# CITY OF SONORA, CALIFORNIA

## ANNUAL FINANCIAL REPORT

## YEAR ENDED JUNE 30, 2018

FINAL

## CITY OF SONORA, CALIFORNIA

Table of Contents


| | Page |
|---|---|
| **FINANCIAL SECTION** | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion And Analysis (unaudited) | 3-11 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement Of Net Position | 12 |
| Statement Of Activities | 13-14 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 15-16 |
| Reconciliation Of The Governmental Funds Balance Sheet To Statement Of Net Position | 17 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Governmental Funds | 18-19 |
| Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities | 20 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – General Fund | 21-23 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances -- Budget And Actual – CDBG Fund | 24 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Mono Way Widening | 25 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Low/Moderate Income Housing Fund | 26 |
| Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Mitigation Fees | 27 |
| Statement Of Fiduciary Net Position – Fiduciary Funds | 28 |
| Notes To The Financial Statements | 29-55 |
| **REQUIRED SUPPLEMENTAL FINANCIAL DATA** | |
| Schedule of Proportionate Share of Net Pension Liability – Miscellaneous | 56 |
| Schedule of Proportionate Share of Net Pension Liability – Safety | 57 |
| Schedule of Contributions – Miscellaneous | 58 |
| Schedule of Contributions – Safety | 59 |

## CITY OF SONORA, CALIFORNIA

Table of Contents


| | Page |
|---|---|
| **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:** | |
| Definitions | 60-62 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 63-66 |
| Combining Statement Of Revenues, Expenditures And Changes In Fund Balances – Nonmajor Governmental Funds | 67-70 |
| **OTHER REPORTS** | |
| Independent Auditor's 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* | 71-72 |

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# 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, 2018, 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, 2018, 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 11 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
December 20, 2018

**CITY OF SONORA**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2018**
**(UNAUDITED)**

This discussion and analysis of the City of Sonora's (City) financial performance for the fiscal year ended June 30, 2018 provides a narrative overview and 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 $11,755,283 an increase of $477,134 from fiscal year 2017. This increase is primarily due to the acquisition of land to complete the Mono Way/Greenly intersection widening project.

- General Fund revenues exceeded General Fund expenditures by $307,714. Revenues exceeded expenditures primarily due to several open positions that the city had budgeted for but only filled late into the year or subsequent year. City General Fund revenue totaled $5,010,304 and General Fund expenses totaled $4,702,590 for fiscal year 2018. Public safety (police and fire protection) costs comprised $2,421,719 or 51% of this amount.

- The City's General Fund ended the year with a fund balance of $3,322,437, an increase of $223,507 from the previous year. Revenues were $9,795 less than budgeted and Expenditures were $396,080 less than budgeted.

- 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 $1,820,774 of revenue in 2018 versus $1,729,535 in 2017, an increase of $91,239. 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, 2017 through June 30, 2018 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. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

*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, 2018 and 2017

CITY OF SONORA
NET ASSETS
JUNE 30, 2018 AND 2017

| | Governmental Activities | | Total | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | $12,719,816 | $ 12,395,527 | $12,719,816 | $ 12,395,527 |
| Capital assets, net of accumulated depreciation | 15,377,842 | 13,843,078 | 15,377,842 | 13,843,078 |
| Total assets | 28,097,658 | 26,238,605 | 28,097,658 | 26,238,605 |
| Deferred outflow of resources | 3,626,499 | 5,166,738 | 3,626,499 | 5,166,738 |
| Long-term liabilities outstanding | - | 46,847 | - | 46,847 |
| Other liabilities | 12,366,890 | 11,435,608 | 12,366,890 | 11,435,608 |
| Total liabilities | 12,366,890 | 11,482,455 | 12,366,890 | 11,482,455 |
| Deferred inflows of resources | 2.826,966 | 4.025,362 | 2,826,966 | 4,025,362 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 15,377,842 | 13,796,231 | 15,377,842 | 13,796,231 |
| Restricted | 8,945,288 | 9,025,878 | 8,945,288 | 9,025,878 |
| Unrestricted | (7,792,829) | (6,924,583) | (7,792,829) | (6,924,583) |
| Total net assets | $16,530,301 | $15,897,526 | $16,530,301 | $15,897,526 |

Compared to the prior year, Total net assets of the City's governmental activities increased by $632,775 or 4% due to an increase in cash and capital assets, with the purchase of the corner gas station 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, $15,377,842 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. 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 $8,945,288 represent 54% 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 ($7,792,829) and is a result of the pension liability which is now reported to comply with GASB 68.

**Governmental activities.** Total governmental revenues and transfers for the year exceeded expenditures by $256,465 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, 2018 and 2017.

CITY OF SONORA
CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | Governmental Activities | | Total | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Charges for services and Miscellaneous | 589,444 | 339,953 | 589,444 | 339,953 |
| Property tax | 967,619 | 951,405 | 967,619 | 951,405 |
| Sales tax | 4,499,110 | 4,368,513 | 4,499,110 | 4,368,513 |
| Licenses and Permits | 169,704 | 209,549 | 169,704 | 209,549 |
| Fines and Forfeitures | 73,253 | 55,592 | 73,253 | 55,592 |
| Intergovernmental | 1,774,510 | 2,694,604 | 1,774,510 | 2,694,604 |
| Other taxes and franchises | 736,412 | 801,585 | 736,412 | 801,585 |
| Investment earnings | 155,066 | 119,907 | 155,066 | 119,907 |
| Rental Income | 122,212 | 106,101 | 122,212 | 106,101 |
| Total revenues and transfers | $9,087,329 | 9,647,209 | $9,087,329 | 9,647,209 |
| Expenditures | | | | |
| General government | 1,184,212 | 1,341,654 | 1,184,212 | 1,341,654 |
| Public safety | 4,154,816 | 4,559,948 | 2,421,719 | 3,567,120 |
| Public works | 921,657 | 987,404 | „ | 1,980,232 |
| Community development (building & planning) | 472,706 | 644,936 | 472,706 | 644,936 |
| Culture and leisure | 88,776 | 71,705 | 88,776 | 71,705 |
| Principal payment on long term debt | 46,848 | 44,171 | 46,848 | 44,171 |
| Interest on long-term debt | 1,366 | 2,526 | 1,366 | 2,526 |
| Capital Outlay | 1,960,483 | 1,271,955 | 1,960,483 | 1,271,955 |
| Total expenses | $8,830,864 | $8,924,299 | $8,830,864 | $8,924,299 |
| Excess (Deficiency) of Revenues over Expenses | $256,465 | 722,910 | $ 256,465 | 722,910 |
| Prior Period Adjustment – See Notes | $220,669 | - | $220,669 | - |
| Fund Balance at the beginning of the fiscal year | $11,278,149 | 10,555,239 | $11,278,149 | 10,555,239 |
| Fund Balance at the end of the fiscal year | $11,755,283 | 11,278,149 | $11,755,283 | 11,278,149 |

Total governmental revenues for the year decreased by $559,880 or 5.8% over fiscal year 2018. The overall decrease in revenue is a result of a reduction in intergovernmental revenues related to the Greenley/Mono Way widening project nearing completion.

Total governmental expenses for the year were $8,830,864, a reduction of $93,435 or 1% less from fiscal year 2017, primarily due to Greenley/Mono Way completion and open staffing positions. Public safety, which includes police and fire protection, accounts for $4,154,816 or 47% of the total governmental activities expenses. Significant changes in expense activity is a result of the following activities:

- General Government and Public Safety expenditures decreased by a total of $157,442 and $405,132, respectively. The decreases in both departments were primarily related to open/unfilled positions that were not filled until late in the year or 2019.

- Community Development expenditures decreased substantially by $172,230 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 $11,755,283. This is an increase of $477,134 from the prior year due primarily to cash flow generated from the Greenley/Mono Way intersection project nearing completion and savings in the General Fund.

Major fund balance changes are noted below:

- General Fund revenues exceeded expenditures and transfers by $357,613 largely as a result of savings from several open positions in 2018. General Fund revenues totaled $5,010,304 (net of transfers). Police and fire protection costs were $2,421,719 or 51% of total General Fund expenditures.

- The creation of a Special Sales and Use Tax District (Measure I) provided sales tax revenue of $1,820,775 in fiscal year 2018. 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 revenue was $1,092,465 for Police, $455,194 for Fire and $273,116 for Public Works Departments.

- Significant revenues 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.

At year-end, budgeted General Fund revenues were $5,020,099 while actual revenue was $5,010,304. The budgeted General Fund expenditures were $5,098,670 and actual expenditures were $4,702,590. When taking into account transfers in and out of the

general fund, the city ended the year with excess revenues over expenditures of $357,613. The excess revenues over expenditures were due several positions that were not filled until the end of 2018 and into 2019.

Total revenue in all governmental funds decreased by $559,880 in 2018 compared to the previous year mostly due to Greenley/Mono Way intersection project nearing completion.

Total expenditures in all governmental funds also decreased by $93,435 in 2018 compared to previous years due to Greenley/Mono Way Project completion.

Supplemental budget amendments that either increase or decrease appropriations are approved by the City Council.

## CAPITAL AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2018, the City had $15,377,842 invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and infrastructure. This amount represents a net increase of $1,534,764 or an 11% 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, 2018 and 2017.

CITY OF SONORA
CAPITAL ASSETS (NET OF DEPRECIATION)
JUNE 30, 2018 AND 2017

| | Governmental Activities | | Total | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Land | $3,853,077 | $3,321,028 | $3,853,077 | $3,321,028 |
| Construction in progress | 6,108,050 | 4,719,268 | 6,108,050 | 4,719,268 |
| Buildings and improvements | 967,414 | 1,082,991 | 967,414 | 1,082,991 |
| Equipment and vehicles | 368,635 | 454,556 | 368,635 | 454,556 |
| Infrastructure | 4,080,666 | 4,265,235 | 4,080,666 | 4,265,235 |
| Total | $15,377,842 | $13,843,078 | $15,377,842 | $13,843,078 |

**Long-term Debt.** At year-end, the City's governmental activities had $538,205 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 with the balance of accrued compensated absences due increasing slightly. No new debt was incurred during the year. The table below sets forth the City's long-term debt as of June 30, 2018 and 2017.

CITY OF SONORA
LONG-TERM DEBT
JUNE 30, 2018 AND 2017

| | Governmental Activities | | Total | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Lease revenue bonds | $ - | $ 46,847 | $ - | $ 46,847 |
| Other Post Employment Benefits | (92,811) | (25,378) | (92,811) | (25,378) |
| Compensated absences | 631,016 | 551,269 | 631,016 | 551,269 |
| Total | $ 538,205 | $ 572,738 | $ 538,205 | $ 572,738 |

In 2018 the City's long-term liabilities are for compensated absences and other post-employment benefits, both relating to employment costs of the City.

## NEXT YEAR'S BUDGETS – FISCAL YEAR 2019 ECONOMIC FACTORS

In preparing the budget for fiscal year 2019, 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 $2,696,000 for fiscal year 2019. Sales tax continues to be the largest city revenue source.

- Property tax revenue is projected to be slightly higher in 2019 by 3.5% compared to 2018 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 2019.

- 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 $1,749,000 in revenue in fiscal year 2019.

For fiscal year 2019, the City's General Fund revenues are projected to be $5,146,552 compared to 2018 actuals of $5,010,304, an increase of $136,248.

In 2019 General fund expenditures are budgeted to be $5,491,580, an increase of $254,910 or 4.9% for 2019. A General Fund budget with a surplus of $17,572 was adopted for fiscal year 2019, which included a transfer from reserves.

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's Administrative Services Director at:

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

**CITY OF SONORA**
**STATEMENT OF NET POSITION**
**JUNE 30, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

| | Primary Government | | RESTATED |
|---|---|---|---|
| | Governmental Activities | Totals 2018 | 2017 |
| **ASSETS** | | | |
| Cash And Investments | 4,366,732 | 4,366,732 | 3,992,244 |
| Accounts Receivable | 637,629 | 637,629 | 679,455 |
| Interest Receivable | 976,062 | 976,062 | 933,806 |
| Loans Receivable | 3,297,197 | 3,297,197 | 3,421,036 |
| Prepaid Expenses | 33,274 | 33,274 | 40,701 |
| Restricted Cash | 1,066,583 | 1,066,583 | 1,035,946 |
| Receivable From Successor RDA Fund | 2,342,339 | 2,342,339 | 2,292,339 |
| Capital Assets (Net Of Accumulated Depreciation): | | | |
| Land | 3,853,077 | 3,853,077 | 3,321,028 |
| Construction In Progress | 6,108,050 | 6,108,050 | 4,719,268 |
| Buildings And Improvements | 967,414 | 967,414 | 1,082,991 |
| Equipment And Vehicles | 368,635 | 368,635 | 454,556 |
| Infrastructure | 4,080,666 | 4,080,666 | 4,265,235 |
| Total Assets | 28,097,658 | 28,097,658 | 26,238,605 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 3,626,499 | 3,626,499 | 5,166,738 |
| **LIABILITIES** | | | |
| Accounts Payable And Other Current Liabilities | 964,533 | 964,533 | 1,117,378 |
| Compensated Absences | 631,016 | 631,016 | 551,269 |
| Other Post Employment Obligations (Asset) | ( 92,811) | ( 92,811) | ( 25,378) |
| Net Pension Liability | 10,864,152 | 10,864,152 | 9,792,339 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 0 | 0 | 46,847 |
| Due In More Than One Year | 0 | 0 | 0 |
| Total Liabilities | 12,366,890 | 12,366,890 | 11,482,455 |
| **DEFERRED INFLOWS OF RESOURCES** | 2,826,966 | 2,826,966 | 4,025,362 |
| **NET POSITION** | | | |
| Invested In Capital Assets Net Of Related Debt | 15,377,842 | 15,377,842 | 13,796,231 |
| Restricted For | | | |
| Capital Projects | 653,965 | 653,965 | 1,183,613 |
| Community Development Projects | 4,298,317 | 4,298,317 | 4,210,275 |
| Revenue Bond Debt Service | 182,125 | 182,125 | 182,125 |
| Other Purposes | 3,502,134 | 3,502,134 | 3,146,283 |
| Perpetual Care: | | | |
| Expendable | 154,908 | 154,908 | 150,542 |
| Nonexpendable | 153,839 | 153,839 | 153,040 |
| Unrestricted | ( 7,792,829) | ( 7,792,829) | ( 6,924,583) |
| Total Net Position | 16,530,301 | 16,530,301 | 15,897,526 |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF SONORA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses |
|---|---|
| **Primary Government:** | |
| **Governmental Activities:** | |
| General Government | 1,474,383 |
| Public Safety | 5,224,039 |
| Public Works | 1,156,171 |
| Community Development | 575,120 |
| Culture And Leisure | 244,143 |
| Interest On Long-Term Debt | 1,366 |
| Total Governmental Activities | 8,675,222 |
| Total Primary Government | 8,675,222 |

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 2018 | 2017 |
| 408,673 | 0 | 0 | ( 1,065,710) | ( 1,065,710) | ( 1,195,282) |
| 85,090 | 404,608 | 0 | ( 4,734,341) | ( 4,734,341) | ( 4,816,683) |
| 178,851 | 0 | 1,120,330 | 143,010 | 143,010 | 1,309,888 |
| 45,823 | 61,797 | 0 | ( 467,500) | ( 467,500) | ( 655,993) |
| 312,336 | 0 | 0 | 68,193 | 68,193 | ( 138,381) |
| 0 | 0 | 0 | ( 1,366) | ( 1,366) | ( 2,526) |
| 1,030,773 | 466,405 | 1,120,330 | ( 6,057,714) | ( 6,057,714) | ( 5,498,977) |
| 1,030,773 | 466,405 | 1,120,330 | ( 6,057,714) | ( 6,057,714) | ( 5,498,977) |
| **General Revenues:** | | | | | |
| Taxes: | | | | | |
| Property Tax | | | 967,617 | 967,617 | 951,405 |
| Sales Tax | | | 4,499,111 | 4,499,111 | 4,368,513 |
| Motor Vehicle Tax | | | 0 | 0 | 0 |
| Transient Lodging Tax | | | 433,539 | 433,539 | 495,864 |
| Franchise Tax | | | 144,704 | 144,704 | 264,296 |
| Motor Fuel Tax | | | 111,615 | 111,615 | 109,102 |
| Other Taxes | | | 158,169 | 158,169 | 41,425 |
| Investment Earnings | | | 155,066 | 155,066 | 119,306 |
| Transfers | | | 0 | 0 | 0 |
| Total General Revenues And Transfers | | | 6,469,821 | 6,469,821 | 6,349,911 |
| Change In Net Position | | | 412,107 | 412,107 | 850,934 |
| Net Position - Beginning | | | 16,109,104 | 16,109,104 | 15,258,170 |
| Prior Period Adjustment | | | 9,090 | 9,090 | 0 |
| Net Position - Ending | | | 16,530,301 | 16,530,301 | 16,109,104 |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | General | CDBG | Greenley/ Mono Project Fund |
|---|---|---|---|
| **Assets** | | | |
| Cash And Investments | 1,311,863 | 955,679 | 0 |
| Accounts Receivable | 379,900 | 288 | 0 |
| Interest Receivable | 0 | 625,077 | 0 |
| Loans Receivable | 0 | 2,459,141 | 0 |
| Prepaid Expenses | 33,274 | 0 | 0 |
| Restricted Cash | 0 | 0 | 0 |
| Due From Successor RDA Fund | 1,879,890 | 0 | 0 |
| Total Assets | 3,604,927 | 4,040,185 | 0 |
| **Liabilities** | | | |
| Accounts Payable | 251,669 | 0 | 4,328 |
| Other Liabilities | 30,821 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 |
| Total Liabilities | 282,490 | 0 | 4,328 |
| **Fund Balances** | | | |
| Nonspendable | 1,913,164 | 0 | 0 |
| Restricted | 0 | 4,040,185 | 0 |
| Committed | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 |
| Unassigned | 1,409,273 | 0 | ( 4,328) |
| Total Fund Balances | 3,322,437 | 4,040,185 | ( 4,328) |
| Total Liabilities And Fund Balances | 3,604,927 | 4,040,185 | 0 |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Low/Moderate Income Housing Fund | Mitigation Fees Fund | Other Funds | Total Governmental Funds 2018 | 2017 |
|---|---|---|---|---|
| 204,445 | 962,788 | 931,957 | 4,366,732 | 3,992,244 |
| 977 | 4,855 | 251,609 | 637,629 | 679,455 |
| 350,985 | 0 | 0 | 976,062 | 933,806 |
| 838,056 | 0 | 0 | 3,297,197 | 3,421,036 |
| 0 | 0 | 0 | 33,274 | 40,701 |
| 0 | 0 | 1,066,583 | 1,066,583 | 1,035,946 |
| 462,449 | 0 | 0 | 2,342,339 | 2,292,339 |
| 1,856,912 | 967,643 | 2,250,149 | 12,719,816 | 12,395,527 |
| 64 | 353,650 | 71,719 | 681,430 | 292,299 |
| 1,856 | 225,426 | 25,000 | 283,103 | 825,079 |
| 0 | 0 | 0 | 0 | 0 |
| 1,920 | 579,076 | 96,719 | 964,533 | 1,117,378 |
| 0 | 0 | 153,839 | 2,067,003 | 1,982,930 |
| 1,854,992 | 388,567 | 1,361,090 | 7,644,834 | 7,394,204 |
| 0 | 0 | 154,848 | 154,848 | 542,375 |
| 0 | 0 | 600,429 | 600,429 | 374,783 |
| 0 | 0 | ( 116,776) | 1,288,169 | 983,857 |
| 1,854,992 | 388,567 | 2,153,430 | 11,755,283 | 11,278,149 |
| 1,856,912 | 967,643 | 2,250,149 | 12,719,816 | 12,395,527 |

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, 2018**

| | | |
|---|---|---|
| Total fund balances - governmental funds | | 11,755,283 |
| 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 | 3,853,077 | |
| Construction in progress | 6,108,050 | |
| Buildings and improvements, net of $3,489,925 accumulated depreciation | 967,414 | |
| Equipment and vehicles, net of $2,126,909 accumulated depreciation | 368,635 | |
| Infrastructure, net of $2,291,689 accumulated depreciation | 4,080,666 | |
| Total capital assets | | 15,377,842 |
| Deferred Outlflow of Resources | | 3,626,499 |
| 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 | 0 | |
| OPEB (Obligation) Asset | 92,811 | |
| Compensated absences | ( 631,016) | |
| Net Pension Liability | ( 10,864,152) | |
| Deferred Inflows of Resources | ( 2,826,966) | |
| Total long-term liabilities | | ( 14,229,323) |
| Total net position - governmental activities | | 16,530,301 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | General | CDBG | Greenley/ Mono Project Fund |
|---|---|---|---|
| **Revenues** | | | |
| Property Tax | 967,617 | 0 | 0 |
| Sales Tax | 2,678,336 | 0 | 0 |
| Other Tax And Franchises | 736,412 | 0 | 0 |
| Licenses And Permits | 100,861 | 0 | 0 |
| Fines And Forfeitures | 73,253 | 0 | 0 |
| Investment Earnings | 14,093 | 66,865 | 0 |
| Intergovernmental | 0 | 61,797 | 895,411 |
| Rental Income | 102,516 | 0 | 0 |
| Service Charges And Miscellaneous | 337,216 | 454 | 0 |
| Total Revenues | 5,010,304 | 129,116 | 895,411 |
| **Expenditures** | | | |
| General Government | 1,174,455 | 0 | 0 |
| Public Safety | 2,421,719 | 0 | 0 |
| Public Works | 701,557 | 0 | 0 |
| Community Development | 346,840 | 48,075 | 0 |
| Culture And Leisure | 0 | 0 | 0 |
| Debt Service | | | |
| Principal | 46,848 | 0 | 0 |
| Interest And Other Charges | 1,366 | 0 | 0 |
| Capital Outlay | 9,805 | 0 | 1,917,634 |
| Total Expenditures | 4,702,590 | 48,075 | 1,917,634 |
| Excess (Deficiency) Of Revenues Over Expenditures | 307,714 | 81,041 | ( 1,022,223) |
| **Other Financing Sources (Uses)** | | | |
| Operating Transfers In | 97,373 | 72,306 | 490,265 |
| Operating Transfers Out | ( 47,474) | ( 72,732) | 0 |
| Total Other Financing Sources (Uses) | 49,899 | ( 426) | 490,265 |
| Net Change In Fund Balances | 357,613 | 80,615 | ( 531,958) |
| Fund Balance - Beginning | 3,098,930 | 3,719,855 | 527,630 |
| Prior Period Adjusments - See Notes | ( 134,106) | 239,715 | 0 |
| Fund Balance- Ending | 3,322,437 | 4,040,185 | ( 4,328) |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

| Low/Moderate Income Housing Fund | Mitigation Fees Fund | Other Funds | Total Governmental Funds 2018 | 2017 |
|---|---|---|---|---|
| 0 | 0 | 0 | 967,617 | 951,405 |
| 0 | 0 | 1,820,775 | 4,499,111 | 4,368,513 |
| 0 | 0 | 0 | 736,412 | 801,585 |
| 0 | 0 | 68,843 | 169,704 | 209,549 |
| 0 | 0 | 0 | 73,253 | 55,592 |
| 36,704 | 13,917 | 23,487 | 155,066 | 119,306 |
| 0 | 196,190 | 621,112 | 1,774,510 | 2,658,841 |
| 8,696 | 0 | 11,000 | 122,212 | 106,101 |
| 0 | 0 | 251,774 | 589,444 | 376,317 |
| 45,400 | 210,107 | 2,796,991 | 9,087,329 | 9,647,209 |
| 0 | 0 | 9,757 | 1,184,212 | 1,341,654 |
| 0 | 500 | 1,732,597 | 4,154,816 | 4,559,948 |
| 0 | 0 | 220,100 | 921,657 | 987,404 |
| 20,154 | 0 | 57,637 | 472,706 | 644,936 |
| 0 | 0 | 88,776 | 88,776 | 71,705 |
| 0 | 0 | 0 | 46,848 | 44,171 |
| 0 | 0 | 0 | 1,366 | 2,526 |
| 0 | 0 | 33,044 | 1,960,483 | 1,271,955 |
| 20,154 | 500 | 2,141,911 | 8,830,864 | 8,924,299 |
| 25,246 | 209,607 | 655,080 | 256,465 | 722,910 |
| 0 | 0 | 115,787 | 775,731 | 1,433,869 |
| ( 128) | ( 293,725) | ( 361,672) | ( 775,731) | ( 1,433,869) |
| ( 128) | ( 293,725) | ( 245,885) | 0 | 0 |
| 25,118 | ( 84,118) | 409,195 | 256,465 | 722,910 |
| 1,829,874 | 472,685 | 1,629,175 | 11,278,149 | 10,555,239 |
| 0 | 0 | 115,060 | 220,669 | 0 |
| 1,854,992 | 388,567 | 2,153,430 | 11,755,283 | 11,278,149 |

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, 2018**

| | |
|---|---|
| Net change in fund balances - total governmental funds | 256,465 |
| 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 ($1,960,483) exceeded depreciation ($) in the current period. | 1,534,764 |
| 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. | ( 12,314) |
| 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. | 46,848 |
| 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. | ( 1,413,656) |
| Changes in net positions of governmental activities | 412,107 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| **REVENUES** | | | | | |
| Property Tax | 1,190,126 | 1,190,126 | 967,617 | ( 222,509) | 951,405 |
| Sales Tax | 2,648,888 | 2,648,888 | 2,678,336 | 29,448 | 2,638,978 |
| Other Tax And Franchise Fees | 677,608 | 677,608 | 736,412 | 58,804 | 801,585 |
| Licenses And Permits | 83,650 | 83,650 | 100,861 | 17,211 | 139,108 |
| Intergovernmental | 0 | 0 | 0 | 0 | 0 |
| Fines And Forfeitures | 64,380 | 64,380 | 73,253 | 8,873 | 55,592 |
| Investment Earnings | 146,500 | 146,500 | 14,093 | ( 132,407) | 8,230 |
| Rental Income | 115,860 | 115,860 | 102,516 | ( 13,344) | 86,126 |
| Service Charges And Miscellaneous | 93,087 | 93,087 | 337,216 | 244,129 | 323,785 |
| Total Revenues | 5,020,099 | 5,020,099 | 5,010,304 | ( 9,795) | 5,004,809 |
| **EXPENDITURES** | | | | | |
| General Government | 1,211,552 | 1,211,552 | 1,174,455 | ( 37,097) | 1,226,086 |
| Public Safety | 2,645,490 | 2,645,490 | 2,421,719 | ( 223,771) | 2,489,202 |
| Transportation/Public Works | 820,485 | 820,485 | 701,557 | ( 118,928) | 752,211 |
| Community Development | 373,124 | 373,124 | 346,840 | ( 26,284) | 240,438 |
| Capital Outlay | 138,000 | 138,000 | 9,805 | ( 128,195) | 32,891 |
| Debt Service | | | | | |
| Principal | 47,824 | 47,824 | 46,848 | ( 976) | 44,171 |
| Interest | 195 | 195 | 1,366 | 1,171 | 2,526 |
| Total Expenditures | 5,236,670 | 5,236,670 | 4,702,590 | ( 534,080) | 4,787,525 |
| Excess (Deficiency) Of Revenues Over Expenditures | ( 216,571) | ( 216,571) | 307,714 | 524,285 | 217,284 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers In | 157,019 | 157,019 | 97,373 | ( 59,646) | 90,576 |
| Transfers Out | 0 | 0 | ( 47,474) | ( 47,474) | ( 498,853) |
| Total Other Financing Sources And (Uses) | 157,019 | 157,019 | 49,899 | ( 107,120) | ( 408,277) |
| Net Change In Fund Balance | ( 59,552) | ( 59,552) | 357,613 | 417,165 | ( 190,993) |
| Fund Balance - Beginning | 3,098,930 | 3,098,930 | 3,098,930 | 0 | 3,289,923 |
| Prior Period Adjustment | ( 134,106) | ( 134,106) | ( 134,106) | 0 | 0 |
| Fund Balance - Ending | 2,905,272 | 2,905,272 | 3,322,437 | 417,165 | 3,098,930 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| General Government | Original | Final | Actual | (Under) | Actual |
| Legislative | | | | | |
| Employee Services | 20,329 | 20,329 | 19,161 | ( 1,168) | 15,069 |
| Supplies And Services | 18,100 | 18,100 | 18,172 | 72 | 33,265 |
| Total Legislative | 38,429 | 38,429 | 37,333 | ( 1,096) | 48,334 |
| Administration | | | | | |
| Employee Services | 701,465 | 701,465 | 608,375 | ( 93,090) | 674,119 |
| Supplies And Services | 97,500 | 97,500 | 145,223 | 47,723 | 147,425 |
| Total Administration | 798,965 | 798,965 | 753,598 | ( 45,367) | 821,544 |
| Opera Hall | | | | | |
| Employee Services | 33,522 | 33,522 | 35,972 | 2,450 | 32,983 |
| Supplies And Services | 18,000 | 18,000 | 17,430 | ( 570) | 21,291 |
| Total Opera Hall | 51,522 | 51,522 | 53,402 | 1,880 | 54,274 |
| Sunrise Hills | | | | | |
| Supplies And Services | 0 | 0 | 2,651 | 2,651 | 2,529 |
| Total Sunrise Hills | 0 | 0 | 2,651 | 2,651 | 2,529 |
| Non-Departmental | | | | | |
| Visitors Bureau | 278,922 | 278,922 | 255,952 | ( 22,970) | 278,690 |
| Total Non-Departmental | 278,922 | 278,922 | 255,952 | ( 22,970) | 278,690 |
| Facilities | | | | | |
| Supplies And Services | 154,600 | 154,600 | 35,518 | ( 119,082) | 2,585 |
| Debt Service | 48,019 | 48,019 | 48,214 | 195 | 46,697 |
| Total Facilities | 202,619 | 202,619 | 83,732 | ( 118,887) | 49,282 |
| Cemetery | | | | | |
| Employee Services | 0 | 0 | 16,846 | 16,846 | 7,981 |
| Supplies And Services | 3,225 | 3,225 | 5,272 | 2,047 | 4,551 |
| Total Cemetery | 3,225 | 3,225 | 22,118 | 18,893 | 12,532 |
| Successor Agency Administration | | | | | |
| Employee Services | 19,339 | 19,339 | 21,171 | 1,832 | 20,808 |
| Supplies And Services | 4,550 | 4,550 | 2,517 | ( 2,033) | 1,881 |
| Total Successor Agency Admin | 23,889 | 23,889 | 23,688 | ( 201) | 22,689 |
| Total General Government | 1,397,571 | 1,397,571 | 1,232,474 | ( 165,097) | 1,289,874 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| Public Safety | | | | | |
| Police | | | | | |
| Employee Services | 1,706,599 | 1,706,599 | 1,619,997 | ( 86,602) | 1,656,615 |
| Supplies And Services | 234,300 | 234,300 | 160,798 | ( 73,502) | 231,946 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Police | 1,940,899 | 1,940,899 | 1,780,795 | ( 160,104) | 1,888,561 |
| Fire | | | | | |
| Employee Services | 563,344 | 563,344 | 526,957 | ( 36,387) | 503,028 |
| Supplies And Services | 141,247 | 141,247 | 113,967 | ( 27,280) | 113,038 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Fire | 704,591 | 704,591 | 640,924 | ( 63,667) | 616,066 |
| Total Public Safety | 2,645,490 | 2,645,490 | 2,421,719 | ( 223,771) | 2,504,627 |
| Transportation | | | | | |
| Public Works | | | | | |
| Employee Services | 578,255 | 578,255 | 506,671 | ( 71,584) | 574,102 |
| Supplies And Services | 163,305 | 163,305 | 166,577 | 3,272 | 147,569 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Public Works | 741,560 | 741,560 | 673,248 | ( 68,312) | 721,671 |
| Parks Landscape | | | | | |
| Supplies And Services | 67,925 | 67,925 | 20,915 | ( 47,010) | 23,805 |
| Total Parks Landscape | 67,925 | 67,925 | 20,915 | ( 47,010) | 23,805 |
| Parking Lots | | | | | |
| Supplies And Services | 11,000 | 11,000 | 7,394 | ( 3,606) | 6,885 |
| Total Parking Lots | 11,000 | 11,000 | 7,394 | ( 3,606) | 6,885 |
| Total Transportation | 820,485 | 820,485 | 701,557 | ( 118,928) | 752,361 |
| Community Development | | | | | |
| Building And Planning | | | | | |
| Employee Services | 167,024 | 167,024 | 180,614 | 13,590 | 71,760 |
| Supplies And Services | 134,100 | 134,100 | 126,446 | ( 7,654) | 132,227 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Building And Planning | 301,124 | 301,124 | 307,060 | 5,936 | 203,987 |
| Engineering | | | | | |
| Supplies And Service | 72,000 | 72,000 | 39,780 | ( 32,220) | 36,676 |
| Total Engineering | 72,000 | 72,000 | 39,780 | ( 32,220) | 36,676 |
| Total Community Development | 373,124 | 373,124 | 346,840 | ( 26,284) | 240,663 |
| Total General Fund | 5,236,670 | 5,236,670 | 4,702,590 | ( 534,080) | 4,787,525 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| **REVENUES** | | | | | |
| Interest Income | 56,731 | 56,731 | 66,865 | 10,134 | 58,317 |
| Intergovernmental | 8,460 | 8,460 | 61,797 | 53,337 | 480,024 |
| Rental Income | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 454 | 454 | 5,516 |
| Total Revenues | 65,191 | 65,191 | 129,116 | 63,925 | 543,857 |
| **EXPENDITURES** | | | | | |
| Salaries | 0 | 0 | 0 | 0 | 806 |
| Benefits | 33,220 | 33,220 | 15,722 | ( 17,498) | 58,858 |
| Supplies And Services | 341,729 | 341,729 | 32,353 | ( 309,376) | 182,136 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Bad Debt Expense | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 374,949 | 374,949 | 48,075 | ( 326,874) | 241,800 |
| Excess (Deficiency) Of Revenues Over Expenditures | ( 309,758) | ( 309,758) | 81,041 | 390,799 | 302,057 |
| **Other Financing Sources (Uses)** | | | | | |
| Operating Transfers In | 0 | 0 | 72,306 | 72,306 | 2,294 |
| Operating Transfers Out | 0 | 0 | ( 72,732) | 72,732 | ( 19,211) |
| Total Other Financing Sources (Uses) | 0 | 0 | ( 426) | 145,038 | ( 16,917) |
| Net Change In Fund Balance | ( 309,758) | ( 309,758) | 80,615 | 390,373 | 285,140 |
| Fund Balance - Beginning | 3,719,855 | 3,719,855 | 3,719,855 | 0 | 3,434,715 |
| Prior Period Adjustment | 239,715 | 239,715 | 239,715 | 0 | 0 |
| Fund Balance - Ending | 3,410,097 | 3,410,097 | 4,040,185 | 390,373 | 3,719,855 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| **REVENUES** | | | | | |
| Investment Earnings | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental | 933,333 | 933,333 | 895,411 | ( 37,922) | 1,106,442 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 933,333 | 933,333 | 895,411 | ( 37,922) | 1,106,442 |
| **EXPENDITURES** | | | | | |
| Supplies And Services | 0 | 0 | 0 | 0 | 98 |
| Capital Outlay | 1,590,000 | 1,590,000 | 1,917,634 | 327,634 | 1,235,689 |
| Total Expenditures | 1,590,000 | 1,590,000 | 1,917,634 | 327,634 | 1,235,787 |
| Excess (Deficiency) Of Revenues Over Expenditures | ( 656,667) | ( 656,667) | ( 1,022,223) | ( 365,556) | ( 129,345) |
| **Other Financing Sources (Uses)** | | | | | |
| Operating Transfers In | 205,000 | 205,000 | 490,265 | 285,265 | 684,469 |
| Operating Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 205,000 | 205,000 | 490,265 | 285,265 | 684,469 |
| Net Change In Fund Balance | ( 451,667) | ( 451,667) | ( 531,958) | ( 80,291) | 555,124 |
| Fund Balance - Beginning | 527,630 | 527,630 | 527,630 | 0 | ( 27,494) |
| Fund Balance - Ending | 75,963 | 75,963 | ( 4,328) | ( 80,291) | 527,630 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| **REVENUES** | | | | | |
| Property Tax Increments | 0 | 0 | 0 | 0 | 0 |
| Rental Income | 0 | 8,700 | 8,696 | ( 4) | 7,975 |
| Investment Earnings | 0 | 28,834 | 36,704 | 7,870 | 35,036 |
| Total Revenues | 0 | 37,534 | 45,400 | 7,866 | 43,011 |
| **EXPENDITURES** | | | | | |
| Salaries | 0 | 8,113 | 10,210 | 2,097 | 6,103 |
| Benefits | 0 | 8,324 | 7,582 | ( 742) | 3,900 |
| Supplies And Services | 0 | 2,500 | 2,362 | ( 138) | 2,670 |
| Total Expenditures | 0 | 18,937 | 20,154 | 1,217 | 12,673 |
| Excess (Deficiency) Of Revenues Over Expenditures | 0 | 18,597 | 25,246 | 6,649 | 30,338 |
| **Other Financing Sources (Uses)** | | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 | 684,469 |
| Operating Transfers Out | 0 | 0 | ( 128) | ( 128) | 0 |
| Total Other Financing Sources (Uses) | 0 | 0 | ( 128) | ( 128) | 684,469 |
| Net Change In Fund Balance | 0 | 18,597 | 25,118 | 6,521 | 30,338 |
| Fund Balance - Beginning | 1,829,874 | 1,829,874 | 1,829,874 | 0 | 1,799,536 |
| Fund Balance - Ending | 1,829,874 | 1,848,471 | 1,854,992 | 6,521 | 1,829,874 |

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, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget Over | 2017 |
| | Original | Final | Actual | (Under) | Actual |
| **REVENUES** | | | | | |
| Investment Earnings | 3,181 | 3,181 | 13,917 | 10,736 | 7,888 |
| Intergovernmental | 205,000 | 205,000 | 196,190 | ( 8,810) | 653,944 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 208,181 | 208,181 | 210,107 | 1,926 | 661,832 |
| **EXPENDITURES** | | | | | |
| Salaries | 0 | 0 | 0 | 0 | 0 |
| Benefits | 0 | 0 | 0 | 0 | 0 |
| Supplies And Services | 600 | 600 | 500 | ( 100) | 699 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 600 | 600 | 500 | ( 100) | 699 |
| Excess (Deficiency) Of Revenues Over Expenditures | 207,581 | 207,581 | 209,607 | 2,026 | 661,133 |
| **Other Financing Sources (Uses)** | | | | | |
| Operating Transfers In | | 0 | 0 | 0 | 0 |
| Operating Transfers Out | ( 805,400) | ( 805,400) | ( 293,725) | 511,675 | ( 677,494) |
| Total Other Financing Sources (Uses) | ( 805,400) | ( 805,400) | ( 293,725) | 511,675 | ( 677,494) |
| Net Change In Fund Balance | ( 597,819) | ( 597,819) | ( 84,118) | 513,701 | ( 16,361) |
| Fund Balance - Beginning | 472,685 | 472,685 | 472,685 | 0 | 489,046 |
| Fund Balance - Ending | ( 125,134) | ( 125,134) | 388,567 | 513,701 | 472,685 |

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA**
**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**JUNE 30, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | Agency Fund | | | Totals (Memorandum Only) | |
|---|---|---|---|---|---|
| | Sunrise Hills | Successor RDA Fund | RDA Fund | 2018 | 2017 |
| **Assets** | | | | | |
| Cash And Investments | 44,512 | 168,512 | ( 1,168) | 211,856 | 49,241 |
| Accounts Receivable | 0 | 7,150 | 0 | 7,150 | 0 |
| Capital Assets, net | 0 | 1,257,383 | 0 | 1,257,383 | 1,397,829 |
| Total Assets | 44,512 | 1,433,045 | ( 1,168) | 1,476,389 | 1,447,070 |
| **Liabilities** | | | | | |
| Accounts Payable | 0 | 0 | 0 | 0 | 2,670 |
| Due To Other Government Funds | 0 | 2,729,151 | 0 | 2,729,151 | 2,729,151 |
| Bonds Payable | 44,512 | 0 | 0 | 44,512 | 161,687 |
| Total Liabilities | 44,512 | 2,729,151 | 0 | 2,773,663 | 2,893,508 |
| **Net Position** | 0 | ( 1,296,106) | ( 1,168) | ( 1,297,274) | ( 1,446,438) |

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 Sonora'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, 2018, 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 | | | | | | 153,839 | 153,839 |
| Long-Term Advances | 1,913,164 | | | | | | 1,913,164 |
| **Restricted:** | | | | | | | |
| CDBG | | 4,040,185 | | | | | 4,040,185 |
| Public Safety | | | | | | 843,216 | 843,216 |
| Community Development | | | | | 388,567 | | 388,567 |
| Public Housing | | | | 1,854,992 | | | 1,854,992 |
| Transportation | | | | | | 105,468 | 105,468 |
| Public Works | | | | | | 412,406 | 412,406 |
| **Committed To:** | | | | | | | |
| Historic Preservation | | | | | | 2,852 | 2,852 |
| In-Lieu Parking | | | | | | 10,439 | 10,439 |
| Medical Cannabis | | | | | | 5,562 | 5,562 |
| Compensated Abs Reserve | | | | | | 135,995 | 135,995 |
| **Assigned To:** | | | | | | | |
| Vehicle Abatement | | | | | | 13,746 | 13,746 |
| Landscaping | | | | | | 139,997 | 139,997 |
| RSTP | | | | | | 32,999 | 32,999 |
| Farmers Market | | | | | | 200,000 | 200,000 |
| Road Maintenance | | | | | | 28,795 | 28,795 |
| Other Purposes | | | | | | 184,892 | 184,892 |
| **Unassigned:** | 1,409,273 | | ( 4,328) | | | ( 116,776) | 1,288,169 |
| **Total Fund Balances** | 3,322,437 | 4,040,185 | ( 4,328) | 1,854,992 | 388,567 | 2,153,430 | 11,755,283 |

## 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.

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, 2018, expenditures exceeded appropriations in a few services as follows:

| General Fund Services | |
|---|---|
| Opera Hall | 1,880 |
| Sunrise Hill | 2,651 |
| Cemetery | 18,893 |
| Building & Planning | 5,936 |

The General Fund's other expenditures were less than appropriated, therefore, allowing for an increase in spending. The Cemetery Fund expenditures are allocated wages from Public Works, which is where the expenditure is budgeted.

### C. Deficit Fund Equity

The Greenley/Mono Way Project fun has a deficit fund balance of $4,328 as of June 30, 2018 will be reimbursed with future funds. The Mono Way Fund has a deficit fund balance of $22,625 as of June 30, 2018. Mono Way Fund will be reimbursed by the Traffic Mitigation Impact Fund. The Business Improvement Benefit Fund has a deficit fund balance of $80,950 as of June 30, 2018. 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. Caltrans Federal fund has a deficit fund balance of $8,807 as of June 30, 2018, will be reimbursed by future reimbursements. Washington/Elkins fund has a deficit fund balance of $4,394 as of June 30, 2018, will be reimbursed with future reimbursements.

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Cash and investments | 4,184,606 |
| Restricted Cash | 1,248,708 |
| Total cash and investments | 5,433,314 |
| | |
| Investment in Local Agency Investment Fund (LAIF) | 4,814,880 |
| Deposits with financial institutions | 618,309 |
| Cash on hand | 125 |
| Total cash and investments | 5,433,314 |

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 | $ 4,814,880 | 6.49 months average maturity |
| Total | $ 4,814,880 | |

**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, 2018 is $1,248,708. This consists of the Cemetery Fund endowment $153,839, the Special Sales Tax Police Fund of $388,433, the Special Sales Tax Fire Fund of $129,012 and the Special Sales Tax Public Works Fund of $395,299.

**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, 2018 are $2,587,347 (CDBG Fund) and $863,088 (Low/Moderate Income Housing Fund).

However, the City has recorded an allowance for uncollectible accounts totaling $106,996 and $24,055 respectively, therefore reporting $2,480,351 and $839,033, respectively on the City's financial statements.

## C. Receivables

Receivables at June 30, 2018 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 | 5,796 | 625,077 | 0 | 350,985 | 4,855 | 8,420 | 995,133 |
| Taxes | 344,088 | 0 | 0 | 0 | 0 | 177,725 | 521,813 |
| Grants | 0 | 0 | 0 | 0 | 0 | 33,568 | 33,568 |
| Accounts | 30,016 | 288 | 0 | 977 | 0 | 31,896 | 63,177 |
| Total | 379,900 | 625,365 | 0 | 351,962 | 4,855 | 251,609 | 1,613,691 |

**C. Receivables (continued)**

**Receivables and Payables with Former Redevelopment Agency Fund**

Receivable/payable balances at June 30, 2018 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, 2018 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, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 3,321,028 | 532,049 | 0 | 3,853,077 |
| Construction in progress | 4,719,268 | 1,388,782 | 0 | 6,108,050 |
| Total capital assets not being | 8,040,296 | 1,920,831 | 0 | 9,961,127 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 4,447,534 | 9,805 | 0 | 4,457,339 |
| Equipment and vehicles | 2,495,544 | 0 | 0 | 2,495,544 |
| Infrastructure | 6,342,508 | 29,847 | 0 | 6,372,355 |
| Total capital assets being depreciated | 13,285,586 | 39,652 | 0 | 13,325,238 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | ( 3,364,543) | ( 125,382) | 0 | ( 3,489,925) |
| Equipment and vehicles | ( 2,040,988) | ( 85,921) | 0 | ( 2,126,909) |
| Infrastructure | ( 2,077,273) | ( 214,416) | 0 | ( 2,291,689) |
| Total accumulated depreciation | ( 7,482,804) | ( 425,719) | 0 | ( 7,908,523) |
| Net capital assets being depreciated | 5,802,782 | ( 386,067) | 0 | 5,416,715 |
| Total net capital assets - governmental | 13,843,078 | 1,534,764 | 0 | 15,377,842 |

Depreciation was charged to functions/programs of governmental activities for the year ended June 30, 2018 as follows:

| | |
|---|---|
| General Government | 141,019 |
| Public Safety | 96,221 |
| Public Works | 9,846 |
| Community Development | 32,301 |
| Culture and Leisure | 146,332 |
| Total Depreciation Expense – Governmental | 425,719 |

**E. Transfers**

Interfund transfers for the year ended June 30, 2018 consisted of the following amounts:

| Fund | Transfer In | Transfer Out |
|---|---|---|
| General Fund | 97,373 | 47,474 |
| CDBG Fund | 72,306 | 72,732 |
| Greenley/Mono | 490,265 | 0 |
| Low/Moderate Housing | 0 | 128 |
| Mitigation Fees | 0 | 293,725 |
| Gas Tax Fund | 0 | 97,373 |
| Cops AB 11 Fund | 0 | 852 |
| LTF | 0 | 40,000 |
| Business Improvement Benefit Fund | 11,592 | 404 |
| Highway User Tax | 0 | 156,540 |
| Special Sales Tax-Fire | 0 | 21,469 |
| RSTP | 40,000 | 40,000 |
| CALTRANs | 0 | 128 |
| CHP | 0 | 852 |
| Special Sales Tax-Police | 0 | 1,912 |
| Special Sales Tax-Public Works | 0 | 1,912 |
| Fire Fighters Code 5 Fund | 18,860 | 230 |
| Self Insurance Fund | 45,335 | 0 |
| Totals | 775,731 | 775,731 |

**F. Payables**

Payables at June 30, 2018 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 | 251,669 | 0 | 4,328 | 64 | 353,650 | 71,719 | 681,430 |
| Intergovernmental | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accrued Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 30,821 | 0 | 0 | 1,856 | 225,426 | 25,000 | 283,103 |
| Total | 282,490 | 0 | 4,328 | 1,920 | 579,076 | 96,719 | 964,533 |

## G. Long-Term Debt

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, 2018:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable: | | | | | |
| Revenue Bonds | | | | | |
| City's Portion | 46,847 | 0 | ( 46,847) | 0 | 0 |
| Successor RDA's Portion | 128,153 | 0 | ( 128,153) | 0 | 0 |
| Total Bonds Payable | 175,000 | 0 | ( 175,000) | 0 | 0 |
| Compensated Absences | 551,269 | 171,968 | ( 92,221) | 631,016 | 137,296 |
| Long-Term Liabilities of Governmental Activities | 726,269 | 171,968 | ( 267,221) | 631,016 | 137,296 |

## 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 December 20, 2018, 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, 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, 2018, are presented below:

| | |
|---|---|
| Total Assets | 110,234,633 |
| Total Liabilities | 92,209,231 |
| Total Net Assets | 18,025,402 |
| Total Liabilities & Net Assets | 110,234,633 |
| Total Revenues for Year | 46,697,909 |
| Total Expenses for Year | 46,647,078 |
| Net Income for Year | 50,831 |

**A. Risk Management (continued)**

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.

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, 2018 are as follows:

## D. Post-Retirement Benefit Plan (continued)

| Annual Required Contributions | |
|---|---|
| Fiscal Year | July 1, 2017 to June 30, 2018 |
| Funding Method | Pay As You Go |
| Interest Rate | Level % of Pay Fresh Start |
| Number of Covered Employees | |
| Active (Participating) | 4 |
| Retirees | 5 |
| Total Participants | 9 |
| Actuarial Present Value of Projected Benefits (APVPB) | |
| Actives | 330,348 |
| Retirees | 293,038 |
| Total | 623,386 |
| Actuarial Accrued Liabilities (AAL) | |
| Actives | 208,909 |
| Retirees | 293,038 |
| Total | 501,947 |
| Actuarial Value of Assets | 0 |
| Unfunded Actuarial Accrued Liabilities (UAAL) | 501,947 |
| Normal Cost | 15,541 |
| Annual Required Contributions | |
| Normal Cost | 15,541 |
| Amortization of UAAl | 19,181 |
| Total ARC | 34,722 |
| ARC per Active Employee | 0 |
| ARC Adjustment | 0 |
| Interest on Unfunded ARC | 1,389 |
| Total OPED Cost | 36,111 |
| Expected Benefits Payments | |
| Actives (in retirement) | 11,320 |
| Current Retirees | 92,218 |
| Total | 103,538 |

**D. Post-Retirement Benefit Plan (continued)**

Schedule of Funding Progress

| Valuation date | July 1, 2015 |
|---|---|
| Accrued liabilities | 621,229 |
| Actuarial value of assets | 0 |
| Unfunded liability (excess assets) | 621,229 |
| Funded status | 0 |
| Annual covered payroll | 485,846 |
| Unfunded liability (excess assets) as a percentage of covered payroll | 127.87% |

Schedule of Employer Contribution Without Advance Funding

| Fiscal Year Ending | June 30, 2018 |
|---|---|
| Annual OPEB Cost | 36,105 |
| Actual Contribution (Excess from prior year) | 128,916 |
| Percentage Contributed | 357% |
| Net OPEB Obligation (Asset) | (92,811) |

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, 2018, 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, 2018, 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, 2018, 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, 2018, the contribution recognized as part of pension expense for each Plan were as follows:

| | Miscellaneous | Safety |
|---|---|---|
| Contributions - employer | $ 132,856 | $ 199,006 |
| Contributions - employee (paid by employer) | 0 | 0 |
| Lump Sum Contributions | 350,021 | 396,835 |

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

As of June 30, 2018, 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 | $ 5,065,625 |
| Safety | 5,798,527 |
| Total Net Pension Liability | $ 10,864,152 |

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2017 and 2018 was as follows:

| | Miscellaneous | Safety | Total |
|---|---|---|---|
| Proportion - 6/30/17 | 0.13177% | 0.10069% | 0.11317% |
| Proportion - 6/30/18 | 0.12850% | 0.09704% | 0.10955% |
| Change - Increase/(Decrease) | -0.00327% | -0.00365% | -0.00362% |

**Note:** Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %.

At June 30, 2018, 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 |
|---|---|---|
| Changes in Assumptions | $ 1,498,143 | $ 114,643 |
| Differences Between Expected and Actual Experience | 64,705 | 88,728 |
| Differences Between Projected and Actual Investment Earnings | 331,800 | 0 |
| Differences Between Employer's Contributions and Proportionate Share of Contributions | 21,053 | 650,671 |
| Change in Employer's Proportion | 1,378,936 | 1,972,924 |
| Pension Contributions Made Subsequent to Measurement | 331,862 | 0 |
| | $ 3,626,499 | $ 2,826,966 |

$3,626,499 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, 2018. 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 |
|---|---|---|---|
| 2019 | $ (60,645) | $ 331,588 | $ 270,943 |
| 2020 | (505,960) | 422,105 | $ (83,855) |
| 2021 | 183,442 | 292,521 | $ 475,963 |
| 2022 | (85,110) | (110,269) | $ (195,379) |
| 2023 | - | - | - |
| Thereafter | - | - | - |
| | $ (468,273) | $ 935,945 | $ 467,672 |

**E. Employee Retirement Systems and Plans (Continued)**

*Actuarial Assumptions* – The total pension liabilities was determined by rolling forward the total pension liability determined in the June 30, 2016 actuarial accounting valuations to June 30, 2017. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Acturarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| 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 mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

***Change in Assumption***

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C

**E. Employee Retirement Systems and Plans (Continued)**

funds), expected compound (geometric) 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 PERF 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.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (a) | Real Return Years 11+ (b) |
|---|---|---|---|
| Global Equity | 47.0% | 4.90% | 5.38% |
| Global Fixed Income | 19.0% | 0.80% | 2.27% |
| Inflation Sensitive | 6.0% | 0.60% | 1.39% |
| Private Equity | 12.0% | 6.60% | 6.63% |
| Real Estate | 11.0% | 2.80% | 5.21% |
| Infrastruture and Forestland | 3.0% | 3.90% | 5.36% |
| Liquidity | 2.0% | -0.40% | -0.90% |

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

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

***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 | 7,154,976 | 5,065,625 | 3,335,188 |
| Safety Plans | 8,653,793 | 5,798,527 | 3,464,489 |
| Total | 15,808,769 | 10,864,152 | 6,799,677 |

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

## F. Prior Period Adjustments

During the GASB 68 calculation process, the City recorded prior period adjustments to adjust for changes in the prior year calculation of Deferred Outflows of Resources and Deferred Inflows of Resources.

During the close of the fiscal year, the City discovered adjustments to prior year balances as follows:

- The City established a fund that accounts for reserves for compensated absences; the City move $134,106.11 out of General Fund into a new Internal Service Fund called Compensated Absences.
- The City discovered an accounts receivable missing for the CDBG Fund of $239,715 that should have been accrued as of June 30, 2017.
- The City discovered that there was an misclassified payment received for an accounts receivable in the Volunteer Firefighters Fund of $19,046 from 2015.

# REQUIRED SUPPLEMENTAL FINANCIAL DATA

**CITY OF SONORA**
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANOUS**
**JUNE 30, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.1285% | 0.1318% | 0.0863% | 0.08141% |
| Proportion share of the net pension liablity | $ 5,065,625 | $ 4,577,489 | $ 2,366,853 | $ 2,011,976 |
| Covered - employee payroll | $ 3,444,512 | $ 3,013,131 | $ 1,199,319 | $ 1,133,953 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 132.89% | 151.92% | 197.35% | 177.43% |
| Plan's fiduciary net position | $ 9,477,208 | $ 9,477,208 | $ 6,141,333 | $ 6,302,141 |
| Plan fiduciary net position as a percentage of the total pension liability | 67.43% | 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, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.1285% | 0.1023% | 0.1054% | 0.04351% |
| Proportion share of the net pension liablity | $ 5,065,625 | $ 4,213,686 | $ 4,344,646 | $ 1,632,087 |
| Covered - employee payroll | $ 3,505,165 | $ 3,226,023 | $ 1,120,793 | $ 1,199,112 |
| Proportionate share of the net pension liability as percentage of covered-employee payroll | 144.52% | 130.62% | 387.64% | 136.11% |
| Plan's fiduciary net position | $ 14,608,321 | $ 13,015,069 | $ 13,050,377 | $ 4,948,867 |
| Plan fiduciary net position as a percentage of the total pension liability | 71.59% | 75.54% | 75.02% | 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, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 814,632 | $ 684,457 | $ 364,596 | $ 296,470 |
| Contributions in relation to the actuarially determined contributions | (814,632) | (684,457) | (364,596) | (296,470) |
| Contribution deficiency (excess) | $ (0) | $ - | $ - | $ - |
| Covered - employee payroll | $ 3,444,512 | $ 3,013,131 | $ 1,199,319 | $ 1,133,953 |
| Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll | 23.65% | 22.72% | 30.40% | 26.14% |

**Notes to Schedule:**

| | | | | |
|---|---|---|---|---|
| Valuation Date: | 6/30/2016 | 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, 2018**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 828,977 | $ 732,817 | $ 527,765 | $ 486,250 |
| Contributions in relation to the actuarially determined contributions | (828,977) | (732,817) | (527,765) | (486,250) |
| Contribution deficiency (excess) | $ (0) | $ - | $ - | $ - |
| Covered - employee payroll | $ 3,505,165 | $ 3,226,023 | $ 1,120,793 | $ 1,199,112 |
| Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll | 23.65% | 22.72% | 47.09% | 40.55% |

**Notes to Schedule:**

| | | | | |
|---|---|---|---|---|
| Valuation Date: | 6/30/2016 | 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 Fund** – Government grant established to provide law enforcement agencies with the funding to hire and re-hire career law enforcement professionals in order to preserve jobs, increase community policing capacities and support crime prevention efforts.

**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.

**Asset Forfeit Fund** – To account for forfeited assets collection and remittance to the appropriate agencies.

**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.

## COMBINING FINANCIAL STATEMENTS

## NON-MAJOR GOVERNMENTAL FUNDS

**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.

**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.

**Caltrans Federal Fund** – To account for monies from Caltrans grants to improve the Washington/Stockton Corridor.

**Economic Development Fund** - To account for monies collected and expended for economic development in the City of Sonora.

**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.

**Medical Cannabis Fund** – In November of 2016, the voters of California approved Proposition 64, entitled the "Control, Regulate and Tax Adult Use of Marijuana" ("AUMA"). AUMA legalized the adult-use, possession, and retail sale of cannabis by persons 21 years of age and older. This fund was to account for fees generated by the opening of cannabis businesses in the City.

**Road Maintenance and Rehabilitation Fund (SB1)** – To account for the state gas tax revenues collected based on an increase in the per gallon tax. The revenues are to be used to address deferred maintenance on the State Highway System and Local Street and Road System.

**Dragoon Gulch Fund** - To account for the monies and expenditures for the operation of the Dragoon Gulch Trail.

## COMBINING FINANCIAL STATEMENTS

## NON-MAJOR GOVERNMENTAL FUNDS

### 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.

**Washington/Elkins Fund** – For monies collected and expended to improve the Washington and Elkin intersection for improved safety.

**Farmers Market/Restroom Fund** - To account for monies collected and expended to convert an existing building to bathrooms for the Farmers Market.

### 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.

**Compensated Absences Fund** – To account for the resources and liabilities for compensated absences of the city's employees.

### 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, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

| | 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 | Asset Forfeit Fund |
| **Assets** | | | | | | | | | |
| Cash And Investments | 13,757 | ( 1,931) | 105,414 | 9,214 | ( 75,604) | 51,814 | 2,852 | 132,110 | 2,272 |
| Accounts Receivable | 0 | 7,857 | 0 | 27,493 | 0 | 2,298 | 0 | 628 | 11 |
| Loans Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepaid Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 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 | 13,757 | 5,926 | 105,414 | 36,707 | ( 75,604) | 54,112 | 2,852 | 132,738 | 2,283 |
| **Liabilities And Fund Balances** | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts Payable | 11 | 0 | 2,800 | 0 | 5,346 | 0 | 0 | ( 7,259) | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 11 | 0 | 2,800 | 0 | 5,346 | 0 | 0 | ( 7,259) | 0 |
| Fund Balances | | | | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restricted | 0 | 5,926 | 102,614 | 36,707 | 0 | 54,112 | 0 | 0 | 2,283 |
| Committed | 0 | 0 | 0 | 0 | 0 | 0 | 2,852 | 0 | 0 |
| Assigned | 13,746 | 0 | 0 | 0 | 0 | 0 | 0 | 139,997 | 0 |
| Unassigned | 0 | 0 | 0 | 0 | ( 80,950) | 0 | 0 | 0 | 0 |
| Total Fund Balances | 13,746 | 5,926 | 102,614 | 36,707 | ( 80,950) | 54,112 | 2,852 | 139,997 | 2,283 |
| Total Liabilities And Fund Balances | 13,757 | 5,926 | 105,414 | 36,707 | ( 75,604) | 54,112 | 2,852 | 132,738 | 2,283 |

| 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 | 98,673 | 32,717 | 10,439 | 3,439 | 8,652 | 11,921 | ( 27,704) | 26,375 | 404,410 |
| 40,210 | 25,592 | 15,572 | 282 | 0 | 0 | 0 | 0 | 20,328 | 0 | 140,271 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 129,012 | 395,299 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 524,311 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 169,222 | 420,891 | 114,245 | 32,999 | 10,439 | 3,439 | 8,652 | 11,921 | ( 7,376) | 26,375 | 1,068,992 |
| 16,710 | 8,485 | 4,954 | 0 | 0 | ( 220) | 0 | 0 | 1,431 | 50 | 32,308 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16,710 | 8,485 | 4,954 | 0 | 0 | ( 220) | 0 | 0 | 1,431 | 50 | 32,308 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 152,512 | 412,406 | 109,291 | | 0 | 0 | 8,652 | 11,921 | 0 | 0 | 896,424 |
| 0 | 0 | 0 | 0 | 10,439 | 0 | 0 | 0 | 0 | 0 | 13,291 |
| 0 | 0 | 0 | 32,999 | 0 | 3,659 | 0 | 0 | 0 | 26,325 | 216,726 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ( 8,807) | 0 | ( 89,757) |
| 152,512 | 412,406 | 109,291 | 32,999 | 10,439 | 3,659 | 8,652 | 11,921 | ( 8,807) | 26,325 | 1,036,684 |
| 169,222 | 420,891 | 114,245 | 32,999 | 10,439 | 3,439 | 8,652 | 11,921 | ( 7,376) | 26,375 | 1,068,992 |

CITY OF SONORA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

| | Special Revenue | | | | Capital Projects | | |
|---|---|---|---|---|---|---|---|
| | Special Sales Tax PD Fund | Medical Cannabis Fund | Road Maintenance Fund | Dragoon Gulch Fund | Mono Way Project Fund | Washington Elkington Fund | Farmers Market Fund |
| **Assets** | | | | | | | |
| Cash And Investments | 0 | 34,000 | 18,337 | 7,987 | ( 22,625) | ( 4,394) | 200,000 |
| Accounts Receivable | 96,609 | 54 | 10,458 | 2,040 | 0 | 0 | 0 |
| Loans Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepaid Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restricted Cash | 388,433 | 0 | 0 | 0 | 0 | 0 | 0 |
| Due From Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 485,042 | 34,054 | 28,795 | 10,027 | ( 22,625) | ( 4,394) | 200,000 |
| **Liabilities And Fund Balances** | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | 29,099 | 3,492 | 0 | 1,304 | 0 | 0 | 0 |
| Other Liabilities | 0 | 25,000 | 0 | 0 | 0 | 0 | 0 |
| Due To Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 29,099 | 28,492 | 0 | 1,304 | 0 | 0 | 0 |
| Fund Balances | | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restricted | 455,943 | 0 | 0 | 8,723 | 0 | 0 | 0 |
| Committed | 0 | 5,562 | 0 | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 28,795 | 0 | 0 | 0 | 200,000 |
| Unassigned | 0 | 0 | 0 | 0 | ( 22,625) | ( 4,394) | 0 |
| Total Fund Balances | 455,943 | 5,562 | 28,795 | 8,723 | ( 22,625) | ( 4,394) | 200,000 |
| Total Liabilities And Fund Balances | 485,042 | 34,054 | 28,795 | 10,027 | ( 22,625) | ( 4,394) | 200,000 |

| Internal Service | | Permanent Fund | | |
|---|---|---|---|---|
| Self Insurance Fund | Compensated Absences Fund | Cemetery Perpetual Care Fund | Total Non-Major Governmental Funds 2018 | 2017 |
| 5,516 | 135,352 | 153,374 | 931,957 | 637,839 |
| 0 | 643 | 1,534 | 251,609 | 201,205 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 7,427 |
| 0 | 0 | 153,839 | 1,066,583 | 853,821 |
| 0 | 0 | 0 | 0 | 0 |
| 5,516 | 135,995 | 308,747 | 2,250,149 | 1,700,292 |
| 5,516 | 0 | 0 | 71,719 | 35,473 |
| 0 | 0 | 0 | 25,000 | 35,644 |
| 0 | 0 | 0 | 0 | 0 |
| 5,516 | 0 | 0 | 96,719 | 71,117 |
| 0 | 0 | 153,839 | 153,839 | 153,040 |
| 0 | 0 | 0 | 1,361,090 | 1,189,665 |
| 0 | 135,995 | 0 | 154,848 | 14,745 |
| 0 | 0 | 154,908 | 600,429 | 374,783 |
| 0 | 0 | 0 | ( 116,776) | ( 103,058) |
| 0 | 135,995 | 308,747 | 2,153,430 | 1,629,175 |
| 5,516 | 135,995 | 308,747 | 2,250,149 | 1,700,292 |

**CITY OF SONORA**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**NONMAJOR GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2018**
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017**

| | 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 Hills Landscaping Fund |
| **Revenues** | | | | | | | | |
| Investment Earnings | 0 | 641 | 0 | 54 | 0 | 2,598 | 0 | 1,882 |
| Intergovernmental | 3,136 | 92,434 | 139,416 | 73,024 | 0 | 19,181 | 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 | 67,640 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 4,002 | 0 | 0 | 0 | 4 | 0 |
| Total Revenues | 3,136 | 93,075 | 143,418 | 73,078 | 67,640 | 21,779 | 4 | 1,882 |
| **Expenditures** | | | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety | 11 | 0 | 114,816 | 0 | 0 | 0 | 0 | 0 |
| Public Works | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Development | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,467 |
| Culture And Leisure | 0 | 0 | 0 | 0 | 87,318 | 0 | 1,458 | 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 | 11 | 0 | 114,816 | 0 | 87,318 | 0 | 1,458 | 2,467 |
| Excess(Deficiency) Of Revenues Over Expenditures | 3,125 | 93,075 | 28,602 | 73,078 | ( 19,678) | 21,779 | ( 1,454) | ( 585) |
| **Other Financing Sources (Uses)** | | | | | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 | 11,592 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | ( 97,373) | ( 852) | ( 40,000) | ( 404) | ( 156,540) | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | ( 97,373) | ( 852) | ( 40,000) | 11,188 | ( 156,540) | 0 | 0 |
| Extraordinary Gain (Loss) - RDA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Change In Fund Balances | 3,125 | ( 4,298) | 27,750 | 33,078 | ( 8,490) | ( 134,761) | ( 1,454) | ( 585) |
| Fund Balance - Beginning | 10,621 | 10,224 | 74,864 | 3,629 | ( 72,460) | 188,873 | 4,306 | 140,582 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Balance - Ending | 13,746 | 5,926 | 102,614 | 36,707 | ( 80,950) | 54,112 | 2,852 | 139,997 |

| 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 |
| 32 | 2,311 | 5,344 | 0 | 590 | 0 | 0 | 0 | 0 | 0 | 0 | 13,452 |
| 0 | 0 | 0 | 229,416 | 0 | 0 | 0 | 0 | 0 | 35,776 | 0 | 592,383 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 455,194 | 273,116 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 728,310 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,203 | 0 | 0 | 0 | 0 | 68,843 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,700 | 5,706 |
| 32 | 457,505 | 278,460 | 229,416 | 590 | 0 | 1,203 | 0 | 0 | 35,776 | 1,700 | 1,408,694 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 498,788 | 0 | 160,597 | 0 | 0 | 0 | 25,884 | 8,085 | 37,656 | 0 | 845,837 |
| 0 | 0 | 206,539 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 206,539 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,548 | 16,015 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 88,776 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 498,788 | 206,539 | 160,597 | 0 | 0 | 0 | 25,884 | 8,085 | 37,656 | 13,548 | 1,157,167 |
| 32 | ( 41,283) | 71,921 | 68,819 | 590 | 0 | 1,203 | ( 25,884) | ( 8,085) | ( 1,880) | ( 11,848) | 251,527 |
| 0 | 0 | 0 | 18,860 | 40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 70,452 |
| 0 | ( 21,469) | ( 1,912) | ( 230) | ( 40,000) | 0 | 0 | 0 | ( 852) | ( 128) | 0 | ( 359,760) |
| 0 | ( 21,469) | ( 1,912) | 18,630 | 0 | 0 | 0 | 0 | ( 852) | ( 128) | 0 | ( 289,308) |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | ( 62,752) | 70,009 | 87,449 | 590 | 0 | 1,203 | ( 25,884) | ( 8,937) | ( 2,008) | ( 11,848) | ( 37,781) |
| 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 |
| 0 | 0 | 0 | ( 19,046) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ( 19,046) |
| 2,283 | 152,512 | 412,406 | 109,291 | 32,999 | 10,439 | 3,659 | 8,652 | 11,921 | ( 8,807) | 26,325 | 1,036,684 |

CITY OF SONORA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2017

| | Special Revenue | | | | Capital Projects | | |
|---|---|---|---|---|---|---|---|
| | Special Sales Tax PD Fund | Medical Cannabis Fund | Road Maintenance Fund | Dragoon Gulch Fund | Mono Way Fund | Washington Elkington Fund | Farmers Market Fund |
| **Revenues** | | | | | | | |
| Investment Earnings | 4,153 | 54 | 66 | 0 | 0 | 0 | 0 |
| Intergovernmental | 0 | 0 | 28,729 | 0 | 0 | 0 | 0 |
| Property Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sales Taxes | 1,092,465 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rent | 0 | 0 | 0 | 11,000 | 0 | 0 | 0 |
| Licenses And Permits | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 3,290 | 30,000 | 0 | 5,319 | 0 | 6,167 | 200,000 |
| Total Revenues | 1,099,908 | 30,054 | 28,795 | 16,319 | 0 | 6,167 | 200,000 |
| **Expenditures** | | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety | 864,363 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Works | 0 | 0 | 0 | 0 | 0 | 10,561 | 0 |
| Community Development | 0 | 24,492 | 0 | 11,320 | 0 | 0 | 0 |
| Culture And Leisure | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 29,847 | 3,197 | 0 | 0 |
| Debt Service | | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest And Other Charges | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 864,363 | 24,492 | 0 | 41,167 | 3,197 | 10,561 | 0 |
| Excess(Deficiency) Of Revenues Over Expenditures | 235,545 | 5,562 | 28,795 | ( 24,848) | ( 3,197) | ( 4,394) | 200,000 |
| **Other Financing Sources (Uses)** | | | | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | ( 1,912) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | ( 1,912) | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Gain (Loss) - RDA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Change In Fund Balances | 233,633 | 5,562 | 28,795 | ( 24,848) | ( 3,197) | ( 4,394) | 200,000 |
| Fund Balance - Beginning | 222,310 | 0 | 0 | 33,571 | ( 19,428) | 0 | 0 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Balance - Ending | 455,943 | 5,562 | 28,795 | 8,723 | ( 22,625) | ( 4,394) | 200,000 |

| Internal Service | | Permanent Fund | | |
|---|---|---|---|---|
| Self Insurance Fund | Compensated Absences Fund | Cemetery Perpetual Care Fund | Total Non-Major Governmental Funds 2018 | 2017 |
| 0 | 1,422 | 4,340 | 23,487 | 9,835 |
| 0 | 0 | 0 | 621,112 | 418,431 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 1,820,775 | 1,729,535 |
| 0 | 0 | 0 | 11,000 | 12,000 |
| 0 | 0 | 0 | 68,843 | 70,441 |
| 0 | 467 | 825 | 251,774 | 47,016 |
| 0 | 1,889 | 5,165 | 2,796,991 | 2,287,258 |
| 9,757 | 0 | 0 | 9,757 | 115,568 |
| 22,397 | 0 | 0 | 1,732,597 | 2,070,047 |
| 3,000 | 0 | 0 | 220,100 | 235,095 |
| 5,810 | 0 | 0 | 57,637 | 150,025 |
| 0 | 0 | 0 | 88,776 | 71,705 |
| 0 | 0 | 0 | 33,044 | 3,375 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 40,964 | 0 | 0 | 2,141,911 | 2,645,815 |
| ( 40,964) | 1,889 | 5,165 | 655,080 | ( 358,557) |
| 45,335 | 0 | 0 | 115,787 | 656,530 |
| 0 | 0 | 0 | ( 361,672) | ( 238,311) |
| 45,335 | 0 | 0 | ( 245,885) | 418,219 |
| 0 | 0 | 0 | 0 | 0 |
| 4,371 | 1,889 | 5,165 | 409,195 | 59,662 |
| ( 4,371) | 0 | 303,582 | 1,629,175 | 1,569,513 |
| 0 | 134,106 | 0 | 115,060 | 0 |
| 0 | 135,995 | 308,747 | 2,153,430 | 1,629,175 |

# OTHER REPORTS

Clendenin Bird & Company, PC
Certified Public Accountants

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# 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, 2018, 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 December 20, 2018.

## 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
December 20, 2018