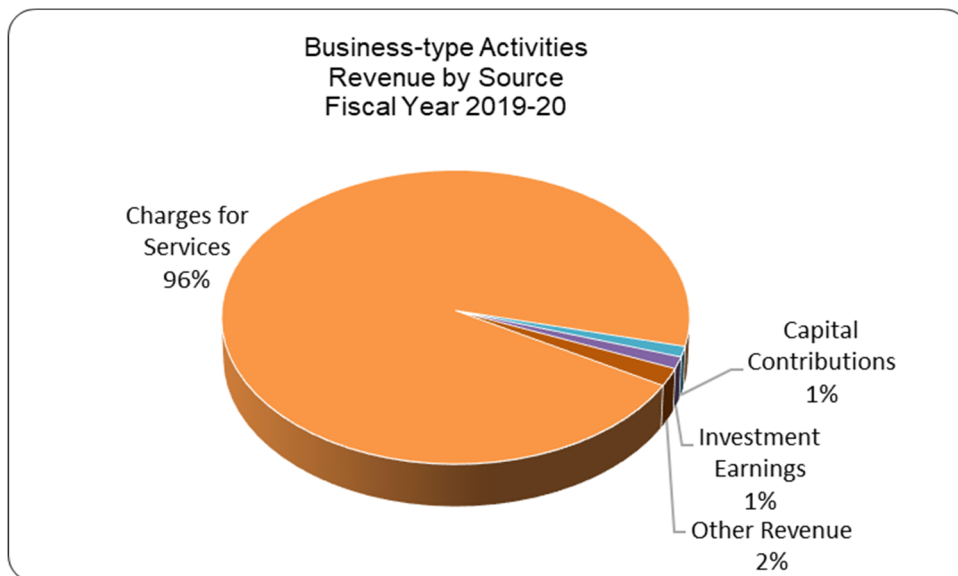
City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

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 \$1.1 million, or \$5.8 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, 2020, are as follows:

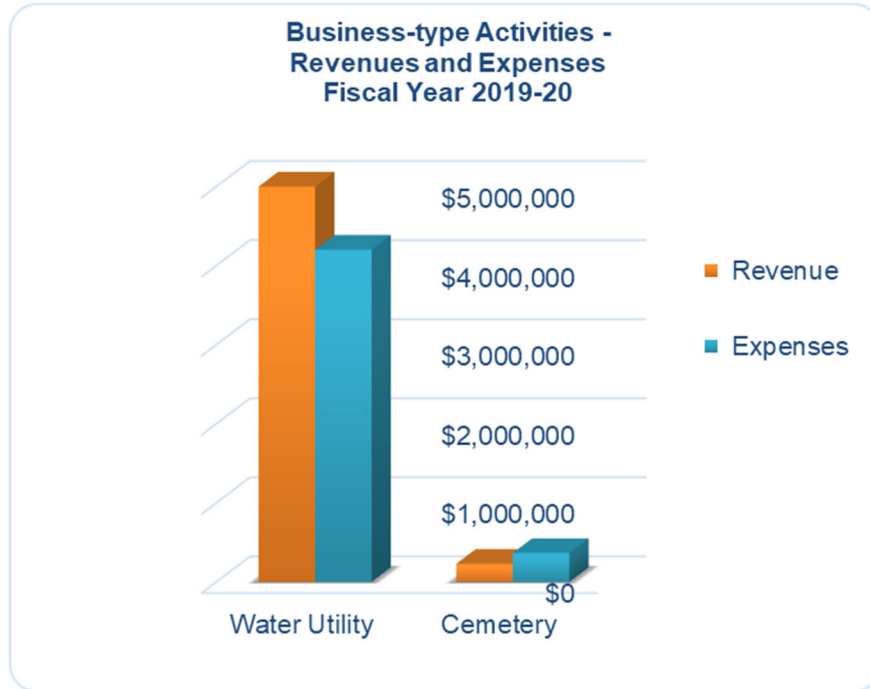


City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

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, 2020, 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, 2020, the City’s governmental funds reported combined fund balances of \$11.5 million. This represents an increase of \$0.6 million, or 5.7 percent, from the prior year.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2020, the General Fund’s fund balance totaled \$9.4 million, of which \$3.9 million was committed by the City Council for emergency and operating reserves. \$0.8 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 \$4.7 million was unassigned.

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management’s Discussion and Analysis, Continued

Proprietary funds. The City’s proprietary funds unrestricted net position increased by \$1.5 million in the fiscal year ended June 30, 2020, due to operating income from water and cemetery enterprises.

General Fund Budgetary Highlights

General Fund revenues totaled \$19.8 million for the fiscal year ended June 30, 2020, which was \$2.2 million, or 12.7 percent, over the budget estimate of \$17.6 million. Total General Fund expenditures were \$19.7 million, or 1.9 percent, under the budget appropriation of \$19.4 million.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$57.6 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,141,367	\$ 5,141,367	\$ 960,472	\$ 960,472	\$ 6,101,839	\$ 6,101,839
Buildings and improvements	14,014,688	14,495,483	1,819,018	1,881,148	15,833,706	16,376,631
Equipment and vehicles	2,600,383	2,265,882	129,117	154,940	2,729,500	2,420,822
Infrastructure	17,697,624	18,193,831	13,631,731	14,132,454	31,329,355	32,326,285
Construction in progress	1,413,266	633,901	144,711	5,638	1,557,977	639,539
Total	\$ 40,867,328	\$ 40,730,464	\$ 16,685,049	\$ 17,134,652	\$ 57,552,377	\$ 57,865,116

During the fiscal year ended June 30, 2020, the City’s total investment in capital assets decreased by \$0.3 million. Additions included \$1 million in construction in progress and \$0.7 million in equipment and vehicle purchases, offset by \$2 million in annual depreciation. Additional information about the City’s capital assets can be found in Note F on pages 45 and 46 in the Notes to the Basic Financial Statements.

Long-term Debt

At June 30, 2020, the City’s debt was comprised of the following:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital Lease Obligations	\$ 166,996	\$ 208,745	\$ -	\$ -	\$ 166,996	\$ 208,745
Pension Obligation bonds	395,000	775,000	-	-	395,000	775,000
PG&E Loan	45,454	113,636	-	-	45,454	113,636
Water Installment Sale	-	-	1,135,000	1,210,000	1,135,000	1,210,000
Total	\$ 607,450	\$ 1,097,381	\$ 1,135,000	\$ 1,210,000	\$ 1,742,450	\$ 2,307,381

City of Sonoma, California
Basic Financial Statements
For the Year ended June 30, 2020

Management's Discussion and Analysis, Continued

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 46 and 47 in the Notes to the Basic Financial Statements.

Economic Outlook

The local economy continued to perform well during the 2019-20 fiscal year. The City's population increased to 11,556 in 2019 and is projected to reach 11,286 by 2023. Between 2010 and 2019, the City's population increased by 5.2%, the fifth highest growth rate among cities within Sonoma County. Total sales tax revenues decreased by approximately 10 percent during FY 2019-20, the deleterious effect of the recent pandemic. Transient Occupancy Tax (TOT), a major source of revenue for the City, is projected to fall in the coming year, as tourism may be impaired by pandemic fears. The budget outlook for FY 2020-21 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 has implemented various financial responses, including reassigning certain funds, and reducing spending. As a result of fiscal prudence, the City has developed healthy financial reserves. Use of reserves is an 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF SONOMA
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 15,111,065	\$ 5,471,431	\$ 20,582,496
Taxes receivable	1,665,616		1,665,616
Accounts receivable, net	840,234	695,967	1,536,201
Internal balances	332,496	(332,496)	-
Interest receivable	30,873	12,300	43,173
Due from other governments	195,228		195,228
Other assets	54,980	23	55,003
Notes receivable, net	181,535		181,535
Interfund advances	(516,925)	516,925	-
Capital assets:			
Non-depreciable	6,554,633	1,105,183	7,659,816
Depreciable, net of accumulated depreciation	34,312,695	15,579,866	49,892,561
Total capital assets	<u>40,867,328</u>	<u>16,685,049</u>	<u>57,552,377</u>
TOTAL ASSETS	<u>58,762,430</u>	<u>23,049,199</u>	<u>81,811,629</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	2,989,849	315,847	3,305,696
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,989,849</u>	<u>315,847</u>	<u>3,305,696</u>
LIABILITIES			
Accounts payable and accrued expenses	1,527,423	401,997	1,929,420
Other payables	11,873		11,873
Accrued interest payable	1,315	11,066	12,381
Deposits payable	753,665	211,680	965,345
Long-term liabilities:			
Due within one year			
Bonds, capital leases and contracts	482,203	75,000	557,203
Compensated absences	196,770	81,452	278,222
Due in more than one year			
Bonds, capital leases and contracts	125,247	1,060,000	1,185,247
Net pension liability	14,342,211	1,240,233	15,582,444
TOTAL LIABILITIES	<u>17,440,707</u>	<u>3,081,428</u>	<u>20,522,135</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,354,012	129,913	1,483,925
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,354,012</u>	<u>129,913</u>	<u>1,483,925</u>
NET POSITION			
Net investment in capital assets	40,654,878	15,550,049	56,204,927
Restricted for:			
Public safety	111,197		111,197
Public works	1,734,339		1,734,339
Community development	252,441		252,441
Debt service	2,754		2,754
Unrestricted	201,951	4,603,656	4,805,607
TOTAL NET POSITION	<u>\$ 42,957,560</u>	<u>\$ 20,153,705</u>	<u>\$ 63,111,265</u>

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

CITY OF SONOMA
Statement of Activities
For the Year Ended June 30, 2020

<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	\$ 3,480,332	\$ 318,742	\$ 142,983	
Public safety	13,621,527	2,256,365	1,113,399	
Public works	2,826,356	871,824	26,645	\$ 938,584
Community development	2,066,225	480,558	32,500	
Parks and recreation	710,192	63,120		
Interest on long-term debt	31,233			
Total governmental activities	<u>22,735,865</u>	<u>3,990,609</u>	<u>1,315,527</u>	<u>938,584</u>
Business-type activities				
Water	4,157,804	5,886,579		72,891
Cemetery	367,474	108,392		
Interest on long-term debt	44,996			
Total business-type activities	<u>4,570,274</u>	<u>5,994,971</u>	<u>-</u>	<u>72,891</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 27,306,139</u></u>	<u><u>\$ 9,985,580</u></u>	<u><u>\$ 1,315,527</u></u>	<u><u>\$ 1,011,475</u></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

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
\$ (3,018,607)		\$ (3,018,607)
(10,251,763)		(10,251,763)
(989,303)		(989,303)
(1,553,167)		(1,553,167)
(647,072)		(647,072)
(31,233)		(31,233)
<u>(16,491,145)</u>		<u>(16,491,145)</u>
	\$ 1,801,666	1,801,666
	(259,082)	(259,082)
	(44,996)	(44,996)
<u>-</u>	<u>1,497,588</u>	<u>1,497,588</u>
<u>(16,491,145)</u>	<u>1,497,588</u>	<u>(14,993,557)</u>
3,700,552		3,700,552
3,463,110		3,463,110
3,171,890		3,171,890
2,265,087		2,265,087
557,266		557,266
480,756		480,756
1,165,312		1,165,312
239,605	81,795	321,400
379,284	123,951	503,235
<u>15,422,862</u>	<u>205,746</u>	<u>15,628,608</u>
599,341	(599,341)	-
<u>16,022,203</u>	<u>(393,595)</u>	<u>15,628,608</u>
(468,942)	1,103,993	635,051
<u>43,426,502</u>	<u>19,049,712</u>	<u>62,476,214</u>
<u>\$ 42,957,560</u>	<u>\$ 20,153,705</u>	<u>\$ 63,111,265</u>

CITY OF SONOMA
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund	Other	Total
	General Fund	Nonmajor Governmental Funds	Governmental Funds
ASSETS			
Cash and investments	\$ 8,973,288	\$ 2,497,863	\$ 11,471,151
Receivables:			
Taxes receivable	1,591,618	73,998	1,665,616
Accounts receivable, net	828,277	11,963	840,240
Intergovernmental	195,228		195,228
Interest receivable	18,288	2,682	20,970
Due from other funds	307,393		307,393
Prepaid items	9,081		9,081
	\$ 11,923,173	\$ 2,586,506	\$ 14,509,679
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,145,964	\$ 325,956	\$ 1,471,920
Due to other funds		25,008	25,008
Retention payable		11,873	11,873
Advances from other funds	516,925		516,925
Deposits payable	601,947	142,461	744,408
	2,264,836	505,298	2,770,134
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	271,379		271,379
Fund balances:			
Nonspendable - prepaid items	9,081		9,081
Restricted for:			
Public safety		111,197	111,197
Public works		1,734,339	1,734,339
Community development		252,441	252,441
Debt service		2,754	2,754
Committed	3,899,683		3,899,683
Assigned	787,058		787,058
Unassigned (deficit)	4,691,136	(19,523)	4,671,613
	9,386,958	2,081,208	11,468,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,923,173	\$ 2,586,506	\$ 14,509,679

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, 2020

Total fund balance, governmental funds	\$	11,468,166
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.		40,867,328
Revenues which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.		271,379
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.		2,989,849
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.		3,861,281
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		(607,450)
Compensated absences		(196,770)
Net pension liability		(14,342,211)
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.		(1,354,012)
		(1,354,012)
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION	\$	<u><u>42,957,560</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, 2020

	Major Fund	Other	Total
	General Fund	Governmental	Governmental
		Funds	Funds
REVENUES			
Property taxes	\$ 4,615,864		\$ 4,615,864
Sales taxes	5,436,977		5,436,977
Other taxes	4,411,426	\$ 269,418	4,680,844
Licenses and permits	9,493	725,297	734,790
Fines and forfeitures	62,572		62,572
Intergovernmental	1,180,290	608,004	1,788,294
Use of money and property	308,149	30,217	338,366
Charges for services	3,505,014		3,505,014
Other revenues	276,733		276,733
TOTAL REVENUES	19,806,518	1,632,936	21,439,454
EXPENDITURES			
Current:			
General government	2,712,857		2,712,857
Public safety	12,701,252	20,755	12,722,007
Public works	1,867,228	10,777	1,878,005
Community development	1,683,597	49,297	1,732,894
Parks and recreation	678,108		678,108
Debt Service:			
Principal	68,182	421,749	489,931
Interest and other charges		31,233	31,233
Capital outlay	31,736	849,698	881,434
TOTAL EXPENDITURES	19,742,960	1,383,509	21,126,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	63,558	249,427	312,985
OTHER FINANCING SOURCES (USES)			
Transfers in	783,994	679,596	1,463,590
Transfers out	(926,444)	(235,000)	(1,161,444)
TOTAL OTHER FINANCING SOURCES AND USES	(142,450)	444,596	302,146
CHANGE IN FUND BALANCE	(78,892)	694,023	615,131
Fund balances, beginning of year	9,465,850	1,387,185	10,853,035
FUND BALANCES, END OF YEAR	\$ 9,386,958	\$ 2,081,208	\$ 11,468,166

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, 2020

Net change in fund balances - total governmental funds: \$ 615,131

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	881,434
Depreciation expense	(1,435,453)

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.	91,564
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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.	489,931
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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.	36,784
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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:

Change in compensated absences	38,886
Change in deferred outflow of resources	6,196
Change in net pension obligation	(1,207,370)
Change in deferred inflow of resources	<u>13,955</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (468,942)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SONOMA
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities-			Governmental
	Enterprise Funds			Internal Service
	Water	Cemetery	Total	Funds
ASSETS				
Current assets:				
Cash and investments	\$ 5,471,431		\$ 5,471,431	\$ 3,639,908
Receivables:				
Accounts	674,488	\$ 21,479	695,967	
Interest	12,300		12,300	9,903
Notes				181,535
Due from other funds				288,613
Advances to other funds	516,925		516,925	
Prepaid items	19	4	23	45,900
Total current assets	<u>6,675,163</u>	<u>21,483</u>	<u>6,696,646</u>	<u>4,165,859</u>
Noncurrent assets:				
Capital assets				
Non-depreciable	908,879	196,304	1,105,183	
Depreciable, net of accumulated	14,425,502	1,154,364	15,579,866	2,266,833
Total non-current assets	<u>15,334,381</u>	<u>1,350,668</u>	<u>16,685,049</u>	<u>2,266,833</u>
TOTAL ASSETS	<u>22,009,544</u>	<u>1,372,151</u>	<u>23,381,695</u>	<u>6,432,692</u>
Deferred outflow of resources:				
Pensions	237,107	78,740	315,847	
Total deferred outflow of resources	<u>237,107</u>	<u>78,740</u>	<u>315,847</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	394,721	7,276	401,997	56,819
Due to other funds		570,998	570,998	
Deposits payable	136,266	75,414	211,680	9,257
Interest payable	11,066		11,066	
Compensated absences, current portion	65,250	16,202	81,452	
Loans payable, current portion	75,000		75,000	
Total current liabilities	<u>682,303</u>	<u>669,890</u>	<u>1,352,193</u>	<u>66,076</u>
Non-current liabilities:				
Loans payable	1,060,000		1,060,000	
Net pension liability	931,045	309,188	1,240,233	
Total non-current liabilities	<u>1,991,045</u>	<u>309,188</u>	<u>2,300,233</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,673,348</u>	<u>979,078</u>	<u>3,652,426</u>	<u>66,076</u>
Deferred inflow of resources:				
Pensions	97,526	32,387	129,913	
Total deferred inflow of resources	<u>97,526</u>	<u>32,387</u>	<u>129,913</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,199,381	1,350,668	15,550,049	2,266,833
Unrestricted (deficit)	5,276,396	(911,242)	4,365,154	4,099,783
TOTAL NET POSITION	<u>\$ 19,475,777</u>	<u>\$ 439,426</u>	<u>19,915,203</u>	<u>\$ 6,366,616</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 \$ 20,153,705

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, 2020

	Business-Type Activities- Enterprise Funds		Total	Governmental Activities- Internal Service Funds
	Water	Cemetery		
OPERATING REVENUES				
Charges for services	\$ 5,886,579	\$ 108,392	\$ 5,994,971	
Other operating revenue	1,428	122,523	123,951	\$ 280
TOTAL OPERATING REVENUES	<u>5,888,007</u>	<u>230,915</u>	<u>6,118,922</u>	<u>280</u>
OPERATING EXPENSES				
Personnel expense	756,119	247,817	1,003,936	
Maintenance and operations	62,416	1,865	64,281	130,768
Depreciation	550,013	38,663	588,676	329,040
Other operating expenses	2,789,256	79,129	2,868,385	177,068
TOTAL OPERATING EXPENSES	<u>4,157,804</u>	<u>367,474</u>	<u>4,525,278</u>	<u>636,876</u>
OPERATING INCOME (LOSS)	<u>1,730,203</u>	<u>(136,559)</u>	<u>1,593,644</u>	<u>(636,596)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	81,840	(45)	81,795	61,168
Interest expense	(44,996)		(44,996)	
Gain (loss) from the sale of capital assets				(14,023)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>36,844</u>	<u>(45)</u>	<u>36,799</u>	<u>47,145</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,767,047</u>	<u>(136,604)</u>	<u>1,630,443</u>	<u>(589,451)</u>
Capital contributions	72,891		72,891	
Transfers in		38,929	38,929	297,195
Transfers out	(638,270)		(638,270)	
CHANGE IN NET POSITION	<u>1,201,668</u>	<u>(97,675)</u>	<u>1,103,993</u>	<u>(292,256)</u>
Net position, beginning of year	<u>18,274,109</u>	<u>537,101</u>	<u>18,811,210</u>	<u>6,658,872</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 19,475,777</u>	<u>\$ 439,426</u>		<u>\$ 6,366,616</u>
Change in net position			1,103,993	
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>\$ 1,103,993</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, 2020

	Business-Type Activities-			Governmental
	Enterprise Funds			Activities
	Water	Cemetery	Total	Internal Service
				Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 6,015,188	\$ 211,050	\$ 6,226,238	
Cash paid to suppliers	(2,515,327)	(71,891)	(2,587,218)	\$ (332,175)
Cash paid to employees and related benefits	(809,230)	(215,567)	(1,024,797)	(12,952)
Cash (paid) received from interfund services provided	(164,518)	(11,142)	(175,660)	-
Other operating revenues received				280
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,526,113	(87,550)	2,438,563	(344,847)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Amounts received (paid) to other funds	(638,270)	68,885	(569,385)	
Other revenues received				43,720
CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(638,270)	68,885	(569,385)	43,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital expenditures	(139,073)		(139,073)	(407,711)
Capital revenues received	72,891		72,891	
Principal paid on long-term liabilities	(75,000)		(75,000)	
Interest paid on long-term liabilities	(45,728)		(45,728)	
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(186,910)	-	(186,910)	(400,381)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	81,703	123	81,826	61,736
CHANGE IN CASH AND INVESTMENTS	1,782,636	(18,542)	1,764,094	(639,772)
Cash and investments, beginning of year	3,688,796	18,541	3,707,337	4,279,680
CASH AND INVESTMENTS, END OF YEAR	\$ 5,471,432	\$ (1)	\$ 5,471,431	\$ 3,639,908
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,730,203	\$ (136,559)	\$ 1,593,644	\$ (636,596)
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	550,013	38,663	588,676	329,040
Change in pension obligation and related deferred inflows (outflows)	(69,122)	33,065	(36,057)	
Changes in operating assets and liabilities:				
Accounts and other receivables	127,181	(19,865)	107,316	2,919
Prepaid expenses	11,462	1,782	13,244	59,691
Accounts payable and accrued expenses	140,324	(3,821)	136,503	(99,576)
Deposits payable	20,041		20,041	
Unearned revenue				(325)
Compensated absences	16,011	(815)	15,196	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,526,113	\$ (87,550)	\$ 2,438,563	\$ (344,847)

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

CITY OF SONOMA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private-Purpose Trust Fund	Agency Funds
	Successor Agency	Former Sonoma Community Development Agency
ASSETS		
Current assets:		
Cash and investments	\$ 1,912,073	\$ 4,084,713
Cash and investments with trustee/fiscal agent	7,734,380	
Receivables:		
Interest receivable	6,902	971
Total current assets	9,653,355	4,085,684
TOTAL ASSETS	\$ 9,653,355	\$ 4,085,684
 LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 193,288	
Amount held in trust		\$ 4,085,684
Interest payable	181,207	
Notes payable, due within one year	142,009	
Bonds payable, due within one year	1,230,000	
Total current liabilities	1,746,504	
Long-term liabilities:		
Notes payable, due after one year	1,806,466	
Bonds payable, due after one year	30,027,880	
Total long-term liabilities	31,834,346	
TOTAL LIABILITIES	33,580,850	\$ 4,085,684
 Net position (deficit):		
Net position held in trust for:		
Redevelopment Dissolution	(23,927,495)	
TOTAL NET POSITION (DEFICIT)	(23,927,495)	
TOTAL LIABILITIES AND NET POSITION	\$ 9,653,355	

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, 2020

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Property taxes	\$ 3,373,978
Investment income	<u>132,731</u>
Total operating revenues	<u>3,506,709</u>
DEDUCTIONS:	
Community development	286,000
Interest and trustee fees	1,907,699
Transfers to the County of Sonoma	<u>1,507,206</u>
Total operating expenses	<u>3,700,905</u>
Change in Net Position	(194,196)
Net position, beginning of year	<u>(23,733,299)</u>
Net position, end of year	<u><u>\$ (23,927,495)</u></u>

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, 2020

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, 2020

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, 2020, 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, 2020.

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, 2020

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, 2020

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, 2020

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, 2020. 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, 2020

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, 2020

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, 2020

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, 2020

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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset (example is decommissioning a water treatment plant). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for periods beginning after June 15, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature, including the clarification of provisions of Statement 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, related to the focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and terminology used in Statement No. 53 to refer to resource flows statements. The provisions of this Statement are effective immediately through periods beginning after June 15, 2023.

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, 2020

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, Parks Measure M and Sonoma Creek Senior Housing Funds.

The General Fund had expenditures and transfers out in excess of the final appropriation for the year ended June 30, 2020 by \$520,467 primarily because the Intergovernmental Transfer Fund contract expenses are not budgeted.

NOTE C – CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. At June 30, 2020, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

Government-wide Statements of Net Position	
Governmental Activities	\$ 15,111,065
Business-type Activities	5,471,431
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	1,912,073
Private Purpose Trust Fund - Restricted Cash	7,734,380
Agency Funds	<u>4,084,713</u>
Total cash and investments	<u>\$ 34,313,662</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE C – CASH AND INVESTMENTS (Continued)

As of June 30, 2020, the City’s cash and investments consisted of the following:

Cash on hand	\$ 850
Deposits with financial institutions	10,013,203
Investments:	
Held by City	16,565,229
Held by fiscal agents	<u>7,734,380</u>
Total cash and investments	<u>\$ 34,313,662</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, 2020

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	\$ 215,741		\$ 215,741
Certificates of deposit	16,349,488		16,349,488
Money market mutual fund	7,734,380		7,734,380
Total investments	24,299,609	-	24,299,609
Cash on hand	850		850
Cash in bank	10,013,203		10,013,203
Total cash and investments	\$ 34,313,662	\$ -	\$ 34,313,662

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, 2020

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 \$101,607,078,218, 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, 2020, these investments matured in an average of 191 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, 2020:

Investment Type	Aaa/AAA	Not Rated	Total
California Local Agency Investment Fund		\$ 16,349,488	\$ 16,349,488
Certificates of deposit		215,741	215,741
Money market mutual fund	\$ 7,734,380		7,734,380
Totals	<u>\$ 7,734,380</u>	<u>\$ 16,565,229</u>	<u>\$ 24,299,609</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, 2020.

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, 2020, the City had \$10,103,515 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, 2020

NOTE C – CASH AND INVESTMENTS (Continued)

The City has the following recurring fair value measurements as of June 30, 2020:

	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	\$ 7,734,380		\$ 7,734,380	
Total investments by fair value level	7,734,380	\$ -	\$ 7,734,380	\$ -
Investments uncategorized				
California Local Agency Investment Fund	16,349,488			
Certificates of deposit	215,741			
	<u>\$ 24,299,609</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, 2020, 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
2025		
Total	<u>\$ 181,535</u>	<u>\$ 6,858</u>

The City loaned \$75,000 at an interest rate of 0.654% to Satellite Affordable Housing Associates (SAHA) in the year ended June 30, 2018 for predevelopment costs associated with developing an affordable housing project. The City received repayment on this loan in April 2020.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

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, 2020 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Capital Improvement Program Fund	\$ 175,000 (B)
	2008 CREB Debt Service Fund	41,749 (C)
	2012 Pension Obligation Bonds Debt Service Fund	412,500 (C)
	Vehicle Replacement Internal Service Fund	297,195 (D)
Major Enterprise Funds:		
Water	General Fund	593,994 (A)
	Cemetery Fund	38,929 (A)
	Road Maintenance SB-1 Fund	5,347 (B)
Non-Major Special Revenue Funds:		
Supplemental Law Enforcement	General Fund	100,000 (A)
Road Maintenance SB-1 Fund	Capital Improvement Program Fund	45,000 (B)
Parks Measure M Fund	General Fund	90,000 (A)
		<u>\$ 1,799,714</u>

- (A) Transfer resources to fund incurring expenditures
- (B) Transfer to fund capital improvements
- (C) Transfer to fund debt service payments
- (D) Transfer to safety equipment

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, 2020, the following funds have interfund balances.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE E – INTERFUND TRANSACTIONS (Continued)

<u>Fund Making Loan</u>	<u>Fund Receiving Loan</u>	<u>Amount</u>
General Fund	Major Enterprise Fund:	
	Cemetery Fund	\$ 282,385
	Non-Major Special Revenue Funds:	
	Bond Property Maintenance	19,144
	Abandoned Vehicle	5,864
Internal Service Funds	Major Enterprise Fund	
	Cemetery Fund	<u>288,613</u>
	Total Due To/Due From Other Funds	<u><u>\$ 596,006</u></u>

Long-Term Interfund Advances

At June 30, 2020, the funds below had made advances which were not expected to be paid within the next year.

<u>Advance to Other Funds</u>	<u>Advance From Other Funds</u>	<u>Amount</u>
General Fund	Water Fund	<u>\$ 516,925</u>
	Total Interfund Advances	<u><u>\$ 516,925</u></u>

The General Fund is 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 City sequestered the related transfers from July 1, 2014 to June 30, 2017 as an interfund advance that will be repaid with the sale of water-related infrastructure capital assets to the Water Fund.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE F – CAPITAL ASSETS

Capital assets at June 30 comprise:

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 5,141,367				\$ 5,141,367
Construction in progress	633,901	\$ 849,699		\$ (70,334)	1,413,266
Total capital assets, not being depreciated	<u>5,775,268</u>	<u>849,699</u>	<u>-</u>	<u>(70,334)</u>	<u>6,554,633</u>
Capital assets, being depreciated:					
Buildings and improvements	24,172,569				24,172,569
Equipment and vehicles	6,434,130	736,641	\$ (624,116)		6,546,655
Infrastructure	22,591,978			70,334	22,662,312
Total capital assets, being depreciated	<u>53,198,677</u>	<u>736,641</u>	<u>(624,116)</u>	<u>70,334</u>	<u>53,381,536</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,677,086)	(480,795)			(10,157,881)
Equipment and vehicles	(4,168,248)	(388,117)	610,093		(3,946,272)
Infrastructure	(4,398,147)	(566,541)			(4,964,688)
Total accumulated depreciation	<u>(18,243,481)</u>	<u>(1,435,453)</u>	<u>610,093</u>		<u>(19,068,841)</u>
Capital assets being depreciated, net	<u>34,955,196</u>	<u>(698,812)</u>	<u>(14,023)</u>	<u>70,334</u>	<u>34,312,695</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 40,730,464</u>	<u>\$ 150,887</u>	<u>\$ (14,023)</u>	<u>\$ -</u>	<u>\$ 40,867,328</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE F – CAPITAL ASSETS (Continued)

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
<u>Business-Type Activities</u>					
Capital assets, not being depreciated:					
Land	\$ 960,472				\$ 960,472
Construction in progress	5,638	\$ 139,073			144,711
Total capital assets, not being depreciated	966,110	139,073		-	1,105,183
Capital assets, being depreciated:					
Buildings and improvements	3,136,523				3,136,523
Equipment and vehicles	638,315				638,315
Infrastructure	25,085,976				25,085,976
Total capital assets, being depreciated	28,860,814	-	-	-	28,860,814
Less accumulated depreciation for:					
Buildings and improvements	(1,255,375)	(62,130)			(1,317,505)
Equipment and vehicles	(483,375)	(25,823)			(509,198)
Infrastructure	(10,953,522)	(500,723)			(11,454,245)
Total accumulated depreciation	(12,692,272)	(588,676)	-		(13,280,948)
Capital assets being depreciated, net	16,168,542	(588,676)		-	15,579,866
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 17,134,652	\$ (449,603)	\$ -	\$ -	\$ 16,685,049

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	\$ 87,049
Parks and Recreation	32,084
Public safety	272,574
Public works	600,707
Community development	113,999
MIS Fund	14,575
Vehicle Replacement Fund	314,465
Total Governmental Activities	<u>\$ 1,435,453</u>
Business-type Activities:	
Water	\$ 550,013
Cemetery	38,663
Total Business-type Activities	<u>\$ 588,676</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE G – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
<u>Governmental Activities</u>					
Capital Lease Obligations - CREBs	\$ 208,745		\$ (41,749)	\$ 166,996	\$ 41,749
Pension Obligation bond	775,000		(380,000)	395,000	395,000
PG&E Loan	113,636		(68,182)	45,454	45,454
Total Governmental Long-Term Debt	1,097,381	-	(489,931)	607,450	482,203
Compensated absences	235,656		(38,886)	196,770	196,770
Net pension liability	13,134,841	\$ 1,207,370		14,342,211	
Total Governmental Long-Term Debt, Net	\$ 14,467,878	\$ 1,207,370	\$ (528,817)	\$ 15,146,431	\$ 678,973
<u>Business-type Activities</u>					
2012 Refunding Water Sales Agreement	\$ 1,210,000		\$ (75,000)	\$ 1,135,000	\$ 75,000
Total Business-type Long-Term Debt	1,210,000	-	(75,000)	1,135,000	75,000
Compensated absences	66,256	\$ 15,196		81,452	81,452
Net pension liability	1,317,874		(77,641)	1,240,233	
Total Business-type Activity Debt	\$ 2,594,130	\$ 15,196	\$ (152,641)	\$ 2,456,685	\$ 156,452

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 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.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE G – LONG-TERM LIABILITIES (Continued)

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, 2020, is as follows for all debt except compensated absences and claims liabilities:

For the Year Ending June 30	Governmental Activities			Business-Type Activities		
	Capital Lease Principal	Pension Obligation Bond Principal	Interest	Note Payable Principal	2012 Refunding Water Installment Sale Principal	Interest
2021	\$ 41,749	\$ 395,000	\$ 15,800	\$ 45,454	\$ 75,000	\$ 42,803
2022	41,749				80,000	39,780
2023	83,498				85,000	36,563
2024					85,000	33,248
2025					90,000	29,835
2026-2030					390,000	82,875
2031-2035					330,000	19,695
Totals	\$ 166,996	\$ 395,000	\$ 15,800	\$ 45,454	\$ 1,135,000	\$ 284,799

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE H – NET POSITION AND FUND BALANCES

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ 9,081		\$ 9,081
Total Nonspendable	<u>9,081</u>	<u>-</u>	<u>9,081</u>
Restricted for:			
Public safety		\$ 111,197	111,197
Public works		1,734,339	1,734,339
Community development		252,441	252,441
Debt service		2,754	2,754
Total Restricted	<u>-</u>	<u>2,100,731</u>	<u>2,100,731</u>
Committed for:			
Emergency Reserve	1,500,000		1,500,000
Operating Reserve	2,399,683		2,399,683
Total Committed	<u>3,899,683</u>	<u>-</u>	<u>3,899,683</u>
Assigned for:			
General Plan Reserve	500,000		500,000
Special Projects Reserve	150,850		150,850
Affordable housing	136,208		136,208
Total Assigned	<u>787,058</u>	<u>-</u>	<u>787,058</u>
Unassigned	<u>4,691,136</u>	<u>(19,523)</u>	<u>4,671,613</u>
Total Unassigned	<u>4,691,136</u>	<u>(19,523)</u>	<u>4,671,613</u>
Total Fund Balances	<u>\$ 9,386,958</u>	<u>\$ 2,081,208</u>	<u>\$ 11,468,166</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, 2020, 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, 2020, the operating reserve was \$2,399,683.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE H – NET POSITION AND FUND BALANCES (CONTINUED)

Fund Balance Deficits

Deficit fund balances consisted of the following:

	As of <u>June 30, 2020</u>
Nonmajor Special Revenue Funds	
Bond Property Maintenance	\$ (19,144)
Abandoned Vehicle	(379)
Fiduciary Funds	
Successor Agency Private Purpose Trust	(23,927,495)

The above deficit fund balance in the 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, 2020

NOTE I – PENSION PLAN (Continued)

The Plans’ provisions and benefits in effect at June 30, 2020, 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	10.868%	7.072%
	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, 2020, the contributions paid to each Plan were as follows:

	City Miscellaneous Plans	Safety Plans
	Contributions - employer	\$ 713,710

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE I – PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:
As of June 30, 2020, 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	\$ 6,963,686
Safety Plans	<u>8,618,758</u>
Total Net Pension Liability	<u><u>\$ 15,582,444</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, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2019	0.16748%	0.13875%
Proportion - June 30, 2020	<u>0.17390%</u>	<u>0.13806%</u>
Change - Increase	0.00642%	-0.00068%

For the year ended June 30, 2020, the City recognized pension expense of \$2,475,800. At June 30, 2020, 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	\$ 713,710	
Differences between actual and expected experience	483,657	\$ (37,474)
Changes in assumptions	332,061	(117,713)
Change in employer's proportion	243,998	(526)
Differences between the employer's contribution and the employer's proportionate share of contributions		(451,979)
Net differences between projected and actual earnings on plan investments		<u>(121,747)</u>
Total	<u><u>\$ 1,773,426</u></u>	<u><u>\$ (729,439)</u></u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE I – PENSION PLAN (Continued)

Safety Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 610,926	
Differences between actual and expected experience	562,727	
Changes in assumptions	353,268	\$ (68,940)
Change in employer's proportion	5,349	(127,115)
Differences between the employer's contribution and the employer's proportionate share of contributions		(439,865)
Net differences between projected and actual earnings on plan investments		(118,566)
Total	<u>\$ 1,532,270</u>	<u>\$ (754,486)</u>

The \$713,710 and \$610,926 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, 2020. 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
2021	\$ 381,677	\$ 287,066
2022	(111,823)	(176,896)
2023	35,822	33,619
2024	24,601	23,069
	<u>\$ 330,277</u>	<u>\$ 166,858</u>

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, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.875%
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, 2020

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	0.0%	0.77%	1.81%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-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, 2020

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	\$ 10,902,426	\$ 12,253,182
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 6,963,686	\$ 8,618,758
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 3,712,533	\$ 5,639,102

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, 2020

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 to \$25,000 of each loss and pays 100% of all losses incurred under these levels. 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 \$500,000 per loss occurrence. Excess of \$500,000 to a total of \$40,000,000 coverage per occurrence is covered by commercial insurance.

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 to \$10,000 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 to \$10,000 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 to \$10,000. Losses up to \$1,000,000 are covered by REMIF and losses up to the statutory level are covered by commercial insurance.

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 \$100,000 and a coverage limit of \$400,000,000, with sublimits.

The property insurance program includes boiler and machinery coverage which provides up to \$1,000,000 coverage per occurrence. The City of Sonoma has a deductible of \$250,000.

Auto Physical Damage Insurance

The City of Sonoma has a deductible of \$10,000 per vehicle. Damages in excess of \$10,000 up to replacement value are covered by commercial insurance.

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 for the year ended June 30, 2020 was \$67,176. Sub-lease rental income for the year ended June 30, 2020

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE K – LEASE COMMITMENT (Continued)

was \$35,482. Future minimum lease payments under these agreements are as follows for the years ended June 30:

	Lease Payments	Sub-Lease Receipts	Net
2021	\$ 69,891	\$ 34,945	\$ 34,946
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
2026-2030	401,568	200,784	200,784
2031-2035	443,364	221,682	221,682
2036-2040	489,510	244,755	244,755
2041-2042	147,482	73,741	73,741
Total	<u>\$ 1,845,637</u>	<u>\$ 922,818</u>	<u>\$ 922,819</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, 2020, 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, 2020, the City had outstanding commitments with contractors for the following projects:

Project	Remaining Commitment
Sidewalk Repair Program	\$ 42,476
Depot Park	47,830
Chase Street Bridge	17,276
Fryer Creek	30,785
2020 Slurry Project	11,062
Fire Line Improvements	109,331
Water System Condition Data - Phase 2	8,380
Condition Assessment Aging Water Pipes	38,943
	<u>\$ 306,083</u>

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE L – OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 – SUBSEQUENT EVENTS

In May 2023, the City awarded a contract totaling \$2,871,557 for the construction of the Chase Street Replacement Bridge Project.

NOTE N – 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, 2020 are required by debt continuing disclosure requirements.

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE N – 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, 2020:

	Balance July 1, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
Fiduciary Activities:					
Note Payable - SERAF	\$ 1,311,327		\$ (121,738)	\$ 1,189,589	\$ 121,738
Note Payable - USDA	758,886			758,886	20,271
	<u>2,070,213</u>	-	(121,738)	<u>1,948,475</u>	<u>142,009</u>
2010 Tax Allocation Bonds	6,740,000		(450,000)	6,290,000	465,000
2011 Tax Allocation Bonds	14,625,000		(170,000)	14,455,000	180,000
2015 Tax Allocation Bonds	11,170,000		(560,000)	10,610,000	585,000
Less: Discount	(104,358)		7,239	(97,120)	
	<u>32,430,642</u>	-	<u>(1,172,761)</u>	<u>31,257,880</u>	<u>1,230,000</u>
Total Fiduciary Debt	<u>\$ 34,500,855</u>	<u>\$ -</u>	<u>\$ (1,294,499)</u>	<u>\$ 33,206,355</u>	<u>\$ 1,372,009</u>

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 2030. The bonds are secured by a lien on tax revenues. Principal payments of \$430,000 to \$710,000 are

CITY OF SONOMA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

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

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 rates of 2.00% to 4.00% per annum. The 2015 bonds are secured on a subordinate basis 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, 2020

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

Future debt service for Fiduciary Activities at June 30, 2020 is as follows:

Year Ending June 30,	2010 Tax Allocation Refunding				2015 Tax Allocation Refunding	
	Bond		2011 Tax Allocation Bonds		Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 465,000	\$ 274,564	\$ 180,000	\$ 1,015,456	\$ 585,000	\$ 530,500
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
2026-2030	3,085,000	578,125	1,360,000	4,559,544	4,210,000	1,445,250
2031-2035	710,000	17,750	6,415,000	3,497,994	3,165,000	323,000
2036-2039			5,685,000	412,003		
Total	\$ 6,290,000	\$ 1,790,822	\$ 14,455,000	\$ 13,427,623	\$ 10,610,000	\$ 4,113,250
Due within one year	\$ 465,000	\$ 274,564	\$ 180,000	\$ 1,015,456	\$ 585,000	\$ 530,500
Due after one year	5,825,000	1,516,258	14,275,000	12,412,167	10,025,000	3,582,750
Total	\$ 6,290,000	\$ 1,790,822	\$ 14,455,000	\$ 13,427,623	\$ 10,610,000	\$ 4,113,250

Year Ending June 30,	Note Payable - USDA		Note Payable - SERAF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2021	\$ 20,271	\$ 126,447	\$ 121,738		\$ 1,408,844
2022	7,552	41,354	121,738		1,474,254	1,745,644
2023	7,987	40,919	121,738		1,529,688	1,680,068
2024	8,449	40,457	121,738		1,530,147	1,679,609
2025	8,936	39,970	121,738			
2026-2030	53,042	191,489	580,899			
2031-2035	652,649	168,830				
2036-2037						
Total	\$ 758,886	\$ 649,466	\$ 1,189,589	\$ -	\$ 5,942,933	\$ 6,911,696
Due within one year	\$ 20,271	\$ 126,447	\$ 121,738		\$ 1,408,844	\$ 1,806,375
Due after one year	738,615	523,019	1,067,851		4,534,089	5,105,321
Total	\$ 758,886	\$ 649,466	\$ 1,189,589	\$ -	\$ 5,942,933	\$ 6,911,696

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.

Subsequent Events

The 2010 and 2011 Tax Allocation Bonds were refunded by the issuance of 2021 Tax Allocation Refunding Bonds in November 2021 that results in a net present value savings of \$7.28 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2020

	<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	\$ 4,451,336	\$ 4,451,336	\$ 4,615,864	\$ 164,528
Sales taxes	6,043,800	5,335,108	5,436,977	101,869
Other taxes	5,805,294	4,195,063	4,411,426	216,363
Licenses and permits	9,662	9,662	9,493	(169)
Fines and forfeitures	142,587	142,587	62,572	(80,015)
Intergovernmental	435,033	435,033	1,180,290	745,257
Use of money and property	160,775	160,775	308,149	147,374
Charges for services	2,665,764	2,846,764	3,505,014	658,250
Other revenues	5,025	5,025	276,733	271,708
TOTAL REVENUES	<u>19,719,276</u>	<u>17,581,353</u>	<u>19,806,518</u>	<u>2,225,165</u>
EXPENDITURES				
Current:				
General government	2,676,103	2,716,881	2,712,857	4,024
Public safety	12,240,352	12,570,291	12,701,252	(130,961)
Public works	1,587,055	1,617,016	1,896,651	(279,635)
Community development	1,506,858	1,480,188	1,681,482	(201,294)
Parks and recreation	641,396	677,637	650,800	26,837
Debt Service:				
Principal			68,182	(68,182)
Capital outlay	30,000	321,495	31,736	289,759
TOTAL EXPENDITURES	<u>18,681,764</u>	<u>19,383,508</u>	<u>19,742,960</u>	<u>(359,452)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,037,512</u>	<u>(1,802,155)</u>	<u>63,558</u>	<u>1,865,713</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	783,995	765,245	783,994	18,749
Transfers out	(1,063,126)	(765,429)	(926,444)	(161,015)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(279,131)</u>	<u>(184)</u>	<u>(142,450)</u>	<u>(142,266)</u>
NET CHANGE IN FUND BALANCES	758,381	(1,802,339)	(78,892)	1,723,447
Fund balances, beginning of year	<u>9,465,850</u>	<u>9,465,850</u>	<u>9,465,850</u>	
FUND BALANCES , END OF YEAR	<u>\$ 10,224,231</u>	<u>\$ 7,663,511</u>	<u>\$ 9,386,958</u>	<u>\$ 1,723,447</u>

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

CITY OF SONOMA

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.17390%	0.16748%	0.16282%	0.15635%	0.14510%	0.06028%
Proportionate share of the net pension liability	\$ 6,963,686	\$ 6,311,664	\$ 6,418,432	\$ 5,431,662	\$ 3,980,687	\$ 3,750,501
Covered payroll - measurement period	\$ 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	220.15%	201.65%	218.35%	152.69%	158.85%	149.66%
Plan fiduciary net position as a percentage of the total pension liability	76.22%	77.57%	76.17%	77.42%	82.52%	83.03%
Valuation date:	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%	7.65%	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**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 713,710	\$ 608,365	\$ 511,035	\$ 441,187	\$ 399,422	\$ 288,054
Contributions in relation to the actuarially determined contributions	(713,710)	(608,365)	(511,035)	(441,187)	(399,422)	(288,054)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 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	21.26%	19.23%	16.33%	15.01%	11.23%	11.49%
Valuation date:	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

	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
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
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases				Varies by Entry Age and Service		
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.250%	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(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, 2017

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.13806%	0.13875%	0.13480%	0.12357%	0.17640%	0.07112%
Proportionate share of the net pension liability	\$ 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	67.50%	68.93%	69.91%	71.42%	75.21%	81.42%
Valuation date:	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%	7.65%	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**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 610,926	\$ 508,835	\$ 404,714	\$ 327,470	\$ 251,382	\$ 543,178
Contributions in relation to the actuarially determined contributions	(610,926)	(508,835)	(404,714)	(327,470)	(251,382)	(543,178)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year						
Contributions as a percentage of covered - payroll						
Valuation date:	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	Market	Market	Market	Market	15-year
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases			Varies by Entry Age and Service			
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return (1)	7.250%	7.375%	7.50%	7.50%	7.50%	7.50%
Mortality	(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.

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, 2020

Governmental Funds				
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Nonmajor Funds Totals
ASSETS				
Cash and investments	\$ 2,134,727	\$ 359,070	\$ 4,066	\$ 2,497,863
Receivables:				
Taxes receivable	73,998			73,998
Accounts receivable	11,963			11,963
Interest receivable	1,935	743	4	2,682
TOTAL ASSETS	\$ 2,222,623	\$ 359,813	\$ 4,070	\$ 2,586,506
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 295,616	\$ 29,024	\$ 1,316	\$ 325,956
Due to other funds	25,008			25,008
Retention payable	11,873			11,873
Deposits payable	142,461			142,461
TOTAL LIABILITIES	474,958	29,024	1,316	505,298
 Fund balances:				
Restricted for:				
Public safety	111,197			111,197
Public works	1,403,550	330,789		1,734,339
Community development	252,441			252,441
Debt service			2,754	2,754
Unassigned	(19,523)			(19,523)
TOTAL FUND BALANCES	1,747,665	330,789	2,754	2,081,208
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,222,623	\$ 359,813	\$ 4,070	\$ 2,586,506

CITY OF SONOMA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

Governmental Funds				
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Nonmajor Funds Totals
REVENUES				
Taxes and assessments	\$ 269,418			\$ 269,418
Licenses and permits	552,755	\$ 172,542		725,297
Intergovernmental	608,004			608,004
Use of money and property	25,039	5,433	\$ (255)	30,217
TOTAL REVENUES	<u>1,455,216</u>	<u>177,975</u>	<u>(255)</u>	<u>1,632,936</u>
EXPENDITURES				
Current:				
Public safety	20,755			20,755
Public works	5,680	5,097		10,777
Community development	49,297			49,297
Debt Service:				
Principal			421,749	421,749
Interest and fiscal charges			31,233	31,233
Capital outlay	681,133	168,565		849,698
TOTAL EXPENDITURES	<u>756,865</u>	<u>173,662</u>	<u>452,982</u>	<u>1,383,509</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,347	220,000	454,249	679,596
Transfers out	(235,000)			(235,000)
TOTAL OTHER FINANCING SOURCES AND USES	<u>(229,653)</u>	<u>220,000</u>	<u>454,249</u>	<u>444,596</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>468,698</u>	<u>224,313</u>	<u>1,012</u>	<u>694,023</u>
Fund balances, beginning of year	<u>1,278,967</u>	<u>106,476</u>	<u>1,742</u>	<u>1,387,185</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 1,747,665</u></u>	<u><u>\$ 330,789</u></u>	<u><u>\$ 2,754</u></u>	<u><u>\$ 2,081,208</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.
Supplemental 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, 2020

	Public, Educational and Governmental	Strong Motion	Asset Forfeiture	Supplemental Law Enforcement	Bond Property Maintenance
ASSETS					
Cash and investments	\$ 11,701	\$ 6,424	\$ 15,934	\$ 95,103	
Receivables:					
Taxes receivable					
Accounts receivable	11,963				
Interest receivable	1		56	104	
	<u>1</u>		<u>56</u>	<u>104</u>	
TOTAL ASSETS	<u>\$ 23,665</u>	<u>\$ 6,424</u>	<u>\$ 15,990</u>	<u>\$ 95,207</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 15,278				
Retention payable					
Due to other funds					\$ 19,144
Deposits payable		\$ 1			
	<u>15,278</u>	<u>1</u>			<u>19,144</u>
TOTAL LIABILITIES	<u>15,278</u>	<u>1</u>			<u>19,144</u>
Fund balances:					
Restricted for:					
Public safety			\$ 15,990	\$ 95,207	
Public works					
Community development	8,387	6,423			
Unassigned					(19,144)
	<u>8,387</u>	<u>6,423</u>	<u>15,990</u>	<u>95,207</u>	<u>(19,144)</u>
TOTAL FUND BALANCES	<u>8,387</u>	<u>6,423</u>	<u>15,990</u>	<u>95,207</u>	<u>(19,144)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 23,665</u>	<u>\$ 6,424</u>	<u>\$ 15,990</u>	<u>\$ 95,207</u>	<u>\$ -</u>

<u>Schell Drainage</u>	<u>Abandoned Vehicle</u>	<u>Sonoma Creek Senior Housing</u>	<u>Gas Tax</u>	<u>Road Maintenance SBI</u>	<u>Measure M</u>	<u>Parks Measure M</u>	<u>Totals</u>
\$ 195,375	\$ 9,320	\$ 236,943	\$ 401,002	\$ 532,911	\$ 608,144	\$ 21,870	\$ 2,134,727
				30,564	18,186	25,248	73,998
477		688	553	26	29	1	11,963
<u>\$ 195,852</u>	<u>\$ 9,320</u>	<u>\$ 237,631</u>	<u>\$ 401,555</u>	<u>\$ 563,501</u>	<u>\$ 626,359</u>	<u>\$ 47,119</u>	<u>\$ 2,222,623</u>
	\$ 3,835		\$ 66,420	\$ 205,017	\$ 5,066		\$ 295,616
	5,864		1,645	10,228			11,873
\$ 142,460							25,008
<u>142,460</u>	<u>9,699</u>		<u>68,065</u>	<u>215,245</u>	<u>5,066</u>		<u>142,461</u>
							111,197
53,392			333,490	348,256	621,293	\$ 47,119	1,403,550
	(379)	\$ 237,631					252,441
<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>(19,523)</u>
<u>\$ 195,852</u>	<u>\$ 9,320</u>	<u>\$ 237,631</u>	<u>\$ 401,555</u>	<u>\$ 563,501</u>	<u>\$ 626,359</u>	<u>\$ 47,119</u>	<u>\$ 2,222,623</u>

CITY OF SONOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020

	Public, Educational and Governmental	Strong Motion	Asset Forfeiture	Supplemental Law Enforcement	Bond Property Maintenance
REVENUES					
Taxes	\$ 45,970				
Impact fees					
Intergovernmental		\$ 1,110		\$ 122,792	
Use of money and property	124	67	\$ 259	1,027	
TOTAL REVENUES	<u>46,094</u>	<u>1,177</u>	<u>259</u>	<u>123,819</u>	
EXPENDITURES					
Current:					
Public safety			15,000		
Public works					
Community development	49,297				
Capital outlay					
TOTAL EXPENDITURES	<u>49,297</u>		<u>15,000</u>		
REVENUES OVER (UNDER) EXPENDITURES	(3,203)	1,177	(14,741)	123,819	
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)	(3,203)	1,177	(14,741)	23,819	
FUND BALANCES (DEFICIT)					
Beginning of year	11,590	5,246	30,731	71,388	\$ (19,144)
End of year	<u>\$ 8,387</u>	<u>\$ 6,423</u>	<u>\$ 15,990</u>	<u>\$ 95,207</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 SBI</u>	<u>Measure M</u>	<u>Parks Measure M</u>	<u>Totals</u>
					\$ 91,653	\$ 131,795	\$ 269,418
					552,755		552,755
			\$ 257,308	\$ 226,794			608,004
\$ 2,977	\$ 97	\$ 3,935	4,863	5,296	6,167	227	25,039
<u>2,977</u>	<u>97</u>	<u>3,935</u>	<u>262,171</u>	<u>232,090</u>	<u>650,575</u>	<u>132,022</u>	<u>1,455,216</u>
	5,755						20,755
			5,680				5,680
			329,109	220,592	131,432		49,297
	<u>5,755</u>		<u>334,789</u>	<u>220,592</u>	<u>131,432</u>		<u>681,133</u>
							756,865
2,977	(5,658)	3,935	(72,618)	11,498	519,143	132,022	698,351
				5,347			5,347
				(45,000)		(90,000)	(235,000)
				(39,653)		(90,000)	(229,653)
2,977	(5,658)	3,935	(72,618)	(28,155)	519,143	42,022	468,698
<u>50,415</u>	<u>5,279</u>	<u>233,696</u>	<u>406,108</u>	<u>376,411</u>	<u>102,150</u>	<u>5,097</u>	<u>1,278,967</u>
<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>

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, 2020

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>			<u>Totals</u>
	<u>Capital Improvement Program</u>	<u>2008 CREBs</u>	<u>2012 Pension Obligation Bonds</u>	<u>Sub-totals</u>	
ASSETS					
Cash and investments	\$ 359,070		\$ 4,066	\$ 4,066	\$ 363,136
Interest receivable	743		4	4	747
TOTAL ASSETS	<u>\$ 359,813</u>	<u>\$ -</u>	<u>\$ 4,070</u>	<u>\$ 4,070</u>	<u>\$ 363,883</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 29,024		\$ 1,316	\$ 1,316	\$ 30,340
TOTAL LIABILITIES	<u>29,024</u>		<u>1,316</u>	<u>1,316</u>	<u>30,340</u>
Fund balances:					
Restricted for					
Public works	330,789				330,789
Debt service			2,754	2,754	2,754
TOTAL FUND BALANCES	<u>330,789</u>	<u>-</u>	<u>2,754</u>	<u>2,754</u>	<u>333,543</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 359,813</u>	<u>\$ -</u>	<u>\$ 4,070</u>	<u>\$ 4,070</u>	<u>\$ 363,883</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, 2020

	Capital Projects Funds	Debt Service Funds			Totals
	Capital Improvement Program	2008 CREBs	2012 Pension Obligation Bonds	Sub-totals	
REVENUES					
Licenses and permits	\$ 172,542				\$ 172,542
Use of money and property	5,433		\$ (255)	\$ (255)	5,178
TOTAL REVENUES	<u>177,975</u>	<u>-</u>	<u>(255)</u>	<u>(255)</u>	<u>177,720</u>
EXPENDITURES					
Current:					
Public works	5,097				5,097
Capital outlay	168,565				168,565
Debt service:					
Principal		\$ 41,749	380,000	421,749	421,749
Interest and fiscal charges			31,233	31,233	31,233
TOTAL EXPENDITURES	<u>173,662</u>	<u>41,749</u>	<u>411,233</u>	<u>452,982</u>	<u>626,644</u>
REVENUES OVER (UNDER) EXPENDITURES	4,313	(41,749)	(411,488)	(453,237)	(448,924)
OTHER FINANCING SOURCES (USES)					
Transfers in	220,000	41,749	412,500	454,249	674,249
TOTAL OTHER FINANCING SOURCES AND USES	<u>220,000</u>	<u>41,749</u>	<u>412,500</u>	<u>454,249</u>	<u>674,249</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	224,313		1,012	1,012	225,325
FUND BALANCES (DEFICIT)					
Beginning of year	106,476		1,742	1,742	108,218
End of year	<u>\$ 330,789</u>	<u>\$ -</u>	<u>\$ 2,754</u>	<u>\$ 2,754</u>	<u>\$ 333,543</u>

INTERNAL SERVICE FUNDS

Fund	Description
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, 2020

	<u>MIS Fund</u>	<u>Admin Hearings Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Insurance Fund</u>
ASSETS				
Current assets:				
Cash and investments	\$ 148,110	\$ 9,471	\$ 1,333,388	\$ 46,463
Receivables:				
Interest	495		3,916	166
Notes			181,535	
Due from other funds			288,613	
Prepaid items			45,900	
Total Current Assets	<u>148,605</u>	<u>9,471</u>	<u>1,853,352</u>	<u>46,629</u>
Noncurrent assets:				
Capital assets, net	39,240		2,227,593	
Total Noncurrent Assets	<u>39,240</u>	<u>-</u>	<u>2,227,593</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 187,845</u>	<u>\$ 9,471</u>	<u>\$ 4,080,945</u>	<u>\$ 46,629</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable	\$ 3,589		\$ 53,230	
Deposits payable		\$ 9,257		
TOTAL LIABILITIES	<u>3,589</u>	<u>9,257</u>	<u>53,230</u>	<u>-</u>
Net Position:				
Net investment in capital assets	39,240		2,227,593	
Unrestricted	145,016	214	1,800,122	\$ 46,629
TOTAL NET POSITION	<u>184,256</u>	<u>214</u>	<u>4,027,715</u>	<u>46,629</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 187,845</u>	<u>\$ 9,471</u>	<u>\$ 4,080,945</u>	<u>\$ 46,629</u>

Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
\$ 2,017,864	\$ 60,181	\$ 24,431	\$ 3,639,908
5,141	130	55	9,903
			181,535
			288,613
			45,900
<u>2,023,005</u>	<u>60,311</u>	<u>24,486</u>	<u>4,165,859</u>
			2,266,833
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,266,833</u>
<u>\$ 2,023,005</u>	<u>\$ 60,311</u>	<u>\$ 24,486</u>	<u>\$ 6,432,692</u>
			\$ 56,819
			9,257
<u>-</u>	<u>-</u>	<u>-</u>	<u>66,076</u>
			2,266,833
\$ 2,023,005	\$ 60,311	\$ 24,486	4,099,783
<u>2,023,005</u>	<u>60,311</u>	<u>24,486</u>	<u>6,366,616</u>
<u>\$ 2,023,005</u>	<u>\$ 60,311</u>	<u>\$ 24,486</u>	<u>\$ 6,432,692</u>

CITY OF SONOMA
Combining Statement of Revenues, Expenditures and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	<u>MIS Fund</u>	<u>Admin Hearings Fund</u>	<u>Vehicle Replacement Fund</u>	<u>Insurance Fund</u>
OPERATING REVENUES				
Other operating				
TOTAL OPERATING REVENUES	-	-	-	-
OPERATING EXPENSES				
Repairs and maintenance	\$ 107,012			
Depreciation	14,575		\$ 314,465	
Other operating	117,013		60,055	
TOTAL OPERATING EXPENSES	<u>238,600</u>	<u>-</u>	<u>374,520</u>	<u>-</u>
OPERATING INCOME (LOSS)	(238,600)	-	(374,520)	-
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	2,558	\$ 98	25,020	\$ 865
Gain (loss) from the sale of capital assets			(14,023)	
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,558</u>	<u>98</u>	<u>10,997</u>	<u>865</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(236,042)	98	(363,523)	865
Transfers in			297,195	
TOTAL TRANSFERS	<u>-</u>	<u>-</u>	<u>297,195</u>	<u>-</u>
CHANGE IN NET POSITION	(236,042)	98	(66,328)	865
NET POSITION (DEFICIT)				
Net position, beginning of year	420,298	116	4,094,043	45,764
End of year	<u>\$ 184,256</u>	<u>\$ 214</u>	<u>\$ 4,027,715</u>	<u>\$ 46,629</u>

Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
	\$ 280		\$ 280
-	280	-	280
\$ 23,756			130,768
			329,040
			177,068
<u>23,756</u>	<u>-</u>	<u>-</u>	<u>636,876</u>
(23,756)	280	-	(636,596)
31,379	868	\$ 380	61,168
			(14,023)
<u>31,379</u>	<u>868</u>	<u>380</u>	<u>47,145</u>
7,623	1,148	380	(589,451)
			297,195
<u>-</u>	<u>-</u>	<u>-</u>	<u>297,195</u>
7,623	1,148	380	(292,256)
<u>2,015,382</u>	<u>59,163</u>	<u>24,106</u>	<u>6,658,872</u>
<u>\$ 2,023,005</u>	<u>\$ 60,311</u>	<u>\$ 24,486</u>	<u>\$ 6,366,616</u>

CITY OF SONOMA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	MIS Fund	Admin Hearings Fund	Vehicle Replacement Fund	Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash paid to suppliers	\$ (248,364)		\$ (60,055)	
Cash paid to employees and related benefits				
Other operating revenues received				
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(248,364)	-	(60,055)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Other revenues received			43,720	
CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	-	-	43,720	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital expenditures	(12,714)		(394,997)	
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(12,714)	-	(387,667)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	2,525	\$ 98	25,681	\$ 699
CHANGE IN CASH AND INVESTMENTS	(258,553)	98	(378,321)	699
Cash and investments, beginning of year	406,663	9,373	1,711,709	45,764
CASH AND INVESTMENTS, END OF YEAR	\$ 148,110	\$ 9,471	\$ 1,333,388	\$ 46,463
RECONCILIATION OF OPERATING (LOSS) INCOME TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (238,600)		\$ (374,520)	
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation and amortization	14,575		314,465	
Changes in operating assets and liabilities:				
Accounts and other receivables				
Prepaid expenses				
Accounts payable and accrued expenses	(24,339)			
Unearned revenue				
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (248,364)	\$ -	\$ (60,055)	\$ -

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

<u>Employee Benefits Fund</u>	<u>Building Maintenance Fund</u>	<u>Computer Loans Fund</u>	<u>Hardscape Maintenance Fund</u>	<u>Totals</u>
\$ (12,952)	\$ (23,756)			\$ (332,175)
		\$ 280		(12,952)
<u>(12,952)</u>	<u>(23,756)</u>	<u>280</u>	<u>-</u>	<u>280</u>
				<u>(344,847)</u>
				43,720
	-	-	-	43,720
				(407,711)
	-	-	-	(400,381)
	31,461	947	\$ 325	61,736
(12,952)	7,705	1,227	325	(639,772)
12,952	2,010,159	58,954	24,106	4,279,680
<u>\$ -</u>	<u>\$ 2,017,864</u>	<u>\$ 60,181</u>	<u>\$ 24,431</u>	<u>\$ 3,639,908</u>
	\$ (23,756)	\$ 280		\$ (636,596)
				329,040
\$ 2,594		325		2,919
59,691				59,691
(75,237)	-	-		(99,576)
		(325)		(325)
<u>\$ (12,952)</u>	<u>\$ (23,756)</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ (344,847)</u>

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AGENCY FUNDS

Fund	Description
Cultural Fine Arts	Accounts for assets held to be used for cultural fine art programs.
Tree Trust	Accounts for assets held to be used for planting and replacement of trees.
Public Art	Accounts for assets held to be used for public art displays.
Pool Scholarship Fund	Accounts for assets held to be used for services and programs in agreement with Sonoma Valley Health and Recreation Association (SVHRA).
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
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2020

	Cultural Fine Arts	Tree Trust	Public Art	Pool Scholarship Fund
ASSETS				
Cash and investments	\$ 11,545	\$ 18,185	\$ 18,568	\$ 258,040
Receivables:				
Interest receivable	3	4	42	922
TOTAL ASSETS	\$ 11,548	\$ 18,189	\$ 18,610	\$ 258,962
 LIABILITIES				
Amounts held in trust	\$ 11,548	\$ 18,189	\$ 18,610	\$ 258,962
TOTAL LIABILITIES	\$ 11,548	\$ 18,189	\$ 18,610	\$ 258,962

Valley of Moon Fire	Totals
\$ 3,778,375	\$ 4,084,713
<u>-</u>	<u>971</u>
<u>\$ 3,778,375</u>	<u>\$ 4,085,684</u>
 3,778,375	 4,085,684
<u>\$ 3,778,375</u>	<u>\$ 4,085,684</u>

CITY OF SONOMA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Cultural Fine Arts				
ASSETS				
Cash and investments	\$ 11,354	\$ 11,545	\$ (11,354)	\$ 11,545
Interest receivable	94	(91)		3
TOTAL ASSETS	<u>\$ 11,448</u>	<u>\$ 11,454</u>	<u>\$ (11,354)</u>	<u>\$ 11,548</u>
LIABILITIES				
Amounts held in trust	\$ 11,448	\$ 11,548	\$ (11,448)	\$ 11,548
TOTAL LIABILITIES	<u>\$ 11,448</u>	<u>\$ 11,548</u>	<u>\$ (11,448)</u>	<u>\$ 11,548</u>
Tree Trust				
ASSETS				
Cash and investments	\$ 17,884	\$ 18,185	\$ (17,884)	\$ 18,185
Interest receivable	149	(145)		4
TOTAL ASSETS	<u>\$ 18,033</u>	<u>\$ 18,040</u>	<u>\$ (17,884)</u>	<u>\$ 18,189</u>
LIABILITIES				
Amounts held in trust	\$ 18,033	\$ 18,189	\$ (18,033)	\$ 18,189
TOTAL LIABILITIES	<u>\$ 18,033</u>	<u>\$ 18,189</u>	<u>\$ (18,033)</u>	<u>\$ 18,189</u>
Public Art				
ASSETS				
Cash and investments	\$ 18,322	\$ 18,568	\$ (18,322)	18,568
Interest receivable		42		42
TOTAL ASSETS	<u>\$ 18,322</u>	<u>\$ 18,610</u>	<u>\$ (18,322)</u>	<u>\$ 18,610</u>
LIABILITIES				
Amounts held in trust	\$ 18,322	\$ 18,610	\$ (18,322)	\$ 18,610
TOTAL LIABILITIES	<u>\$ 18,322</u>	<u>\$ 18,610</u>	<u>\$ (18,322)</u>	<u>\$ 18,610</u>
Pool Scholarship Fund				
ASSETS				
Cash and investments	\$ 254,154	\$ 258,040	\$ (254,154)	258,040
Interest receivable		922		922
TOTAL ASSETS	<u>\$ 254,154</u>	<u>\$ 258,962</u>	<u>\$ (254,154)</u>	<u>\$ 258,962</u>
LIABILITIES				
Amounts held in trust	\$ 254,154	\$ 258,962	\$ (254,154)	\$ 258,962
TOTAL LIABILITIES	<u>\$ 254,154</u>	<u>\$ 258,962</u>	<u>\$ (254,154)</u>	<u>\$ 258,962</u>

CITY OF SONOMA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Valley of the Moon Fire				
ASSETS				
Cash and investments	\$ 3,672,736	\$ 3,778,375	\$ (3,672,736)	\$ 3,778,375
TOTAL ASSETS	<u>\$ 3,672,736</u>	<u>\$ 3,778,375</u>	<u>\$ (3,672,736)</u>	<u>\$ 3,778,375</u>
LIABILITIES				
Accounts payable	\$ 436,242	\$ -	\$ (436,242)	\$ -
Amounts held in trust	<u>257,683</u>	<u>3,778,375</u>	<u>(257,683)</u>	<u>3,778,375</u>
TOTAL LIABILITIES	<u>\$ 693,925</u>	<u>\$ 3,778,375</u>	<u>\$ (693,925)</u>	<u>\$ 3,778,375</u>
Total of All Agency Funds				
ASSETS				
Cash and investments	\$ 3,974,450	\$ 4,084,713	\$ (3,974,450)	\$ 4,084,713
Interest receivable	<u>243</u>	<u>(236)</u>		<u>971</u>
TOTAL ASSETS	<u>\$ 3,974,693</u>	<u>\$ 4,084,477</u>	<u>\$ (3,974,450)</u>	<u>\$ 4,085,684</u>
LIABILITIES				
Accounts payable	\$ 436,242	\$ -	\$ (436,242)	\$ -
Amounts held in trust	<u>559,640</u>	<u>4,085,684</u>	<u>(559,640)</u>	<u>4,085,684</u>
TOTAL LIABILITIES	<u>\$ 995,882</u>	<u>\$ 4,085,684</u>	<u>\$ (995,882)</u>	<u>\$ 4,085,684</u>