CITY OF SONORA, CALIFORNIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

CITY OF SONORA, CALIFORNIA

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Clendenin Bird & Company, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To The City Council
City of Sonora
State Of California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sonora, State of California as of June 30, 2017, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sonora, State of California's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Clendenin Bird & Company PC
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 21, 2017

This discussion and analysis of the City of Sonora's (City) financial performance for the fiscal year ended June 30, 2017 provides a comparison of current year to prior year ending results based on the government-wide statements and an analysis on the City's overall financial position and results of operations to assist users in evaluating the City's financial position. Please read Management's Discussion and Analysis in conjunction with the City's financial statements, notes and supplementary schedules.

FINANCIAL HIGHLIGHTS

- The City's governmental activities total assets exceeded liabilities (net assets) at the close of the fiscal year by $11,278,149 an increase of $722,910 from fiscal year 2016. This increase is primarily due to the acquisition of land to complete the mono way/Greenly intersection widening project.

- As reported to the City Council during the mid-year and third quarter budget updates, General Fund expenditures exceeded General Fund revenues by $190,993. Expenditures exceeded revenues primarily due to payment of compensated absence balances to long-term employees who retired or separated from City service as well as higher than average utilization of the City's self-insured medical program. City General Fund revenue totaled $5,095,385 and General Fund expenses totaled $5,286,378 for fiscal year 2017. Public safety (police and fire protection) costs comprised $2,489,202 or 48% of this amount.

- On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Sonora that previously reported the Sonora Redevelopment Agency within the reporting entity of the City as a blended component unit. In accordance with the provisions of the Bill, the City elected to become the Successor Agency for the dissolved redevelopment agency and assume the housing function previously performed by the dissolved redevelopment agency.

- The City's General Fund ended the year with a fund balance of $3,098,930 a decrease of $190,993 from the previous year. Revenues were $101,031 less than budgeted and Expenditures were $139,911 less than budgeted. The budgeted amounts reflect mid-year and third quarter adjustments to appropriate funds for the compensated leave balance payments and self-insurance payments. At that time, staff estimated expenditures would exceed revenues by approximately $300,000 and therefore placed a spending freeze on remaining expenses that were not already committed or a matter of life and safety. The spending freeze was to help mitigate the estimated year-end deficit.

- The formation of a Special Sales and Use Tax District (Measure I) was approved by City of Sonora voters in August, 2004. The passing of Measure I increased the sales tax rate within the City limits by ½%. The sales tax increase provided $1,729,535 of revenue in fiscal year 2017. This revenue was used for personnel, wage and benefit costs and equipment purchases in the police, fire and public works departments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements include all activities of the City of Sonora for the period July 1, 2016 through June 30, 2017 using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long–term view of the City's finances. Fund financial statements show how City services are financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

Government-wide financial statements. The government-wide financial statements report information about the City as a whole, providing readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All the current year's revenues and expenses are taken into account in the statement of activities regardless of when cash is received or paid.

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

The *statement of activities* presents information showing how the City's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years' reporting periods.

The City's governmental activities are reported in the government-wide financial statements. Governmental activities include police and fire protection, public works, community development (building and planning), grants and special programs, and general government. Sales tax, property tax, vehicle license fees, transient occupancy

tax, user fees, franchise fees, other miscellaneous revenues and federal and state grants finance these activities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements. The fund financial statements provide detailed information about the City's most significant *funds*—not the City as a whole. 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. Some funds are required to be established by state or federal law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other funding resources. The City's two types of funds are governmental and fiduciary.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial resources that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The differences of results in the governmental funds financial statements to those in the government-wide financial statements are shown in reconciliations following the governmental funds financial statements.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. Net assets as noted earlier may serve over time as a useful indicator of the City's financial position. Below is a table showing the City's net assets as of June 30, 2017 and 2016

CITY OF SONORA
NET ASSETS
JUNE 30, 2017 AND 2016

	Governmental Activities		Total	
	2017	2016	2017	2016
Current and other assets	$12,395,527	$ 11,615,831	$12,395,527	$ 11,615,831
Capital assets, net of accumulated depreciation	13,843,078	13,029,358	13,843,078	13,029,358
Total assets	26,238,605	24,645,189	24,645,189	24,645,189
Deferred Outflows	2,123,412	3,377,465	2,123,412	3,377,465
Long-term liabilities outstanding	46,847	91,018	46,847	91,018
Other liabilities	11,435,608	10,440,030	11,435,608	10,440,030
Total liabilities	11,482,455	10,531,048	11,482,455	10,531,048
Deferred Inflows	770,458	2,233,436	770,458	2,233,436n
Net assets:				
Invested in capital assets, net of related debt	13,796,231	12,938,340	13,796,231	12,938,340
Restricted	9,025,878	7,865,210	9,025,878	7,865,210
Unrestricted	(6,713,005)	(5,545,380)	(6,713,005)	(5,545,380)
Total net assets	$16,109,104	$15,258,170	$16,109,104	$15,258,170

Compared to the prior year, Total net assets of the City's governmental activities increased by $850,934 or 5.6% due to an increase om cash and capital assets, with the purchase of the corner gas stations land at the intersection of Greenley and Mono Way. The City's Total net assets include three components: Invested in capital assets, net of related debt, Restricted net assets and Unrestricted net assets.

Of total net assets, $13,796,231 is the City's investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. Overall, during fiscal year 2017, the City's long-term debt balance relating to capital assets decreased as a result of debt service payments and the transfer of the capital assets and related debt of the dissolved Sonora Redevelopment Agency to the Successor RDA Fund. The assets and liabilities of the Successor Redevelopment Agency are reported in a fiduciary fund and are not included in the net assets of the City.

Restricted net assets of $9,025,878 represent 56% of Total net assets. Restricted net assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

Unrestricted net assets are those resources that may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net assets are ($6,713,005) and is a result of the pension liability which is now reported to comply with GASB 68.

Governmental activities. Total governmental expenditures and transfers for the year exceeded revenues by $722,910 due intergovernmental revenue for the shared cost of the

Greenley/Mono Way intersection widening project. Below is a table showing the governmental activities of the City for the years ended June 30, 2017 and 2016.

CITY OF SONORA
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Governmental Activities		Total	
	2017	2016	2017	2016
Revenues				
Charges for services and Miscellaneous	339,953	437,517	339,953	437,517
Property tax	951,405	922,257	951,405	922,257
Sales tax	4,368,513	4,156,467	4,368,513	4,156,467
Licenses and Permits	209,549	234,991	209,549	234,991
Fines and Forfeitures	55,592	74,280	55,592	74,280
Intergovernmental	2,694,604	1,716,906	2,694,604	1,716,906
Other taxes and franchises	801,585	680,140	801,585	680,140
Investment earnings	119,907	116,394	119,907	116,394
Rental Income	106,101	87,753	106,101	87,753
Total revenues and transfers	$9,647,209	8,426,705	$9,647,209	8,426,705
Expenditures				
General government	1,341,654	1,204,089	1,341,654	1,204,089
Public safety	3,567,120	4,455,986	3,567,120	4,455,986
Public works	1,980,232	994,245	1,980,232	994,245
Community development (building & planning)	644,936	1,757,353	644,936	1,757,353
Culture and leisure	71,705	71,335	71,705	71,335
Principal payment on long term debt	44,171	42,832	44,171	42,832
Interest on long-term debt	2,526	4,729	2,526	4,729
Capital Outlay	1,271,955	409,960	1,271,955	409,960
Total expenses	$8,924,299	$8,940,529	$8,924,299	$8,940,529
Excess (Deficiency) of Revenues over Expenses	$ 722,910	(513,824)	$ 722,910	(513,824)
Fund Balance at the beginning of the fiscal year	$10,555,239	11,069,005	$10,555,239	11,069,005
Fund Balance at the end of the fiscal year	$11,278,149	10,555,239	$11,278,149	10,555,239

Total governmental revenues for the year increased by $1,220,504 or 14% over fiscal year 2016. The overall increase in revenue is a result of intergovernmental revenues related to the Mono Way widening project.

Total governmental expenses for the year were $8,924,299 a $16,230 less than a 1% reduction from fiscal year 2016 primarily due to less grant related expenses. Public safety, which includes police and fire protection, accounts for $4,559,948 or 51% of the total governmental activities expenses. Significant changes in expense activity is a result of the following activities:

- Police and Fire Public Safety expenditures increased by a total of $435,482. The increases in both departments were primarily related to salary increases, increased PERs and other benefit costs, and the addition of a lieutenant's position.

- Community Development expenditures decreased substantially by $1,112,417 from the prior year, largely because of decreased CDBG grant related projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds ended the year with a combined fund balance of $11,278,149. This is an increase of $722,910 from the prior year due primarily to cash flow generated from the Greenley/Mono Way intersection project.

Major fund balance changes are noted below:

- General Fund expenditures exceeded revenues by $190,993 largely as a result of payments for compensated absences and increased utilization of the City's self-funded medical plan. General Fund revenues totaled $5,004,809 (net of transfers). Police and fire protection costs were $2,489.202 or 48% of total General Fund expenditures.

- The creation of a Special Sales and Use Tax District (Measure I) provided sales tax revenue of $1,729,535 in fiscal year 2017. This revenue was used for personnel, wage and benefit costs and equipment purchases in the police department, fire department and public works department. The allocation of this $1,729,535 was $1,037,721 for police, $432,384 for fire and $259,430 for public works departments.

- Significant revenue of other non-major governmental funds is comprised of gasoline tax, grant funding for law enforcement, reimbursements from state and federal agencies for fire suppression services and contributions of mitigation fee revenue from the County of Tuolumne for shared roadway reconstruction project costs.

General Fund Budgetary Highlights. During the year, with the recommendation from City staff, the City Council revised the City's General Fund budget. At mid-year, minimal adjustments were made to the budget to reflect identified expense variances. Budgeted salaries were increased by $105,000 to reflect leave balance payments for retired or separated employees; $38,800 was authorized for the City's compensation and classification study, $15,000 for increased legal fees, $85,000 for increased self-insurance expenses and other minimal miscellaneous operating expenditures.

At year-end, budgeted General Fund revenue were $4,817,826 while actual revenue was $5,004,809. The budgeted General Fund expenditures were $5,341,289 and actual expenditures were $4,787,525. When taking into account transfers in and out of the general fund, the city ended the year with excess expenditures over revenues of $190,993. The excess expenditures were due to the compensated absences leave cash outs and utilization of the city's medical insurance program.

Total revenue in all governmental funds increased by $1,220,504 in 2017 compared to previous year mostly due to intergovernmental revenue received for the Mono Way intersection project.

Total expenditures in all governmental funds also decreased by $16,230 in 2017 compared to previous year due to. $8,924,299.

All budget amendments that either increase or decrease appropriations were approved by the City Council.

CAPITAL AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the City had $13,843,078 invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and infrastructure. This amount represents a net increase of $813,634 or a 6% increase from the prior year due to acquisition of land at the corner of Greenley and Mono Way.

The table below sets forth the City's net asset investment as of June 30, 2017 and 2016.

CITY OF SONORA
CAPITAL ASSETS (NET OF DEPRECIATION)
JUNE 30, 2017 AND 2016

	Governmental Activities		Total	
	2017	2016	2017	2016
Land	$3,321,028	$2,185,617	$3,321,028	$2,185,617
Construction in progress	4,719,268	4,618,990	4,719,268	4,618,990
Buildings and improvements	1,082,991	1,191,558	1,082,991	1,191,558
Equipment and vehicles	454,556	552,668	454,556	552,668
Infrastructure	4,265,235	4,480,525	4,265,235	4,480,525
Total	$13,843,078	$13,029,358	$13,843,078	$13,029,358

Long-term Debt. At year-end, the City's governmental activities had $572,738 in long-term debt. Total debt was reduced during the year by the amount of the current debt principal payments included in the net assets of the City and the balance of accrued compensated absences due to the cash payouts. No new debt was incurred during the year. The table below sets forth the City's long-term debt as of June 30, 2017 and 2016.

CITY OF SONORA
LONG-TERM DEBT
JUNE 30, 2017 AND 2016

	Governmental Activities		Total	
	2017	2016	2017	2016
Lease revenue bonds	$ 46,847	$ 91,018	$ 46,847	$ 91,018
Other Post Employment Benefits	(25,378)	24,941	(25,378)	24,941
Compensated absences	$ 551,269	$ 643,490	$ 551,269	$ 643,490
Total	$ 572,738	$ 759,449	$ 572,738	$ 759,449

The City's long-term liabilities, except for compensated absences and other post-employment benefits, relate to the acquisition and construction/remodel of City Hall facilities. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NEXT YEAR'S BUDGETS – FISCAL YEAR 2018 ECONOMIC FACTORS

In preparing the budget for fiscal year 2018, City management has taken into consideration the following economic factors:

- The dissolution of the Sonora Redevelopment Agency resulted in the loss of a valuable City economic tool. Various projects and programs previously funded with redevelopment dollars were either eliminated entirely or the cost was shifted to the General Fund, placing an additional burden on core services and reserves. The dissolution process set forth in AB 1484 and the City's election to act as the Successor Agency and assume the housing function previously performed by the redevelopment agency places additional reporting and operational requirements on City staff.

  An Oversight Board was formed to oversee the dissolution procedures required by State legislation. The Successor Agency is required to file a Recognized Obligation Payment Schedule every six months in order to receive tax increment funding to pay the former RDA obligations. Two due diligence reviews have been conducted to confirm to the State the amounts of money held by the Successor Agency for both redevelopment and housing activities. The unencumbered funds identified in the reviews has been remitted to the County Auditor-Controller for distribution.

- Sales tax revenue is projected to be $2,648,888 for fiscal year 2018. Sales tax continues to be the largest city revenue source.

- Property tax revenue is projected to be slightly higher in 2018 by 3.5% compared to 2017 as economic recovery impacts the local housing market. Improvement in the assessed value of commercial properties will also be reflected in increased property tax revenue in fiscal year 2018.

- Increased CalPERS rates were incorporated into the budget and the City continues to plan for significant increases in CalPERS rates for the next several years.

- The formation of a Special Sales and Use Tax District (Measure I) was approved by City of Sonora voters in August, 2004. A ½% sales tax increase within the City limits was effective January 1, 2005 and is continuing to provide revenue for police, fire and public works activities. The special district sales tax is expected to generate approximately $1,710,094 in revenue in fiscal year 2018.

For fiscal year 2018, the City's General Fund revenues are projected to be $5,237,118 compared to 2017 actuals of $5,095,385, an increase of $231,733.

General fund expenditures are budgeted to decrease by $49,700 or less than 1% for FY 2016/17 year-end actuals due to the one-time expenditures that occurred in FY 2016/17. A General Fund budget with a surplus of $448 was adopted for fiscal year 2018.

City management continues to take a position of conservative revenue projection and modest increases to General Fund department expenditures. As noted, Special Sales and Use Tax District (Measure I) revenue will be used for personnel, wage and benefit costs and capital acquisitions for police, fire and public works in accordance with Ordinance No. 762 and the City Council approved expenditure plans.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Sonora's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Administrator at:

City of Sonora
94 N. Washington Street
Sonora, California 95370
(209) 532-6331

CITY OF SONORA
STATEMENT OF NET POSITION
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2016

	Primary Government		
	Governmental Activities	Totals 2017	2016
ASSETS			
Cash And Investments	3,992,244	3,992,244	3,340,229
Accounts Receivable	679,455	679,455	1,133,488
Interest Receivable	933,806	933,806	864,232
Loans Receivable	3,421,036	3,421,036	2,915,729
Prepaid Expenses	40,701	40,701	33,274
Restricted Cash	1,035,946	1,035,946	986,540
Receivable From Successor RDA Fund	2,292,339	2,292,339	2,342,339
Capital Assets (Net Of Accumulated Depreciation):			
Land	3,321,028	3,321,028	2,185,617
Construction In Progress	4,719,268	4,719,268	4,618,990
Buildings And Improvements	1,082,991	1,082,991	1,191,558
Equipment And Vehicles	454,556	454,556	552,668
Infrastructure	4,265,235	4,265,235	4,480,525
Total Assets	26,238,605	26,238,605	24,645,189
DEFERRED OUTFLOWS OF RESOURCES			
Current Pension Plan Contribution	2,123,412	2,123,412	3,377,465
LIABILITIES			
Accounts Payable And Other Current Liabilities	1,117,378	1,117,378	1,060,592
Compensated Absences	551,269	551,269	643,490
Other Post Employment Obligations (Asset)	(25,378)	(25,378)	24,941
Net Pension Liability	9,792,339	9,792,339	8,711,007
Long-Term Liabilities:			
Due Within One Year	46,847	46,847	44,171
Due In More Than One Year	0	0	46,847
Total Liabilities	11,482,455	11,482,455	10,531,048
DEFERRED INFLOWS OF RESOURCES			
Deferral Of Pension Expense	770,458	770,458	2,233,436
NET POSITION			
Invested In Capital Assets Net Of Related Debt	13,796,231	13,796,231	12,938,340
Restricted For			
Capital Projects	1,183,613	1,183,613	630,856
Community Development Projects	4,210,275	4,210,275	3,599,052
Revenue Bond Debt Service	182,125	182,125	182,125
Other Purposes	3,146,283	3,146,283	3,152,014
Perpetual Care:			
Expendable	150,542	150,542	149,899
Nonexpendable	153,040	153,040	151,264
Unrestricted	(6,713,005)	(6,713,005)	(5,545,380)
Total Net Position	16,109,104	16,109,104	15,258,170

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses
Primary Government:	
Governmental Activities:	
General Government	1,570,998
Public Safety	5,170,522
Public Works	1,089,266
Community Development	741,932
Culture And Leisure	221,031
Interest On Long-Term Debt	2,526
Total Governmental Activities	8,796,275
Total Primary Government	8,796,275

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets Primary Government		
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Totals 2017	2016
370,716	5,000	0	(1,195,282)	(1,195,282)	(899,793)
83,739	270,100	0	(4,816,683)	(4,816,683)	(3,849,503)
158,744	0	2,240,410	1,309,888	1,309,888	310,491
85,939	0	0	(655,993)	(655,993)	(1,725,384)
82,650	0	0	(138,381)	(138,381)	(114,184)
0	0	0	(2,526)	(2,526)	(4,729)
781,788	275,100	2,240,410	(5,498,977)	(5,498,977)	(6,283,102)
781,788	275,100	2,240,410	(5,498,977)	(5,498,977)	(6,283,102)
General Revenues:					
Taxes:					
Property Tax			951,405	951,405	922,257
Sales Tax			4,368,513	4,368,513	4,156,467
Motor Vehicle Tax			0	0	0
Transient Lodging Tax			495,864	495,864	392,487
Franchise Tax			264,296	264,296	250,147
Motor Fuel Tax			109,102	109,102	115,930
Other Taxes			41,425	41,425	37,506
Investment Earnings			119,306	119,306	116,394
Transfers			0	0	58
Total General Revenues And Transfers			6,349,911	6,349,911	5,991,246
Change In Net Position			850,934	850,934	(291,856)
Net Position - Beginning			15,258,170	15,258,170	15,550,026
Net Position - Ending			16,109,104	16,109,104	15,258,170

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	General	CDBG	Greenley/ Mono Project Fund
Assets			
Cash And Investments	1,163,218	602,207	407,471
Accounts Receivable	334,773	5,506	135,256
Interest Receivable	0	588,580	0
Loans Receivable	0	2,529,958	0
Prepaid Expenses	33,274	0	0
Restricted Cash	182,125	0	0
Due From Successor RDA Fund	1,829,890	0	0
Total Assets	3,543,280	3,726,251	542,727
Liabilities			
Accounts Payable	234,991	6,396	15,097
Other Liabilities	209,359	0	0
Due To Other Funds	0	0	0
Total Liabilities	444,350	6,396	15,097
Fund Balances			
Nonspendable	1,829,890	0	0
Restricted	182,125	3,719,855	0
Committed	0	0	527,630
Assigned	0	0	0
Unassigned	1,086,915	0	0
Total Fund Balances	3,098,930	3,719,855	527,630
Total Liabilities And Fund Balances	3,543,280	3,726,251	542,727

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Low/Moderate Income Housing Fund	Mitigation Fees Fund	Other Funds	Total Governmental Funds 2017	2016
132,161	1,049,348	637,839	3,992,244	3,340,229
302	2,413	201,205	679,455	1,133,488
345,226	0	0	933,806	864,232
891,078	0	0	3,421,036	2,915,729
0	0	7,427	40,701	33,274
0	0	853,821	1,035,946	986,540
462,449	0	0	2,292,339	2,342,339
1,831,216	1,051,761	1,700,292	12,395,527	11,615,831
342	0	35,473	292,299	295,592
1,000	579,076	35,644	825,079	765,000
0	0	0	0	0
1,342	579,076	71,117	1,117,378	1,060,592
0	0	153,040	1,982,930	2,031,154
1,829,874	472,685	1,189,665	7,394,204	7,027,525
0	0	14,745	542,375	14,786
0	0	374,783	374,783	384,499
0	0	(103,058)	983,857	1,097,275
1,829,874	472,685	1,629,175	11,278,149	10,555,239
1,831,216	1,051,761	1,700,292	12,395,527	11,615,831

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds		11,278,149
Total net assets reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	3,321,028	
Construction in progress	4,719,268	
Buildings and improvements, net of $3,364,543 accumulated depreciation	1,082,991	
Equipment and vehicles, net of $2,040,988 accumulated depreciation	454,556	
Infrastructure, net of $2,077,273 accumulated depreciation	4,265,235	
Total capital assets		13,843,078
Deferred Outlflow of Resources		2,123,412
Long-term liabilities applicable to the City's governmental activities are due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Notes payable	(46,847)	
OPEB (Obligation) Asset	25,378	
Compensated absences	(551,269)	
Net Pension Liability	(9,792,339)	
Deferred Inflows of Resources	(770,458)	
Total long-term liabilities		(11,135,535)
Total net position - governmental activities		16,109,104

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	General	CDBG	Greenley/ Mono Project Fund
Revenues			
Property Tax	951,405	0	0
Sales Tax	2,638,978	0	0
Other Tax And Franchises	801,585	0	0
Licenses And Permits	139,108	0	0
Fines And Forfeitures	55,592	0	0
Investment Earnings	8,230	58,317	0
Intergovernmental	0	480,024	1,106,442
Rental Income	86,126	0	0
Service Charges And Miscellaneous	323,785	5,516	0
Total Revenues	5,004,809	543,857	1,106,442
Expenditures			
General Government	1,226,086	0	0
Public Safety	2,489,202	0	0
Public Works	752,211	0	98
Community Development	240,438	241,800	0
Culture And Leisure	0	0	0
Debt Service			
Principal	44,171	0	0
Interest And Other Charges	2,526	0	0
Capital Outlay	32,891	0	1,235,689
Total Expenditures	4,787,525	241,800	1,235,787
Excess (Deficiency) Of Revenues Over Expenditures	217,284	302,057	(129,345)
Other Financing Sources (Uses)			
Operating Transfers In	90,576	2,294	684,469
Operating Transfers Out	(498,853)	(19,211)	0
Total Other Financing Sources (Uses)	(408,277)	(16,917)	684,469
Net Change In Fund Balances	(190,993)	285,140	555,124
Fund Balance - Beginning	3,289,923	3,434,715	(27,494)
Fund Balance- Ending	3,098,930	3,719,855	527,630

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Low/Moderate Income Housing Fund	Mitigation Fees Fund	Other Funds	Total Governmental Funds 2017	2016
0	0	0	951,405	922,257
0	0	1,729,535	4,368,513	4,156,467
0	0	0	801,585	680,140
0	0	70,441	209,549	234,991
0	0	0	55,592	74,280
35,036	7,888	9,835	119,306	116,394
0	653,944	418,431	2,658,841	1,716,906
7,975	0	12,000	106,101	87,753
0	0	47,016	376,317	437,517
43,011	661,832	2,287,258	9,647,209	8,426,705
0	0	115,568	1,341,654	1,204,089
0	699	2,070,047	4,559,948	4,455,986
0	0	235,095	987,404	994,245
12,673	0	150,025	644,936	1,757,353
0	0	71,705	71,705	71,335
0	0	0	44,171	42,832
0	0	0	2,526	4,729
0	0	3,375	1,271,955	409,960
12,673	699	2,645,815	8,924,299	8,940,529
30,338	661,133	(358,557)	722,910	(513,824)
0	0	656,530	1,433,869	1,723,005
0	(677,494)	(238,311)	(1,433,869)	(1,722,947)
0	(677,494)	418,219	0	58
30,338	(16,361)	59,662	722,910	(513,766)
1,799,536	489,046	1,569,513	10,555,239	11,069,005
1,829,874	472,685	1,629,175	11,278,149	10,555,239

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
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, 2017

Net change in fund balances - total governmental funds	722,910
The changes in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,271,955) exceeded depreciation ($458,321) in the current period.	813,634
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase net position.	0
The recording of accrued compensated absences and other post employment obligations does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities.	142,566
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net position.	44,171
The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(872,347)
Changes in net positions of governmental activities	850,934

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
REVENUES					
Property Tax	1,122,375	1,122,375	951,405	(170,970)	922,257
Sales Tax	2,590,324	2,590,324	2,638,978	48,654	2,539,835
Other Tax And Franchise Fees	649,550	684,550	801,585	117,035	680,140
Licenses And Permits	98,650	108,650	139,108	30,458	164,244
Intergovernmental	2,060	2,060	0	(2,060)	0
Fines And Forfeitures	70,770	70,770	55,592	(15,178)	74,280
Investment Earnings	5,150	5,150	8,230	3,080	5,066
Rental Income	115,627	115,627	86,126	(29,501)	71,053
Service Charges And Miscellaneous	123,320	118,320	323,785	205,465	411,438
Total Revenues	4,777,826	4,817,826	5,004,809	186,983	4,868,313
EXPENDITURES					
General Government	1,347,435	1,453,734	1,226,086	(227,648)	1,127,301
Public Safety	2,605,523	2,685,524	2,489,202	(196,322)	2,379,053
Transportation/Public Works	809,134	809,134	752,211	(56,923)	695,609
Community Development	312,179	312,179	240,438	(71,741)	249,652
Capital Outlay	33,100	33,100	32,891	(209)	21,179
Debt Service					
Principal	44,171	44,171	44,171	0	42,832
Interest	3,447	3,447	2,526	(921)	4,729
Total Expenditures	5,154,989	5,341,289	4,787,525	(553,764)	4,520,355
Excess (Deficiency) Of Revenues Over Expenditures	(377,163)	(523,463)	217,284	740,747	347,958
OTHER FINANCING SOURCES (USES)					
Transfers In	378,500	378,500	90,576	(287,924)	133,457
Transfers Out	0	(85,000)	(498,853)	(413,853)	(434,874)
Total Other Financing Sources And (Uses)	378,500	293,500	(408,277)	(701,777)	(301,417)
Net Change In Fund Balance	1,337	(229,963)	(190,993)	38,970	46,541
Fund Balance - Beginning	3,289,923	3,289,923	3,289,923	0	3,243,382
Fund Balance - Ending	3,291,260	3,059,960	3,098,930	38,970	3,289,923

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
General Government	Original	Final	Actual	(Under)	Actual
Legislative					
Employee Services	25,286	25,286	15,069	(10,217)	17,494
Supplies And Services	13,100	13,100	33,265	20,165	36,706
Total Legislative	38,386	38,386	48,334	9,948	54,200
Administration					
Employee Services	666,211	696,211	674,119	(22,092)	486,109
Supplies And Services	66,100	129,900	147,425	17,525	216,825
Total Administration	732,311	826,111	821,544	(4,567)	702,934
Opera Hall					
Employee Services	29,487	29,486	32,983	3,497	28,724
Supplies And Services	17,800	17,800	21,291	3,491	32,411
Total Opera Hall	47,287	47,286	54,274	6,988	61,135
Sunrise Hills					
Supplies And Services	0	0	2,529	2,529	2,993
Total Sunrise Hills	0	0	2,529	2,529	2,993
Non-Departmental					
Visitors Bureau	320,703	333,203	278,690	(54,513)	249,017
Total Non-Departmental	320,703	333,203	278,690	(54,513)	249,017
Facilities					
Supplies And Services	200,100	200,100	2,585	(197,515)	17,285
Debt Service	47,618	47,618	46,697	(921)	47,561
Total Facilities	247,718	247,718	49,282	(198,436)	64,846
Cemetery					
Employee Services	0	0	7,981	7,981	0
Supplies And Services	3,200	3,200	4,551	1,351	2,872
Total Cemetery	3,200	3,200	12,532	9,332	2,872
Successor Agency Administration					
Employee Services	17,898	17,898	20,808	2,910	44,520
Supplies And Services	4,550	4,550	1,881	(2,669)	13,524
Total Successor Agency Admin	22,448	22,448	22,689	241	58,044
Total General Government	1,412,053	1,518,352	1,289,874	(228,478)	1,196,041

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
Public Safety					
Police					
Employee Services	1,703,691	1,778,392	1,656,615	(121,777)	1,537,658
Supplies And Services	234,100	239,400	231,946	(7,454)	221,380
Capital Outlay	0	0	0	0	0
Total Police	1,937,791	2,017,792	1,888,561	(129,231)	1,759,038
Fire					
Employee Services	534,331	534,331	503,028	(31,303)	478,706
Supplies And Services	149,201	149,201	113,038	(36,163)	141,309
Capital Outlay	0	0	0	0	0
Total Fire	683,532	683,532	616,066	(67,466)	620,015
Total Public Safety	2,621,323	2,701,324	2,504,627	(196,697)	2,379,053
Transportation					
Public Works					
Employee Services	599,134	599,134	574,102	(25,032)	522,100
Supplies And Services	155,200	155,200	147,569	(7,631)	154,032
Capital Outlay	0	0	0	0	0
Total Public Works	754,334	754,334	721,671	(32,663)	676,132
Parks Landscape					
Supplies And Services	49,000	49,000	23,805	(25,195)	12,566
Total Parks Landscape	49,000	49,000	23,805	(25,195)	12,566
Parking Lots					
Supplies And Services	6,100	6,100	6,885	785	6,911
Total Parking Lots	6,100	6,100	6,885	785	6,911
Total Transportation	809,434	809,434	752,361	(57,073)	695,609
Community Development					
Building And Planning					
Employee Services	70,079	70,079	71,760	1,681	58,114
Supplies And Services	161,600	161,600	132,227	(29,373)	140,690
Capital Outlay	0	0	0	0	0
Total Building And Planning	231,679	231,679	203,987	(27,692)	198,804
Engineering					
Supplies And Service	80,500	80,500	36,676	(43,824)	50,848
Total Engineering	80,500	80,500	36,676	(43,824)	50,848
Total Community Development	312,179	312,179	240,663	(71,516)	249,652
Total General Fund	5,154,989	5,341,289	4,787,525	(553,764)	4,520,355

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CDBG SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
REVENUES					
Interest Income	63,563	63,563	58,317	(5,246)	66,410
Intergovernmental	851,800	851,800	480,024	(371,776)	1,021,874
Rental Income	0	0	0	0	0
Miscellaneous	6,602	6,602	5,516	(1,086)	0
Total Revenues	921,965	921,965	543,857	(378,108)	1,088,284
EXPENDITURES					
Salaries	5,284	5,284	806	(4,478)	745
Benefits	70,415	70,415	58,858	(11,557)	65,232
Supplies And Services	770,562	770,562	182,136	(588,426)	1,360,285
Capital Outlay	0	0	0	0	0
Bad Debt Expense	0	0	0	0	0
Total Expenditures	846,261	846,261	241,800	(604,461)	1,426,262
Excess (Deficiency) Of Revenues Over Expenditures	75,704	75,704	302,057	226,353	(337,978)
Other Financing Sources (Uses)					
Operating Transfers In	0	0	2,294	2,294	688,637
Operating Transfers Out	0	0	(19,211)	19,211	(674,607)
Total Other Financing Sources (Uses)	0	0	(16,917)	21,505	14,030
Net Change In Fund Balance	75,704	75,704	285,140	209,436	(323,948)
Fund Balance - Beginning	3,434,715	3,434,715	3,434,715	0	3,758,663
Fund Balance - Ending	3,510,419	3,510,419	3,719,855	209,436	3,434,715

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GREENLEY/ MONO WAY
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
REVENUES					
Investment Earnings	0	0	0	0	0
Intergovernmental	2,000,000	2,000,000	1,106,442	(893,558)	0
Miscellaneous	0	0	0	0	0
Total Revenues	2,000,000	2,000,000	1,106,442	(893,558)	0
EXPENDITURES					
Supplies And Services	0	0	98	98	27,494
Capital Outlay	3,390,000	3,390,000	1,235,689	(2,154,311)	0
Total Expenditures	3,390,000	3,390,000	1,235,787	(2,154,213)	27,494
Excess (Deficiency) Of Revenues Over Expenditures	(1,390,000)	(1,390,000)	(129,345)	1,260,655	(27,494)
Other Financing Sources (Uses)					
Operating Transfers In	1,400,000	1,400,000	684,469	(715,531)	0
Operating Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	1,400,000	1,400,000	684,469	(715,531)	0
Net Change In Fund Balance	10,000	10,000	555,124	545,124	(27,494)
Fund Balance - Beginning	(27,494)	(27,494)	(27,494)	0	0
Fund Balance - Ending	(17,494)	(17,494)	527,630	545,124	(27,494)

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOW/MODERATE INCOME HOUSING FUND
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
REVENUES					
Property Tax Increments	0	0	0	0	0
Rental Income	8,700	8,700	7,975	(725)	8,700
Investment Earnings	30,674	30,674	35,036	4,362	36,065
Total Revenues	39,374	39,374	43,011	3,637	44,765
EXPENDITURES					
Salaries	5,284	5,284	6,103	819	3,147
Benefits	4,641	4,641	3,900	(741)	621
Supplies And Services	1,600	1,600	2,670	1,070	2,019
Total Expenditures	11,525	11,525	12,673	1,148	5,787
Excess (Deficiency) Of Revenues Over Expenditures	27,849	27,849	30,338	2,489	38,978
Net Change In Fund Balance	27,849	27,849	30,338	2,489	38,978
Fund Balance - Beginning	1,799,536	1,799,536	1,799,536	0	1,760,558
Fund Balance - Ending	1,827,385	1,827,385	1,829,874	2,489	1,799,536

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MITIGATION FEES
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	2017				
	Budgeted Amounts			Variance With Final Budget Over	2016
	Original	Final	Actual	(Under)	Actual
REVENUES					
Investment Earnings	2,550	2,550	7,888	5,338	3,696
Intergovernmental	850,000	850,000	653,944	(196,056)	9,182
Miscellaneous	0	0	0	0	0
Total Revenues	852,550	852,550	661,832	(190,718)	12,878
EXPENDITURES					
Salaries	0	0	0	0	0
Benefits	0	0	0	0	0
Supplies And Services	1,000	1,000	699	(301)	17,326
Capital Outlay	0	0	0	0	0
Total Expenditures	1,000	1,000	699	(301)	17,326
Excess (Deficiency) Of Revenues Over Expenditures	851,550	851,550	661,133	(190,417)	(4,448)
Other Financing Sources (Uses)					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	(1,650,000)	(1,650,000)	(677,494)	972,506	0
Total Other Financing Sources (Uses)	(1,650,000)	(1,650,000)	(677,494)	972,506	0
Net Change In Fund Balance	(798,450)	(798,450)	(16,361)	782,089	(4,448)
Fund Balance - Beginning	489,046	489,046	489,046	0	493,494
Fund Balance - Ending	(309,404)	(309,404)	472,685	782,089	489,046

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Agency Fund			Totals (Memorandum Only)	
	Sunrise Hills	Successor RDA Fund	RDA Fund	2017	2016
Assets					
Cash And Investments	33,535	15,706	(1,168)	49,241	128,130
Capital Assets, net	0	1,397,829	0	1,397,829	1,691,956
Total Assets	33,535	1,413,535	(1,168)	1,447,070	1,820,086
Liabilities					
Accounts Payable	0	2,670	0	2,670	7,718
Due To Other Government Funds	0	2,729,151	0	2,729,151	2,729,151
Bonds Payable	33,535	128,152	0	161,687	478,576
Total Liabilities	33,535	2,859,973	0	2,893,508	3,215,445
Net Position	0	(1,446,438)	1,168	(1,446,438)	(1,395,359)

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Sonora, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local* Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:
  - A Management and Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statements prepared using the full accrual accounting for all of the City's activities, including infrastructure (roads, streets, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The more significant of the City's accounting policies are described below:

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Sonora (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City's reporting entity to be misleading or incomplete. The City's component units are blended; there are no discretely presented component units in the Financial Reporting Entity.

City of Sonora

The City (primary government) was incorporated in 1851 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire), street construction and maintenance, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

City of Sonora (continued)

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four year terms. The Mayor is selected from the City Council members and serves a two-year term. The City's only other elected official is the City Clerk/Treasurer whose term of office is four years. The City Council appoints a City Administrator and City Attorney. In addition, the City Council appoints the members of the following advisory Commissions and Boards:

Community Development Committee
Parks, Recreation and Beautification Committee
Public Safety Committee
Amador-Tuolumne County Community Action Agency
Central Sierra Planning Council
Governmental Affairs Committee
Local Transportation Commission
Solid Waste Committee
Planning Commission
Finance Committee
Personnel Committee
Public Works Committee
Cable 8 Committee
Local Agency Formation Commission
Sierra Conservation Center Committee
"Yes" Council Committee
Parking and Traffic Commission

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of one blended component unit: the Redevelopment Agency of the City of Sonora through January 31, 2012. On February 1, 2012 all Redevelopment Agencies (RDA) statewide were dissolved. The City elected to be the Successor Agency of the dissolved Redevelopment Agency of the City of Sonora and is charged with the winding down of operations. The Successor Agency funds are now reported as a fiduciary fund in the City's financial statements.

The City also elected to assume the housing function previously performed by the Redevelopment Agency. The non-cash assets and encumbered cash of the Redevelopment Housing Capital Projects Fund were transferred to the Low/Moderate Income Housing Fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

B. Government-wide and fund financial statements (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements (note that the City has no proprietary funds). Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.) net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. The City reports the following major governmental funds:

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

The **CDBG Fund** accounts for resources provided by the Federal Housing and Community Development Act of 1974 for the elimination of slums and blight, housing conservation and improvements of community services.

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

The **Greenley/Mono Way Project Fund** – To account for costs incurred for Greenley and Mono Way, intersection covered by the cooperative agreement between the City and Tuolumne County.

The **Low/Moderate Income Housing Fund** was created when the City elected to assume the housing function previously performed by the Redevelopment Agency. The non-cash assets and encumbered cash of the Redevelopment Housing Capital Projects Fund were transferred to this fund.

The **Mitigation Fees** – To account for traffic impact fees collected against new construction. The fees are based upon estimated costs for regional traffic circulation improvements previously identified by the Sonora City Council and the Tuolumne County Board of Supervisors.

Additionally, the City reports the following fund types:

The **Sunrise Hills Assessment District Agency Fund** accounts for resources received for the administration of the district. The City is limited to acting as an agent for the assessed property owners and Certificate of Beneficial interest holders.

The **Successor RDA Agency Fund** accounts for the apportionment of property tax revenues used to pay the recognized obligations of the dissolved redevelopment agency until all recognized obligations of the dissolved redevelopment agency have been paid in full and all assets have been liquidated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, for applicants, for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Net Position or Equity

1. Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures.

The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

In accordance with the State of California Government Code, the City adopts an investment policy that, among other things, authorizes types of investments. Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- State Treasurer's Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Shares of money market funds

Investments for the City, as well as its component units, are reported at fair value. LAIF operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or advances to/from other funds (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

2. Receivables and Payables (continued)

Property taxes are levied on the first day of March by the County Assessor, and are payable to the County Tax Collector in two installments.

The first installment is due November 1st, and delinquent December 10th, the second installment is due February 1st and delinquent April 10th. Taxes become a lien on the property on March 1st, and on the date of transfer of title, and the date of new construction.

The minimum property value which is taxed is $2,000; however, tax bills are prepared for properties valued at less than $2,000 if there is a special assessment to be collected.

Article 13A of the California Constitution states, "The maximum amount of any advalorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the counties and apportioned according to law to the districts within the counties."

The City has elected under state law (Teeter) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	5%
	100%

3. 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.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 for property, plant and equipment, and $25,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

4. Capital Assets (continued)

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	32
Building Improvements	10 to 25
Cemetery	32
Infrastructure	15 to 50
Equipment and Furnishings	7 to 15
Computer Equipment	3
Vehicles	3 to 7

5. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. Management employees, after 10 years of service, are eligible for a maximum payout of 520 hours of sick leave. All vacation and sick leave pay is accrued when incurred in the government-wide 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 resignation and retirements.

6. Pensions

For purposes of on liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Escalon's California Public Employees' 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Position and Fund Equity

In the government-wide financial statements, net position are reported in three categories: net position invested in capital assets, net of related debt; restricted net position and unrestricted net position.

Restricted net position represent net position restricted by parties outside the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent trust funds and endowments is reported as permanently restricted. The City's other restricted net position are temporarily restricted (ultimately expendable assets). All other net position are considered unrestricted.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. Non-spendable and Restricted fund balances represent the restricted classifications, and Committed, Assigned, and Unassigned represent the unrestricted classifications.

- Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that are constrained for specific purposes which are externally (outside the City) imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that are constrained for specified purpose that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned fund balance represents limitations imposed by management.
- Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

8. Net Position and Fund Equity (continued)

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

As of June 30, 2017, the fund balance details by classification are listed below:

	General	CDBG	Greenley/ Mono Project Fund	Low/Moderate Income Housing	Mitigation Fees	Other Funds	Total Governmental Funds
Fund Balances:							
Nonspendable:							
Perpetual Care						153,040	153,040
Long-Term Advances	1,829,890						1,829,890
Restricted:							
Debt Service	182,125						182,125
CDBG		3,719,855					3,719,855
Public Safety						610,971	610,971
Community Development					472,685		472,685
Public Housing				1,829,874			1,829,874
Transportation						236,297	236,297
Public Works			527,630			342,397	870,027
Committed To:							
Historic Preservation						4,306	4,306
In-Lieu Parking						10,439	10,439
Assigned To:							
Vehicle Abatement						10,621	10,621
Landscaping						140,582	140,582
RSTP						32,409	32,409
Other Purposes						191,171	191,171
Unassigned:	1,086,915					(103,058)	983,857
Total Fund Balances	3,098,930	3,719,855	527,630	1,829,874	472,685	1,629,175	11,278,149

9. Use of Estimates

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

II.STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund, and special revenue, capital projects and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

A. Budgetary Information (continued)

The appropriated budget is prepared by fund, function, and department. The City Administrator may authorize transfers of appropriations within the budget or supplemental appropriations for items less than $10,000. The transfer of appropriations or supplemental appropriations that are greater than $10,000 must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several supplemental budgetary appropriations throughout the year.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations in a few services as follows:

General Fund Services	
Legislative	9,948
Opera Hall	6,988
Sunrise Hill	2,529
Successor Agency	241
Cemetery	9,332
Parking Lots	785

The General Fund's other expenditures were less than appropriated, therefore, allowing for an increase in spending.

C. Deficit Fund Equity

The Mono Way Fund has a deficit fund balance of $19,428 as of June 30, 2017. Mono Way Fund will be reimbursed by the Traffic Mitigation Impact Fund. The Business Improvement Benefit Fund has a deficit fund balance of $72,460 as of June 30, 2017. Future annual collections of Benefit Zone fees and lower allocations of personnel costs for sponsored events would reduce the deficit in the Business Improvement Benefit Fund, however such reductions would likely impact that number of special events that the City could continue to sponsor. Self Insurance fund has a deficit fund balance of $4,371 as of June 30, 2017, will be reimbursed by future payment from other funds. Caltrans Federal fund has a deficit fund balance of $6,799 as of June 30, 2017, will be reimbursed by future reimbursements.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Cash and investments	3,992,244
Restricted Cash	1,035,946
Total cash and investments	5,028,190
Investment in Local Agency Investment Fund (LAIF)	3,870,960
Deposits with financial institutions	1,157,105
Cash on hand	125
Total cash and investments	5,028,190

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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 to changes in the market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is 6.49 months.

		Maturity Date
State investment pool	$ 3,870,960	6.49 months average maturity
Total	$ 3,870,960	

Disclosures Relating to Credit Risk

Generally, 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

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 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the California State Treasurer's Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Restricted Cash and Investments

The City maintains cash and investments restricted under the terms of an endowment trust agreement. The earnings from this money, accounted for in the City's permanent fund, may be spent in accordance with the endowment trust restrictions. The money is included in the City's pooled cash and investment program.

Restricted cash and investments as of June 30, 2017 is $1,035,946. This consists of the Cemetery Fund endowment $153,040,the Reserve For Revenue Bond Debt Service $182,125, the Special Sales Tax Police Fund of $174,262, the Special Sales Tax Fire Fund of $196,775 and the Special Sales Tax Public Works Fund of $329,744.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City deposits deferred compensation plan assets with the California Public Employees Retirement System (PERS) and VALIC. Federal legislation requires that the assets of such plans be held in trust for the exclusive benefit of the plan participants and their beneficiaries. PERS and VALIC act as the trustees for the plan assets and the City is considered to have limited fiduciary responsibility for the plan assets. As such, the City does not report the deferred compensation plan assets on its financial statements. (See Note 4C to the basic financial statements for additional information about this plan.)

B. Notes Receivable

The City is the recipient of Community Development Block Grant Funds and elected to assume the housing function previously performed by the dissolved redevelopment agency. Funds are provided to use for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 5%. The terms of the loans range between fifteen and thirty-one years. All loans are secured by deeds of trust. The amounts outstanding as of June 30, 2017 are $2,632,606 (CDBG Fund) and $915,133 (Low/Moderate Income Housing Fund).

However, the City has recorded an allowance for uncollectible accounts totaling $106,996 and $24,055 respectively, therefore reporting $2,529,958 and $891,078, respectively on the City's financial statements.

C. Receivables

Receivables at June 30, 2017 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	General	CDBG	Greenley/ Mono Project Fees	LMIH Fund	Mitigation Fees	Non-Major Govern-mental Funds	Total
Interest	0	588,580	0	345,226	0	0	933,806
Taxes	248,678	0	0	0	0	131,157	379,835
Grants	0	0	0	0	0	0	0
Accounts	86,095	5,506	135,256	302	2,413	70,048	299,620
Total	334,773	594,086	135,256	345,528	2,413	201,205	1,613,261

C. Receivables (continued)

Receivables and Payables with Former Redevelopment Agency Fund

Receivable/payable balances at June 30, 2017 consist of the following:

- The former Redevelopment Agency borrowed $935,934 from the CDBG Special Revenue Fund for four capital projects. The money was for the purchase and rehabilitation of property known as "Rother's Corner," the rehabilitation of Stewart Street's east sidewalk and wall, and the expansion of the Opera Hall.

  The individual amounts of outstanding balances as of June 30, 2017 are as follows:

Opera Hall	197,787
Stewart Street	104,031
Rother's Corner	84,994
Total	386,812

**As discussed in Note IV. F., all of the Redevelopment Agencies in the State of California were dissolved, and the Department of Finance has disallowed repayment of these obligations until certain conditions specified in AB1484 have been met. See Note IV. F. for further discussion.

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	2,185,617	1,135,411	0	3,321,028
Construction in progress	4,618,990	100,278	0	4,719,268
Total capital assets not being	6,804,607	1,235,689	0	8,040,296
Capital assets being depreciated:				
Buildings and improvements	4,428,406	19,128	0	4,447,534
Equipment and vehicles	2,478,406	17,138	0	2,495,544
Infrastructure	6,342,508	0	0	6,342,508
Total capital assets being depreciated	13,249,320	36,266	0	13,285,586
Less accumulated depreciation for:				
Buildings and improvements	(3,236,848)	(127,695)	0	(3,364,543)
Equipment and vehicles	(1,925,652)	(115,336)	0	(2,040,988)
Infrastructure	(1,861,983)	(215,290)	0	(2,077,273)
Total accumulated depreciation	(7,024,483)	(458,321)	0	(7,482,804)
Net capital assets being depreciated	6,224,837	(422,055)	0	5,802,782
Total net capital assets - governmental	13,029,444	813,634	0	13,843,078

Depreciation was charged to functions/programs of governmental activities for the year ended June 30, 2017 as follows:

General Government	141,791
Public Safety	125,687
Public Works	14,570
Community Development	32,332
Culture and Leisure	143,941
Total Depreciation Expense – Governmental	458,321

E. Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following amounts:

Fund	Transfer In	Transfer Out
General Fund	90,576	498,853
CDBG Fund	2,294	19,211
Greenley/Mono	684,469	0
Mitigation Fees	0	677,494
Gas Tax Fund	0	92,000
Cops AB 11 Fund	0	12,739
Business Improvement Benefit Fund	3,276	8,280
Mono Way Reimbursement Fund	0	6,975
Special Sales Tax-Fire	1,424	40,380
CALTRANs	0	1,274
Special Sales Tax-Police	0	38,218
Special Sales Tax-Public Works	0	25,478
Fire Fighters Code 5 Fund	14,902	12,967
Self Insurance Fund	636,928	0
Totals	1,433,869	1,433,869

F. Payables

Payables at June 30, 2017 for the City's individual major funds and non-major funds in the aggregate are as follows:

	General	CDBG	Greenley/ Mono Project Fees	LMIH Fund	Mitigation Fees	Non-major Govern-mental	Total
Governmental Activities:							
Vendors	234,991	6,396	15,097	342	0	35,473	292,299
Intergovernmental	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0
Other	209,359	0	0	1,000	579,076	35,644	825,079
Total	444,350	6,396	15,097	1,342	579,076	71,117	1,117,378

G. Long-Term Debt

Revenue bonds

1997 Lease Revenue Bonds –

The $2,276,500 of Sonora Public Financing Authority, Lease Revenue Bonds, Series 1997, issued August 1997, are due in annual installments ranging from $90,000 to $175,000 through August 1, 2017, with an interest rate of 5% payable semiannually February 1 and August 1. The bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The 1997 Lease Revenue Bonds were issued for the construction of a fire station and the renovation of City Hall.

Revenue bonds outstanding at June 30, 2017 were $175,000. With the dissolution of the Redevelopment Agency, part of the revenue bond outstanding has been transferred to the Successor Agency. However, in this note, the City is reporting the entire revenue bond payable. The City's portion is 26.77% and the new Successor Agency's portion is 73.23%. Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2018	175,000	4,375
Total	175,000	4,375

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds					
City's Portion	91,017	0	(44,170)	46,847	46,847
Successor RDA's Portion	248,983	0	(120,830)	128,153	128,153
Total Bonds Payable	340,000	0	(165,000)	175,000	175,000
Compensated Absences	643,490	32,109	(124,330)	551,269	128,698
Long-Term Liabilities of Governmental Activities	983,490	32,109	(289,330)	726,269	303,698

H. Sunrise Hills Assessment District

The City acts as agent on behalf of the Sunrise Hills Assessment District Bond Issue. At the time of issuance of the bonds for this district, the City made an election under the Streets & Highways Code Section 8769 not to obligate the City to advance available funds from the City treasury to cure any deficiencies in the redemption fund for the bonds. Thus, the bonds are "limited obligation bonds" secured solely by the assessment installments paid by the property owners, the reserve fund established for the bonds at the time of their issuance and the proceeds, if any, of foreclosure sales. The bond issue of $7,590,000 is due in principal installments ranging from $150,000 to $730,000 annually beginning in 1998 and maturing in 2019.

Interest at 7% is payable in semiannual installments due in September and March. The bond transactions are accounted for in the Agency Fund.

During fiscal year ended June 30, 1998 the City conducted a foreclosure sale on certain property in the district, which had been delinquent for several years. No bids were received and therefore no funds were deposited in the redemption fund with respect to that property.

As a result of the above, the reserve fund did not have enough money to make further debt service payments and the City declared an "ultimate loss" on the bonds as of January 18, 2000. The assessment district bonds were either tendered in lieu of delinquent assessments, penalties and interest for a Certificate of Beneficial Interest.

As future assessments are collected they will be disbursed by the City to the holders of the Certificates of Beneficial Interest. Under the Streets & Highway Code the City is not financially responsible for the bondholders' loss of revenues. In the opinion of City legal counsel, no future liability to the City should arise from these actions.

I. Evaluation of Subsequent Events

The City has evaluated subsequent events through November 21, 2017, the date which the financial statements were available to be issued.

IV. OTHER INFORMATION

A. Risk Management

The City of Sonora participates with other public entities in a joint exercise of powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first $1,000,000 of each general liability claim and $250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses,

A. Risk Management (continued)

charges the City's account for liability losses under $25,000 and workers' compensation losses under $25,000.

The CSJVRMA participates in an excess pool which provides general liability coverage from $1,000,000 to $10,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from $250,000 to $500,000 and purchases excess insurance above the $500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial position and results of operations for the CSJVRMA, as of June 30, 2016, are presented below:

Total Assets	92,743,162
Total Liabilities	77,308,330
Total Net Assets	15,434,832
Total Liabilities & Retained Earnings	92,743,162
Total Revenues for Year	40,220,653
Total Expenses for Year	37,742,471
Net Income for Year	2,478,182

At the termination of the joint powers agreement and after all claims have been settled, any excess deficit will be divided among the cities in accordance with its governing documents.

B. Commitments and Contingencies

The City of Sonora is a defendant in various lawsuits. Although the outcome of some of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that a resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

C. Employee Deferred Compensation Plan (continued)

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator, CALPERS and VALIC qualifies as the plan trustees to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

D. Post-Retirement Benefit Plan

The City provides postretirement medical coverage to eligible employees (and their dependents).According to GASB 45, the City is required to have an actuarial valuation performed at least every three years for plans with a total membership of fewer than 200. For the fiscal year ended June 30, 2016, the City contributed $0 in Post-Retirement Benefits. The City will have their next actuarial valuation performed for the fiscal year ending June 30, 2019.
The plan's obligations and funded status for the City at June 30, 2017 are as follows:

D. Post-Retirement Benefit Plan (continued)

Annual Required Contributions	
Fiscal Year	July 1, 2016 to June 30, 2017
Funding Method	Pay As You Go
Interest Rate	Level % of Pay Fresh Start
Number of Covered Employees	
Active (Participating)	5
Retirees	4
Total Participants	9
Actuarial Present Value of Projected Benefits (APVPB)	
Actives	321,678
Retirees	362,272
Total	683,950
Actuarial Accrued Liabilities (AAL)	
Actives	189,858
Retirees	362,272
Total	552,130
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liabilities (UAAL)	552,130
Normal Cost	15,052
Annual Required Contributions	
Normal Cost	15,052
Amortization of UAAl	21,098
Total ARC	36,150
ARC per Active Employee	0
ARC Adjustment	0
Interest on Unfunded ARC	1,446
Total OPED Cost	37,596
Expected Benefits Payments	
Actives (in retirement)	4,197
Current Retirees	83,725
Total	87,922

D. Post-Retirement Benefit Plan (continued)

Schedule of Funding Progress

Valuation date	July 1, 2015
Accrued liabilities	552,130
Actuarial value of assets	0
Unfunded liability (excess assets)	552,130
Funded status	0
Annual covered payroll	501,636
Unfunded liability (excess assets) as a percentage of covered payroll	110.07%

Schedule of Employer Contribution Without Advance Funding

Fiscal Year Ending	June 30, 2017
Annual OPEB Cost	37,596
Actual Contribution (Excess from prior year)	62,974
Percentage Contributed	168%
Net OPEB Obligation (Asset)	(25,378)

Management employees who retire at age 50 (Fire, Police) or age 55 (Other) or older with at least 10 years of service with the City, are eligible for benefits. The City Administrator is eligible for benefits after 5 years of service with the City. The City pays a portion of the cost of the benefit, up to a predetermined cap. The excess carrier is responsible for the costs in excess of the City's self-insured amount ($55,000). The retiree is responsible for either 50% or 25% of the excess carrier's premium amount, depending on their age, less than 60, 50%, 60 or greater, 25%. Coverage ends when the retiree/dependent becomes eligible for Medicare. At June 30, 2017, the City had five retired employees currently receiving benefits under the plan.

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

In the July 1, 2015 actuarial valuation, the level dollar method was used. The actuarial assumptions included a 4 percent investment rate of return, which is a the rate of the expected long-term investment returns of the City's assets and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was thirty years.

E. Employee Retirement Systems and Plans

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government 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.

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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7 @ 55	2.0 @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-63
Monthly benefits, as of % of eligible compensation	2.000% to 2.700%	1.000% to 2.500%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates	36.174%	0.00%

	Safety	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3.0 @ 50	2.7 @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	50-57
Monthly benefits, as of % of eligible compensation	3.00%	2.000% to 2.700%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates - Fire	40.122%	N/A
Required employer contribution rates - Police	50.236%	N/A

E. Employee Retirement Systems and Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contributions rates for all public employees 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 both 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 that year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between actuarially determined rate and the contribution rate of employees.

Effective January 1, 2013, the Public Employees' Pension Reform Act (PEPRA) implemented new benefit formulas, final compensation period, and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

For the year ended June 30, 2017, the contribution recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	$ 145,595	$ 237,453
Contributions - employee (paid by employer)	0	0
Lump Sum Contributions	304,784	348,071

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

As of June 30, 2017, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 4,577,488
Safety	5,214,851
Total Net Pension Liability	$ 9,792,339

The Local Government'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 on June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

E. Employee Retirement Systems and Plans (Continued)

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

	Miscellaneous	Safety	Total
Proportion - June 30, 2015	0.14252%	0.10544%	0.12026%
Proportion - June 30, 2016	0.13177%	0.10069%	0.11317%
Change - Increase/(Decrease)	-0.01075%	-0.00475%	-0.00709%

At June 30, 2017, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experiences	$ 0	$ 35,669
Changes in Assumptions	0	345,899
Net Differences Between Projected and Actual Investment Earnings	1,740,364	0
Differences Between Employer's Contributions and Proportionate Share of Contributions	0	362,292
Change in Employer's Proportion	0	26,598
Pension Contributions Made Subsequent to Measurement	383,048	0
	$ 2,123,412	$ 770,458

$2,123,412 reported as deferred outflows of resources relation to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2018	$ (50,186)	$ (64,200)	$ (114,386)
2019	(30,963)	(36,806)	(67,769)
2020	287,218	412,738	699,957
2021	189,368	262,736	452,104
2022	-	-	-
Thereafter	-	-	-
	395,437	574,469	$ 969,906

E. Employee Retirement Systems and Plans (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Acturarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varied by Entry Age and Service
Payroll Growth	3.0%
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power Protection allowance floor on power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2012 valuation were based on the results an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to

E. Employee Retirement Systems and Plans (Continued)

check the materiality of the difference in calculation until such time as we have changed our methodology.

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 of 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 tot eh nearest one quarter of one percent.

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

E. Employee Retirement Systems and Plans (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastruture and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

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

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

E. Employee Retirement Systems and Plans (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Local Government's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government'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:

Summary	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
Misc Plans	6,469,688	4,577,488	3,013,679
Safety Plans	7,660,544	5,214,851	3,207,187
Total	14,130,232	9,792,339	6,220,866

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

Payable to the Pension Plan

At June 30, 2017, the Local Government reported a payable of $9,792,339 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

CITY OF SONORA
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANOUS
JUNE 30, 2017

	2016	2015	2014
Proportion of the net pension liability	0.1318%	0.0863%	0.07334%
Proportion share of the net pension liablity	$ 4,577,488	$ 2,366,853	$ 2,011,976
Covered - employee payroll	$ 3,013,131	$ 1,199,319	$ 1,133,953
Proportionate share of the net pension liability as percentage of covered-employee payroll	151.92%	197.35%	177.43%
Plan's fiduciary net position	$ 9,477,208	$ 6,141,333	$ 6,302,141
Plan fiduciary net position as a percentage of the total pension liability	67.43%	72.18%	75.80%

Notes to Schedule:

Benefit Changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Change in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CITY OF SONORA
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - SAFETY
JUNE 30, 2017

	2016	2015	2014
Proportion of the net pension liability	0.1023%	0.0340%	0.04351%
Proportion share of the net pension liablity	$ 4,213,686	$ 1,402,956	$ 1,632,087
Covered - employee payroll	$ 3,226,023	$ 1,120,793	$ 1,199,112
Proportionate share of the net pension liability as percentage of covered-employee payroll	130.62%	125.18%	136.11%
Plan's fiduciary net position	$ 13,015,069	$ 4,418,594	$ 4,948,867
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.90%	75.20%

Notes to Schedule:

Benefit Changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Change in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

CITY OF SONORA
SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS
JUNE 30, 2017

	2016	2015	2014
Contractually required contribution (actuarially determined)	$ 684,457	$ 364,596	$ 296,470
Contributions in relation to the actuarially determined contributions	(684,457)	(364,596)	(296,470)
Contribution deficiency (excess)	$ (0)	$ -	$ -
Covered - employee payroll	$ 3,013,131	$ 1,199,319	$ 1,133,953
Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll	22.72%	30.40%	26.14%

Notes to Schedule:

Valuation Date:	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine cotnribution rates:

Actuarial Cost Method	Entry age
Amortization method	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets, See June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salaray increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF SONORA
SCHEDULE OF CONTRIBUTIONS - SAFETY
JUNE 30, 2017

	2016	2015	2014
Contractually required contribution (actuarially determined)	$ 732,817	$ 527,765	$ 486,250
Contributions in relation to the actuarially determined contributions	(732,817)	(527,765)	(486,250)
Contribution deficiency (excess)	$ (0)	$ -	$ -
Covered - employee payroll	$ 3,226,023	$ 1,120,793	$ 1,199,112
Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll	22.72%	47.09%	40.55%

Notes to Schedule:

Valuation Date:	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine cotnribution rates:

Actuarial Cost Method	Entry age
Amortization method	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets, See June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salaray increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Abandoned Vehicle Abatement - To account for state grants and other monies received and disbursed for the disposition of abandoned vehicles.

Gas Tax Funds - To account for state gas tax revenues collected based on population. The revenues may be expended only for street and road repair, maintenance, design, construction and traffic signal design and installation.

Cops AB11 - To account for monies expended by the Police Department for items not covered by the General Fund.

Local Transportation Fund - To account for the City's allocation of local transportation revenues collected for streets, roads, and sidewalk improvements.

Business Improvement Benefit Fund - To account for monies collected and expended for business improvement.

Highway Users' Tax Fund – To separately account for HUT apportionments received through Section 2103 of the State of California Streets and Highways Code.

Historic Preservation Fund – To account for donations received for the preservation of historical documents and memorabilia.

Sunrise Hills Landscaping District – To account for monies collected and expended within district for landscaping.

Special Sales & Use Tax Funds accounts for the collection of a ½ percent increase in sales tax, as approved by the voters. The sales tax revenue can be used for hiring additional personnel, wage and benefit enhancements, and equipment in the, police, fire and public works departments.

Firefighters /Code 5 – To account for money received for fire fighting services on areas outside the city's limits. The funds are used for personnel and equipment cost.

RSTP Exchange Fund – To account for monies received from the Tuolumne County Transportation Council for the Regional Surface Transportation Program.

In Lieu Parking – To account for funds collected when a new business is opened or an existing business expands. The funds are used for the acquisition of new parking facilities or major repairs to currently owned parking facilities.

Certified Access Specialist Program Fund – To account for monies collected upon issuance or renewal of a business license. This portion of the fee is set aside to increase training of certified access specialists (CASP) and strengthen CASP programs in local building departments.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Community Revitalization Plan Fund – To account for sub-recipient grant funds used to develop a plan to improve traffic circulation and other street related aspects of the downtown Sonora area.

Board of State and Community Corrections (BSCC) Fund – To account for funds received from the State of California which supports the City's law enforcement as a result of AB 109-2011 Public Safety Realignment.

Cops Hiring Program Fund – To account for grant funds from the U.S. Department of Justice Office of Community Oriented Policing Services that fund one police officer position.

Community Transformation Fund – To account for sub-recipient grant funds provided to the Tuolumne County Public Health Department through the U.S. Department of Health and Human Services, used to develop the Dragoon Gulch Trail Master Plan.

The **Mono Way Project Fund** – To account for costs incurred for widening Mono Way, covered by the cooperative agreement between the City and Tuolumne County.

Capital Projects

Mono Way Reimbursement Fund – To account for reimbursements of costs incurred for widening Mono Way, covered by the cooperative agreement between the City and Tuolumne County.

Internal Service

Self-Insurance Fund – To account for all medical and dental claims paid by the City through the City of Sonora Employee Benefit Plan. Funds are transferred into this fund to cover the claim payments from all other funds based on the budgeted per employee per month cost for each fund.

Permanent

Cemetery Perpetual Care Fund - To account for the principal trust amounts and related interest income. The interest income can be used to maintain the cemetery, while the principal may not be spent.

CITY OF SONORA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2016

	Special Revenue								
	Aban-doned Vehicle Funds	Gas Tax Funds	Cops AB11 Fund	Local Trans-portation Fund	Business Improve-ment Benefit Fund	Highway Users' Tax Fund	Historic Preser-vation Fund	Sunrise Hillls Land-scaping Fund	Asset Forfeit Fund
Assets									
Cash And Investments	10,621	1,311	73,391	(13,628)	(68,194)	186,969	4,377	133,014	2,246
Accounts Receivable	0	8,913	4,214	17,257	0	1,904	0	304	5
Loans Receivable	0	0	0	0	0	0	0	0	0
Prepaid Expense	0	0	0	0	0	0	0	7,331	0
Restricted Cash	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	0
Total Assets	10,621	10,224	77,605	3,629	(68,194)	188,873	4,377	140,649	2,251
Liabilities And Fund Balances									
Liabilities									
Accounts Payable	0	0	2,741	0	2,499	0	71	67	0
Other Liabilities	0	0	0	0	1,767	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0	0
Total Liabilities	0	0	2,741	0	4,266	0	71	67	0
Fund Balances									
Nonspendable	0	0	0	0	0	0	0	0	0
Restricted	0	10,224	74,864	3,629	0	188,873	0	0	2,251
Committed	0	0	0	0	0	0	4,306	0	0
Assigned	10,621	0	0	0	0	0	0	140,582	0
Unassigned	0	0	0	0	(72,460)	0	0	0	0
Total Fund Balances	10,621	10,224	74,864	3,629	(72,460)	188,873	4,306	140,582	2,251
Total Liabilities And Fund Balances	10,621	10,224	77,605	3,629	(68,194)	188,873	4,377	140,649	2,251

Special Revenue										
Special Sales Tax Fire Fund	Special Sales Tax PW Fund	Fire-Fighters Code 5 Fund	RSTP Exchange Fund	In Lieu Parking Fund	Certified Access Specialist Program Fund	BSCC Fund	Cops Hiring Program Fund	Caltrans Federal Fund	Economic Development Fund	Total
0	0	2,171	32,335	10,439	2,360	34,536	23,283	(12,818)	41,284	463,697
30,155	18,566	41,403	74	0	0	0	0	6,019	0	128,814
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	96	0	0	0	0	7,427
196,775	329,744	0	0	0	0	0	0	0	0	526,519
0	0	0	0	0	0	0	0	0	0	0
226,930	348,310	43,574	32,409	10,439	2,456	34,536	23,283	(6,799)	41,284	1,126,457
189	1,406	2,686	0	0	0	0	2,425	0	3,111	15,195
11,477	4,507	0	0	0	0	0	0	0	0	17,751
0	0	0	0	0	0	0	0	0	0	0
11,666	5,913	2,686	0	0	0	0	2,425	0	3,111	32,946
0	0	0	0	0	0	0	0	0	0	0
215,264	342,397	40,888		0	0	34,536	20,858	0	0	933,784
0	0	0	0	10,439	0	0	0	0	0	14,745
0	0	0	32,409	0	2,456	0	0	0	38,173	224,241
0	0	0	0	0	0	0	0	(6,799)	0	(79,259)
215,264	342,397	40,888	32,409	10,439	2,456	34,536	20,858	(6,799)	38,173	1,093,511
226,930	348,310	43,574	32,409	10,439	2,456	34,536	23,283	(6,799)	41,284	1,126,457

CITY OF SONORA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2016

	Special Revenue		Capital Projects	Internal Service	Permanent Fund	Total Non-Major Governmental Funds	
	Special Sales Tax PD Fund	Dragoon Gulch Fund	Mono Way Project Fund	Self Insurance Fund	Cemetery Perpetual Care Fund	2017	2016
Assets							
Cash And Investments	0	33,791	(18,936)	9,517	149,770	637,839	650,117
Accounts Receivable	71,619	0	0	0	772	201,205	129,057
Loans Receivable	0	0	0	0	0	0	0
Prepaid Expense	0	0	0	0	0	7,427	0
Restricted Cash	174,262	0	0	0	153,040	853,821	624,659
Due From Other Funds	0	0	0	0	0	0	0
Total Assets	245,881	33,791	(18,936)	9,517	303,582	1,700,292	1,403,833
Liabilities And Fund Balances							
Liabilities							
Accounts Payable	5,678	220	492	13,888	0	35,473	71,831
Other Liabilities	17,893	0	0	0	0	35,644	0
Due To Other Funds	0	0	0	0	0	0	0
Total Liabilities	23,571	220	492	13,888	0	71,117	71,831
Fund Balances							
Nonspendable	0	0	0	0	153,040	153,040	151,264
Restricted	222,310	33,571	0	0	0	1,189,665	912,086
Committed	0	0	0	0	0	14,745	14,786
Assigned	0	0	0	0	150,542	374,783	384,499
Unassigned	0	0	(19,428)	(4,371)	0	(103,058)	(130,633)
Total Fund Balances	222,310	33,571	(19,428)	(4,371)	303,582	1,629,175	1,332,002
Total Liabilities And Fund Balances	245,881	33,791	(18,936)	9,517	303,582	1,700,292	1,403,833

CITY OF SONORA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Special Revenue							
	Abandoned Vehicle Funds	Gas Tax Funds	Cops AB11 Fund	Local Transportation Fund	Business Improvement Benefit Fund	Highway Users' Tax Fund	Historic Preservation Fund	Sunrise Hillls Landscaping Fund
Revenues								
Investment Earnings	0	316	0	(111)	0	1,349	0	997
Intergovernmental	3,389	94,776	129,925	17,296	0	14,326	0	0
Property Taxes	0	0	0	0	0	0	0	0
Sales Taxes	0	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0	0
Licenses And Permits	0	0	0	0	69,700	0	0	0
Miscellaneous	0	0	0	0	0	0	30	2,027
Total Revenues	3,389	95,092	129,925	17,185	69,700	15,675	30	3,024
Expenditures								
General Government	0	0	0	0	0	0	0	0
Public Safety	0	0	95,834	0	0	0	0	0
Public Works	0	0	0	13,948	0	0	0	0
Community Development	0	0	0	0	0	0	0	2,855
Culture And Leisure	0	0	0	0	71,634	0	71	0
Capital Outlay	0	0	0	0	0	0	0	0
Debt Service								
Principal	0	0	0	0	0	0	0	0
Interest And Other Charges	0	0	0	0	0	0	0	0
Total Expenditures	0	0	95,834	13,948	71,634	0	71	2,855
Excess(Deficiency) Of Revenues Over Expenditures	3,389	95,092	34,091	3,237	(1,934)	15,675	(41)	169
Other Financing Sources (Uses)								
Operating Transfers In	0	0	0	0	3,276	0	0	0
Operating Transfers Out	0	(92,000)	(12,739)	0	(8,280)	0	0	0
Total Other Financing Sources (Uses)	0	(92,000)	(12,739)	0	(5,004)	0	0	0
Extraordinary Gain (Loss) - RDA	0	0	0	0	0	0	0	0
Net Change In Fund Balances	3,389	3,092	21,352	3,237	(6,938)	15,675	(41)	169
Fund Balance - Beginning	7,232	7,132	53,512	392	(65,522)	173,198	4,347	140,413
Fund Balance - Ending	10,621	10,224	74,864	3,629	(72,460)	188,873	4,306	140,582

Special Revenue											
Asset Forfeit Fund	Special Sales Tax Fire Fund	Special Sales Tax PW Fund	Fire-Fighters Fund	RSTP Exchange Fund	In Lieu Parking Fund	Certified Access Specialist Program Fund	BSCC Fund	Cops Hiring Program Fund	Caltrans Federal Fund	Economic Development Fund	Total
20	1,403	2,292	0	240	0	0	0	0	0	0	6,506
0	0	0	114,710	0	0	0	16,062	0	20,783	5,000	416,267
0	0	0	0	0	0	0	0	0	0	0	0
0	432,384	259,430	0	0	0	0	0	0	0	0	691,814
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	741	0	0	0	0	70,441
0	0	0	0	0	0	0	0	0	0	10,643	12,700
20	433,787	261,722	114,710	240	0	741	16,062	0	20,783	15,643	1,197,728
0	0	0	0	0	0	0	0	0	0	0	0
3,983	395,646	0	113,265	0	0	0	28,921	47,017	23,133	0	707,799
0	0	186,897	0	0	0	0	0	0	0	0	200,845
0	0	0	0	0	0	0	0	0	0	30,541	33,396
0	0	0	0	0	0	0	0	0	0	0	71,705
0	0	3,375	0	0	0	0	0	0	0	0	3,375
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
3,983	395,646	190,272	113,265	0	0	0	28,921	47,017	23,133	30,541	1,017,120
(3,963)	38,141	71,450	1,445	240	0	741	(12,859)	(47,017)	(2,350)	(14,898)	180,608
0	1,424	0	14,902	0	0	0	0	0	0	0	19,602
0	(40,380)	(25,478)	(12,967)	0	0	0	0	0	(1,274)	0	(193,118)
0	(38,956)	(25,478)	1,935	0	0	0	0	0	(1,274)	0	(173,516)
0	0	0	0	0	0	0	0	0	0	0	0
(3,963)	(815)	45,972	3,380	240	0	741	(12,859)	(47,017)	(3,624)	(14,898)	7,092
6,214	216,079	296,425	37,508	32,169	10,439	1,715	47,395	67,875	(3,175)	53,071	1,086,419
2,251	215,264	342,397	40,888	32,409	10,439	2,456	34,536	20,858	(6,799)	38,173	1,093,511

CITY OF SONORA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2016

	Special Revenue		Capital Projects	Internal Service	Permanent Fund		
	Special Sales Tax PD Fund	Dragoon Gulch Fund	Mono Way Fund	Self Insurance Fund	Cemetery Perpetual Care Fund	Total Non-Major Governmental Funds 2017	2016
Revenues							
Investment Earnings	1,077	0	0	0	2,252	9,835	4,147
Intergovernmental	2,164	0	0	0	0	418,431	690,651
Property Taxes	0	0	0	0	0	0	0
Sales Taxes	1,037,721	0	0	0	0	1,729,535	646,653
Rent	0	12,000	0	0	0	12,000	8,000
Licenses And Permits	0	0	0	0	0	70,441	70,747
Miscellaneous	2,377	31,014	0	0	925	47,016	8,777
Total Revenues	1,043,339	43,014	0	0	3,177	2,287,258	1,428,975
Expenditures							
General Government	0	0	0	115,568	0	115,568	76,788
Public Safety	992,828	0	0	369,420	0	2,070,047	1,074,237
Public Works		0	1,427	32,065	758	235,095	298,636
Community Development	0	15,799	0	100,830	0	150,025	75,652
Culture And Leisure	0	0	0	0	0	71,705	71,335
Capital Outlay	0	0	0	0	0	3,375	281,306
Debt Service						0	
Principal	0	0	0	0	0	0	0
Interest And Other Charges	0	0	0	0	0	0	0
Total Expenditures	992,828	15,799	1,427	617,883	758	2,645,815	1,877,954
Excess(Deficiency) Of Revenues Over Expenditures	50,511	27,215	(1,427)	(617,883)	2,419	(358,557)	(448,979)
Other Financing Sources (Uses)							
Operating Transfers In	0	0	0	636,928	0	656,530	900,911
Operating Transfers Out	(38,218)	0	(6,975)	0	0	(238,311)	(540,984)
Total Other Financing Sources (Uses)	(38,218)	0	(6,975)	636,928	0	418,219	359,927
Extraordinary Gain (Loss) - RDA	0	0	0	0	0	0	0
Net Change In Fund Balances	12,293	27,215	(8,402)	19,045	2,419	59,662	(89,052)
Fund Balance - Beginning	210,017	6,356	(11,026)	(23,416)	301,163	1,569,513	1,421,054
Fund Balance - Ending	222,310	33,571	(19,428)	(4,371)	303,582	1,629,175	1,332,002

OTHER REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The City Council
City of Sonora
State of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sonora, State of California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Sonora, State of California's basic financial statements and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sonora, State of California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sonora, State of California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sonora, State of California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sonora, State of California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clendenin Bird & Company, PC
CLENDENIN BIRD & COMPANY, PC

Modesto, California
November 21, 2017