

**CITY OF SONORA, CALIFORNIA**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2014**

# CITY OF SONORA, CALIFORNIA

## Table of Contents

	Page
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion And Analysis (unaudited)	3-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement Of Net Position	14
Statement Of Activities	15-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17-18
Reconciliation Of The Governmental Funds Balance Sheet To Statement Of Net Position	19
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Governmental Funds	20-21
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	22
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – General Fund	23-25
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – CDBG Fund	26
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Special Sales & Use Tax Fund	27
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Low/Moderate Income Housing Fund	28
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Budget And Actual – Mitigation Fees	29
Statement Of Fiduciary Net Position – Fiduciary Funds	30
Notes To The Financial Statements	31-55
Combining And Individual Fund Statements And Schedules:	
Definitions	56-57
Combining Balance Sheet – Nonmajor Governmental Funds	58-60
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances – Nonmajor Governmental Funds	61-63
Schedule Of Federal Financial Assistance	64

**CITY OF SONORA, CALIFORNIA**

Table of Contents

Page

**OTHER REPORTS**

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of  
Financial Statements Performed In Accordance With  
Government Auditing Standards

65-66



3501 Tully Road, Suite B  
Modesto, CA 95356  
(209) 526-3091  
(209) 526-2287 fax  
cbcpas.com

Michelle L. Gallagher, CPA  
Cathy L. Gatewood, EA

Constance Hillas Bird, CPA (Inactive)  
Gerald L. Clendenin, CPA (Inactive)

## 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, 2014, 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, 2014, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The combining and individual non-major fund financial statements 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 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 18, 2014

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

This discussion and analysis of the City of Sonora's (City) financial performance for the fiscal year ended June 30, 2014 provides a comparison of current year to prior year ending results based on the government-wide statements and an analysis on the City's overall financial position and results of operations to assist users in evaluating the City's financial position. Please read Management's Discussion and Analysis in conjunction with the City's financial statements, notes and supplementary schedules.

**FINANCIAL HIGHLIGHTS**

- The City's governmental activities total assets exceeded liabilities (net position) at the close of the fiscal year by \$20,681,651 an increase of \$1,042,522 from fiscal year 2013. Of this amount, \$2,055,683 is in unrestricted net position, which is available to meet the City's ongoing financial obligations.
- General and Program Revenues exceeded Expenses by \$667,592. City program expenses totaled \$7,499,863 for fiscal year 2014. Public safety (police and fire protection) costs comprised \$3,704,000 or 49.4% of this amount.
- On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Sonora that previously reported the Sonora Redevelopment Agency within the reporting entity of the City as a blended component unit. In accordance with the provisions of the Bill, the City elected to become the Successor Agency for the dissolved redevelopment agency and assume the housing function previously performed by the dissolved redevelopment agency.
- The City's General Fund ended the year with a fund balance of \$3,152,088 an increase of \$8,750 from the previous year. Revenues were \$179,917 more than budgeted. Expenditures were \$92,342 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 \$1,575,110 of revenue in fiscal year 2014. This revenue was used for personnel, wage and benefit costs and equipment purchases in the police, fire and public works departments.

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**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, 2013 through June 30, 2014 using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The Statement of Net position 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 position* presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as 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 position changed in the most recent fiscal year. All changes of net position 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.

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

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

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

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

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position.** Net position 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 position as of June 30, 2014 and 2013.



**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

CITY OF SONORA NET POSITION JUNE 30, 2014 AND 2013				
	Governmental Activities		Total	
	2014	2013	2014	2013
Current and other assets	\$12,933,450	\$ 12,250,898	\$12,933,450	\$ 12,250,898
Capital assets, net of accumulated depreciation	9,915,831	9,534,453	9,915,831	9,534,453
Total assets	<u>22,849,281</u>	<u>21,785,351</u>	<u>22,849,281</u>	<u>21,785,351</u>
Long-term liabilities outstanding	133,850	174,004	133,850	174,004
Other liabilities	2,026,541	1,972,218	2,026,541	1,972,218
Total liabilities	<u>2,160,391</u>	<u>2,198,449</u>	<u>2,160,391</u>	<u>2,198,449</u>
Net position:				
Invested in capital assets, net of related debt	9,741,826	9,321,632	9,741,826	9,321,632
Restricted	8,891,381	8,344,027	8,891,381	8,344,027
Unrestricted	2,055,683	1,973,470	2,055,683	1,973,470
Total net position	<u>20,688,890</u>	<u>\$19,639,129</u>	<u>20,688,890</u>	<u>\$19,639,129</u>

Compared to the prior year, Total net position of the City's governmental activities increased by \$1,049,761 or 5.3%. The City's Total net position include three components: Invested in capital assets, net of related debt, Restricted net position and Unrestricted net position.

Of total net position, \$9,741,826 or 47% is the City's investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. Overall, during fiscal year 2014, the City's long-term debt balance relating to capital assets decreased as a result of debt service payments and the transfer of the capital assets and related debt of the dissolved Sonora Redevelopment Agency to the Successor RDA Fund. The assets and liabilities of the Successor Redevelopment Agency are reported in a fiduciary fund and are not included in the net position of the City.

Restricted net position of \$8,891,381 represents 43% of Total net position, an increase of \$547,354 from fiscal year 2013. Restricted net position is 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 position is those resources that may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position is \$2,055,683 or 10% of Total net position. This is an increase of \$82,213 from the prior year

**Governmental activities.** Total governmental revenues and transfers for the year exceeded expenses by \$667,592. Below is a table showing the governmental activities of the City for the years ended June 30, 2014 and 2013.

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

CITY OF SONORA CHANGES IN FUND BALANCE FOR THE YEARS ENDED JUNE 30, 2014 AND 2013				
	Governmental Activities		Total	
	2014	2013	2014	2013
<b>Revenues</b>				
Charges for services and Miscellaneous	975,495	1,010,353	975,495	1,010,353
Property tax	857,932	935,883	857,932	935,883
Sales tax	3,951,880	3,764,131	3,951,880	3,764,131
Licenses and Permits	159,550	163,442	159,550	163,442
Fines and Forfeitures	60,472	46,771	60,472	46,771
Intergovernmental	1,389,228	714,173	1,389,228	714,173
Other taxes and franchises	579,061	538,677	579,061	538,677
Investment earnings	111,302	121,619	111,302	121,619
Rental Income	82,535	82,715	82,535	82,715
<b>Total revenues and transfers</b>	<b>8,167,455</b>	<b>7,377,764</b>	<b>8,167,455</b>	<b>7,377,764</b>
<b>Expenditures</b>				
General government	1,386,692	1,274,884	1,386,692	1,274,884
Public safety	3,704,000	3,335,509	3,704,000	3,335,509
Public works	953,265	993,512	953,265	993,512
Community development (building & planning)	507,476	417,770	507,476	417,770
Culture and leisure	58,353	55,818	58,353	55,818
Principal payment on long term debt	38,817	36,140	38,817	36,140
Interest on long-term debt	8,862	10,792	8,862	10,792
Capital Outlay	842,398	718,444	842,398	718,444
<b>Total expenses</b>	<b>7,499,863</b>	<b>6,842,869</b>	<b>7,499,863</b>	<b>6,842,869</b>
Excess (Deficiency) of Revenues over Expenses	667,592	534,895	667,592	534,895
Other Financing Sources (Uses)	199	2,753	199	2,753
Fund Balance at the beginning of the fiscal year	10,848,248	10,323,892	10,848,248	10,323,892
Prior Period Adjustment	0	( 13,292)	0	( 13,292)
<b>Fund Balance at the end of the fiscal year</b>	<b>11,516,039</b>	<b>10,848,248</b>	<b>11,516,039</b>	<b>10,848,248</b>

Total governmental revenues for the year increased by \$789,691 an 11% increase over fiscal year 2013. The overall increase in revenue is a result of the intergovernmental revenue due to increased amount of grants and allocations.

In addition there was slight increase in sales tax revenue over fiscal year 2013.

Total governmental expenses for the year were \$7,499,863, a \$656,994 or 9.6% increase from fiscal year 2013. Public safety, which includes police and fire protection, accounts for \$3,704,000 or 49% of the total governmental activities expenses. The overall increase in expense is a result of the following activities:

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

- Police and Fire Public Safety expenditures increased a total of \$368,491. Vacant positions which were frozen in 2012 and remained vacant in 2013 were slowly filled in 2014, resulting in salary and benefit cost increase in both departments.
- The \$40,247 decrease in Public Works expenditures in fiscal year 2014 resulted from reduced positions or positions being frozen or filled with part-time employees.
- Community Development expenditures increased by \$89,709 or 2% from the prior year, largely as a result of the new projects and, Sonora Redevelopment Agency.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds ended the year with a combined fund balance of \$11,516,039. This is an increase of \$667,791 from the prior year due primarily to the \$667,592 excess of revenue over expenses in 2014.

Major fund balance changes are noted below:

- General Fund revenues exceeded expenditures by \$370,559 largely as a result of increases in service charges and miscellaneous revenue. General Fund expenditures totaled \$4,328,958. Police and fire protection costs were \$2,067,805 or 47% of total General Fund expenditures.
- During Fiscal Year 2013/14 the City of Sonora received approval for a \$2,000,000 Community Development Block Grant(#13-CDBG-8946) to fund three projects, the Sonora Residential Fire Flow Improvement Project, Stewart Street Multi-Family Housing Project and Final Phase-Sonora Historic Resources Inventory. The City continued to provide eligible Microenterprises with technical assistance under Microenterprise Assistance Program funded under Community Development Block Grant #10-EDEF-7260. 40 Microenterprises have received services through the grant which will expire on December 31, 2014. The City received a \$28,000 Community Transformation Grant to prepare a connection feasibility and design plan for the Dragoon Gulch Trail and brochures. The City received a \$50,000 grant from Tuolumne County Transportation Council (TCTC) to complete the environment clearance for the Dragoon Gulch Trail Expansion Project. The City also received \$18,700 in Grant funds from the TCTC to complete a Scoping Plan for three projects under the Vision Sonora Plan. The TCTC committed Congestion Mitigation and Air Quality Program funding, along with additional transportation funding, to complete the engineering, design and environmental clearance for the Red Church Pedestrian & Traffic Improvement

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Project and the Stockton-Washington Beautification & Transit Project. The Oversight Board approved the long Range Property Management Plan (LRPMP) which governs the disposition and use of the former Redevelopment Agency of the City of Sonora's real property. The former Agency held fee title to two parcels which house the City's Public Works Yard, former Education Center Building and parking lot leased to Sonora High School. The LRPMP recommended that the City of Sonora retain these parcels for government use and it was subsequently approved by the Department of Finance on September 10, 2014.

- The creation of a Special Sales and Use Tax District (Measure I) provided sales tax revenue of \$1,575,110 in fiscal year 2014. This revenue was used for personnel, wage and benefit costs and equipment purchases in the police department, fire department and public works department. The allocation of this \$1,575,110 was \$945,066 for police, \$393,777 for fire and \$236,267 for public works departments.
- Significant revenue of other non-major governmental funds is comprised of gasoline tax, grant funding for law enforcement, reimbursements from state and federal agencies for fire suppression services and contributions of mitigation fee revenue from the County of Tuolumne for shared roadway reconstruction project costs.

**General Fund Budgetary Highlights.** During the year, with the recommendation from City staff, the City Council revised the City's General Fund budget. At mid-year, adjustments were made to the budget to reflect identified expense variances. Budgeted police overtime was increased by \$15,000, fire department non capital equipment purchases was increased by \$5,000. In addition \$45,000 from general fund reserve was allocated for payout of retiring fire chief. Outside services budget for community development department was increased by \$18,700 to fund the preparation of various project scoping under the Vision Sonora Plan funded by a grant from TCTC.

At year-end, budgeted General Fund revenue was \$4,519,600 while actual revenue was 4,699,517, a favorable variance of \$179,917. The budgeted General Fund expenditures was \$4,421,300 actual expenditures was \$4,328,958 a favorable variance of \$92,342 This variance reflects expenses in general fund were under control in all categories and departments.

Total revenue in all governmental funds were increased by \$789,691 in 2014 compared to previous year.

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Total expenditures in all governmental funds were also increased by \$656,994 in 2014 compared to previous year (\$6,842,869 in 2013 and \$7,499,863 in 2014)

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

Public Safety expenditures were less than budgeted in 2014 due to strict control by the police chief and fire chief in their departments.

**CAPITAL AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the City had \$9,915,831 invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and infrastructure. This amount represents a net increase of \$381,378 or 4% from the prior year.

The table below sets forth the City's net asset investment as of June 30, 2014 and 2013.

CITY OF SONORA CAPITAL ASSETS (NET OF DEPRECIATION) JUNE 30, 2014 AND 2013				
	Governmental Activities		Total	
	2014	2013	2014	2013
Land	\$2,185,617	\$ 1,917,463	\$2,185,617	\$ 1,917,463
Construction in progress	974,937	569,594	974,937	569,594
Buildings and improvements	1,650,643	1,650,643	1,650,643	1,650,643
Equipment and vehicles	648,372	479,470	648,372	479,470
Infrastructure	4,456,262	4,917,283	4,456,262	4,917,283
Total	9,915,831	\$ 9,534,453	9,915,831	\$ 9,534,453

Major capital asset additions during fiscal year 2014 include Mono Way Widening

**CITY OF SONORA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Long-term Debt.** At year-end, the City’s governmental activities had \$742,980 in long-term debt. Total debt was reduced during the year by the amount of the current debt principal payments included in the net position of the City. No new debt was incurred during the year. The table below sets forth the City’s long-term debt as of June 30, 2014 and 2013.

CITY OF SONORA LONG-TERM DEBT JUNE 30, 2014 AND 2013					
	Governmental Activities		Total		
	2014	2013	2014	2013	
Lease revenue bonds	\$ 174,005	\$ 212,821	\$ 174,005	\$ 212,821	
Other Post	(7,239)	(52,227)	(7,239)	(52,227)	
Employment Benefits					
Compensated absences	\$ 576,214	582,978	\$ 576,214	582,978	
Total	\$ 742,980	\$ 743,572	\$ 742,980	\$ 743,572	

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

**NEXT YEAR’S BUDGETS – FISCAL YEAR 2015 ECONOMIC FACTORS**

In preparing the budget for fiscal year 2015, 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

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

unencumbered funds identified in the reviews has been remitted to the County Auditor-Controller for distribution.

- Sales tax revenue is projected to stay flat during fiscal year 2015 at \$1,741,000. Sales tax continues to be the largest city revenue source. As economic condition improves in 2015, there is a possibility of increase in sales tax revenue.
- Property tax revenue is projected to be slightly higher in 2015 by 2% compared to 2014 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 2015.
- Previously negotiated salary decreases were restored to employees in fiscal year 2013 and furloughs implemented in fiscal year 2012 were suspended. A 3% cost of living increase in January, 2013 for employees belonging to the management, miscellaneous and fire safety associations was negotiated and agreed upon. However, employees are making an additional retirement benefit contributions to the California Public Employees Retirement System (CalPERS) to cover 100% of the employee cost resulting in a reduction in expense to the City.
- 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 \$1,537,250 in revenue in fiscal year 2015.

For fiscal year 2015, the City's General Fund recurring revenues are projected to be \$4,438,088 compare to 2014 budget of \$4,600,500 slight decrease of \$162,412 or 3%. General fund expenditures are budgeted to decrease by \$413,340 or 8%. A General Fund budget with a surplus of \$15,728 was adopted for fiscal year 2015, with projected revenues of \$4,438,088 and expenses of \$4,422,360.

City management continues to take a position of conservative revenue projection and modest increases to General Fund department expenditures. There were no positions added to the General Fund and no major capital expenditures budgeted. 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.

**CITY OF SONORA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**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 Finance Director at:

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



**CITY OF SONORA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Totals</b>	
		<b>2014</b>	<b>2013</b>
<b>ASSETS</b>			
Cash And Investments	4,785,365	4,785,365	4,495,185
Accounts Receivable	785,135	785,135	770,580
Interest Receivable	784,727	784,727	695,287
Loans Receivable	2,953,758	2,953,758	3,051,370
Prepaid Expenses	33,274	33,274	33,274
Restricted Cash	862,040	862,040	476,051
Receivable From Successor RDA Fund	2,729,151	2,729,151	2,729,151
Capital Assets (Net Of Accumulated Depreciation):			
Land	2,185,617	2,185,617	1,917,463
Construction In Progress	974,937	974,937	569,594
Buildings And Improvements	1,650,643	1,650,643	1,650,643
Equipment And Vehicles	648,372	648,372	479,470
Infrastructure	4,456,262	4,456,262	4,917,283
Total Assets	<u>22,849,281</u>	<u>22,849,281</u>	<u>21,785,351</u>
<b>LIABILITIES</b>			
Accounts Payable And Other			
Current Liabilities	1,417,411	1,417,411	1,402,650
Compensated Absences	576,214	576,214	582,978
Other Post Employment Obligations	( 7,239)	( 7,239)	( 52,227)
Long-Term Liabilities:			
Due Within One Year	40,155	40,155	38,817
Due In More Than One Year	133,850	133,850	174,004
Total Liabilities	<u>2,160,391</u>	<u>2,160,391</u>	<u>2,146,222</u>
<b>NET POSITION</b>			
Invested In Capital Assets			
Net Of Related Debt	9,741,826	9,741,826	9,321,632
Restricted For			
Capital Projects	1,199,892	1,199,892	261,904
Community Development Projects	3,687,459	3,687,459	4,619,602
Revenue Bond Debt Service	182,125	182,125	182,125
Other Purposes	3,522,459	3,522,459	2,982,103
Perpetual Care:			
Expendable	150,432	150,432	151,004
Nonexpendable	149,014	149,014	147,289
Unrestricted	2,055,683	2,055,683	1,973,470
Total Net Position	<u>20,688,890</u>	<u>20,688,890</u>	<u>19,639,129</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

---

<b>Functions/Programs</b>	<b>Expenses</b>
<b>Primary Government:</b>	
<b>Governmental Activities:</b>	
General Government	1,574,686
Public Safety	3,809,644
Public Works	987,944
Community Development	533,347
Culture And Leisure	203,410
Interest On Long-Term Debt	8,862
Total Governmental Activities	<u>7,117,893</u>
Total Primary Government	<u><u>7,117,893</u></u>

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	
				2014	2013
677,670	0	0	( 897,016)	( 897,016)	( 557,965)
162,099	433,460	0	( 3,214,085)	( 3,214,085)	( 3,108,821)
350,367	0	663,543	25,966	25,966	( 765,670)
109,513	11,925	63,969	( 347,940)	( 347,940)	( 67,682)
24,491	0	0	( 178,919)	( 178,919)	( 159,157)
0	0	0	( 8,862)	( 8,862)	( 10,792)
<u>1,324,140</u>	<u>445,385</u>	<u>727,512</u>	<u>( 4,620,856)</u>	<u>( 4,620,856)</u>	<u>( 4,670,087)</u>
<u>1,324,140</u>	<u>445,385</u>	<u>727,512</u>	<u>( 4,620,856)</u>	<u>( 4,620,856)</u>	<u>( 4,670,087)</u>

**General Revenues:**

Taxes:			
Property Tax	857,932	857,932	935,883
Sales Tax	3,951,880	3,951,880	3,764,131
Motor Vehicle Tax	2,084	2,084	2,519
Transient Lodging Tax	307,056	307,056	298,970
Franchise Tax	122,675	122,675	98,050
Motor Fuel Tax	168,159	168,159	125,891
Other Taxes	149,330	149,330	141,658
Investment Earnings	111,302	111,302	121,619
Gain/(Loss) On Sale Of Assets	199	199	2,536
Transfers	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenues And Transfers	<u>5,670,617</u>	<u>5,670,617</u>	<u>5,491,257</u>
Change In Net Position	1,049,761	1,049,761	821,170
Net Position - Beginning	19,639,129	19,639,129	18,831,251
Prior Period Adjustment	<u>0</u>	<u>0</u>	( 13,292)
Net Position - Ending	<u>20,688,890</u>	<u>20,688,890</u>	<u>19,639,129</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>CDBG</u>	<u>Special Sales Tax Police</u>
<b>Assets</b>			
Cash And Investments	1,249,021	1,111,438	0
Accounts Receivable	229,427	6,356	68,386
Interest Receivable	0	499,798	0
Loans Receivable	0	1,953,972	0
Prepaid Expenses	33,274	0	0
Restricted Cash	182,125	0	289,790
Due From Successor RDA Fund	1,879,890	386,812	0
Total Assets	<u>3,573,737</u>	<u>3,958,376</u>	<u>358,176</u>
<b>Liabilities</b>			
Accounts Payable	111,124	17,959	28,700
Other Liabilities	310,525	0	0
Due To Other Funds	0	0	0
Total Liabilities	<u>421,649</u>	<u>17,959</u>	<u>28,700</u>
<b>Fund Balances</b>			
Nonspendable	1,879,890	386,812	0
Restricted	182,125	3,553,605	329,476
Committed	0	0	0
Assigned	0	0	0
Unassigned	1,090,073	0	0
Total Fund Balances	<u>3,152,088</u>	<u>3,940,417</u>	<u>329,476</u>
Total Liabilities And Fund Balances	<u>3,573,737</u>	<u>3,958,376</u>	<u>358,176</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

<b>Low/Moderate Income Housing Fund</b>	<b>Mitigation Fees Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>	
			<b>2014</b>	<b>2013</b>
18,371	1,496,610	909,925	4,785,365	4,495,185
1,690	835	478,441	785,135	770,580
284,929	0	0	784,727	695,287
999,786	0	0	2,953,758	3,051,370
0	0	0	33,274	33,274
0	0	390,125	862,040	476,051
462,449	0	0	2,729,151	2,729,151
<u>1,767,225</u>	<u>1,497,445</u>	<u>1,778,491</u>	<u>12,933,450</u>	<u>12,250,898</u>
1,743	353,650	367,284	880,460	419,399
1,000	225,426	0	536,951	983,251
0	0	0	0	0
<u>2,743</u>	<u>579,076</u>	<u>367,284</u>	<u>1,417,411</u>	<u>1,402,650</u>
0	0	299,446	2,566,148	2,564,995
1,764,482	918,369	678,809	7,426,866	6,704,694
0	0	16,518	16,518	16,456
0	0	474,243	474,243	543,075
0	0	( 57,809)	1,032,264	1,019,028
<u>1,764,482</u>	<u>918,369</u>	<u>1,411,207</u>	<u>11,516,039</u>	<u>10,848,248</u>
<u>1,767,225</u>	<u>1,497,445</u>	<u>1,778,491</u>	<u>12,933,450</u>	<u>12,250,898</u>

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, 2014**

---

Total fund balances - governmental funds 11,516,039

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	2,185,617	
Construction in progress	974,937	
Buildings and improvements, net of \$2,946,375 accumulated depreciation	1,650,643	
Equipment and vehicles, net of \$1,727,135 accumulated depreciation	648,372	
Infrastructure, net of \$1,410,337 accumulated depreciation	<u>4,456,262</u>	
Total capital assets		9,915,831

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	( 174,005)	
OPEB (Obligation) Asset	7,239	
Compensated absences	<u>( 576,214)</u>	
Total long-term liabilities		<u>( 742,980)</u>

Total net position - governmental activities 20,688,890

**CITY OF SONORA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>CDBG</u>	<u>Special Sales Tax Police</u>
<b>Revenues</b>			
Property Tax	857,932	0	0
Sales Tax	2,376,770	0	945,066
Other Tax And Franchises	579,061	0	0
Licenses And Permits	89,786	0	0
Fines And Forfeitures	60,472	0	0
Investment Earnings	3,579	64,467	767
Intergovernmental	2,084	11,925	0
Rental Income	62,835	11,000	0
Service Charges And Miscellaneous	666,998	7,183	2,601
Total Revenues	<u>4,699,517</u>	<u>94,575</u>	<u>948,434</u>
<b>Expenditures</b>			
General Government	1,125,931	0	0
Public Safety	2,067,805	0	841,027
Public Works	722,736	0	0
Community Development	288,858	95,136	0
Culture And Leisure	0	0	0
Debt Service			
Principal	38,817	0	0
Interest And Other Charges	8,862	0	0
Capital Outlay	75,949	0	55,423
Total Expenditures	<u>4,328,958</u>	<u>95,136</u>	<u>896,450</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>370,559</u>	<u>( 561)</u>	<u>51,984</u>
<b>Other Financing Sources (Uses)</b>			
Sale Of Capital Assets	199	0	0
Proceeds From Long Term Debt	0	0	0
Operating Transfers In	98,146	77,859	0
Operating Transfers Out	<u>( 460,154)</u>	<u>( 82,200)</u>	<u>( 56,932)</u>
Total Other Financing Sources (Uses)	<u>( 361,809)</u>	<u>( 4,341)</u>	<u>( 56,932)</u>
Net Change In Fund Balances	8,750	( 4,902)	( 4,948)
Fund Balance - Beginning	3,143,338	3,945,319	334,424
Prior Period Adjustment	0	0	0
Fund Balance- Ending	<u>3,152,088</u>	<u>3,940,417</u>	<u>329,476</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

<b>Low/Moderate Income Housing Fund</b>	<b>Mitigation Fees Fund</b>	<b>Other Funds</b>	<b>Total Governmental Funds</b>	
			<b>2014</b>	<b>2013</b>
0	0	0	857,932	935,883
0	0	630,044	3,951,880	3,764,131
0	0	0	579,061	538,677
0	0	69,764	159,550	163,442
0	0	0	60,472	46,771
36,694	3,176	2,619	111,302	121,619
0	0	1,375,219	1,389,228	714,173
8,700	0	0	82,535	82,715
0	296,447	2,266	975,495	1,010,353
<u>45,394</u>	<u>299,623</u>	<u>2,079,912</u>	<u>8,167,455</u>	<u>7,377,764</u>
0	0	260,761	1,386,692	1,274,884
0	321	794,847	3,704,000	3,335,509
0	0	230,529	953,265	993,512
34,630	0	88,852	507,476	417,770
0	0	58,353	58,353	55,818
0	0	0	38,817	36,140
0	0	0	8,862	10,792
0	0	711,026	842,398	718,444
<u>34,630</u>	<u>321</u>	<u>2,144,368</u>	<u>7,499,863</u>	<u>6,842,869</u>
<u>10,764</u>	<u>299,302</u>	<u>( 64,456)</u>	<u>667,592</u>	<u>534,895</u>
0	0	0	199	2,752
0	0	0	0	0
0	0	668,539	844,544	752,721
0	( 58,399)	( 186,859)	( 844,544)	( 752,720)
<u>0</u>	<u>( 58,399)</u>	<u>481,680</u>	<u>199</u>	<u>2,753</u>
10,764	240,903	417,224	667,791	537,648
1,753,718	677,466	993,983	10,848,248	10,323,892
0	0	0	0	( 13,292)
<u>1,764,482</u>	<u>918,369</u>	<u>1,411,207</u>	<u>11,516,039</u>	<u>10,848,248</u>

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, 2014**

---

Net change in fund balances - total governmental funds 667,791

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 depreciation (\$461,021) is reduced by capital outlay (\$842,398) in the current period. 381,377

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. ( 38,224)

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. 38,817

The difference in the disposal of the Redevelopment Agency from governmental fund to the statement of activities 0

Changes in net positions of governmental activities 1,049,761

**CITY OF SONORA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				<b>2013</b> <b>Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b> <b>With Final</b> <b>Budget</b> <b>Over</b> <b>(Under)</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Property Tax	830,200	830,200	857,932	27,732	935,883
Sales Tax	2,424,000	2,424,000	2,376,770	( 47,230)	2,291,620
Other Tax And Franchise Fees	531,300	531,300	579,061	47,761	538,677
Licenses And Permits	84,900	84,900	89,786	4,886	95,441
Intergovernmental	0	0	2,084	2,084	2,519
Fines And Forfeitures	47,500	47,500	60,472	12,972	46,771
Investment Earnings	6,300	6,300	3,579	( 2,721)	5,974
Rental Income	63,600	63,600	62,835	( 765)	64,440
Service Charges And Miscellaneous	531,800	531,800	666,998	135,198	817,466
Total Revenues	<u>4,519,600</u>	<u>4,519,600</u>	<u>4,699,517</u>	<u>179,917</u>	<u>4,798,791</u>
<b>EXPENDITURES</b>					
General Government	1,095,400	1,095,400	1,125,931	30,531	1,152,622
Public Safety	2,133,700	2,178,700	2,067,805	( 110,895)	1,902,742
Transportation/Public Works	714,400	714,400	722,736	8,336	657,469
Community Development	287,200	305,900	288,858	( 17,042)	264,517
Capital Outlay	78,400	78,400	75,949	( 2,451)	89,152
Debt Service					
Principal	38,800	38,800	38,817	17	36,140
Interest	9,700	9,700	8,862	( 838)	10,792
Total Expenditures	<u>4,357,600</u>	<u>4,421,300</u>	<u>4,328,958</u>	<u>( 92,342)</u>	<u>4,113,434</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>162,000</u>	<u>98,300</u>	<u>370,559</u>	<u>272,259</u>	<u>685,357</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale Of Capital Assets	2,800	2,800	199	( 2,601)	2,752
Transfers In	78,100	78,100	98,146	20,046	87,956
Transfers Out	0	( 517,500)	( 460,154)	57,346	( 426,834)
Total Other Financing Sources And (Uses)	<u>80,900</u>	<u>( 436,600)</u>	<u>( 361,809)</u>	<u>74,791</u>	<u>( 336,126)</u>
Net Change In Fund Balance	242,900	( 338,300)	8,750	347,050	349,231
Fund Balance - Beginning	<u>3,143,338</u>	<u>3,143,338</u>	<u>3,143,338</u>	<u>0</u>	<u>2,794,107</u>
Fund Balance - Ending	<u>3,386,238</u>	<u>2,805,038</u>	<u>3,152,088</u>	<u>347,050</u>	<u>3,143,338</u>

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, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	
	Original	Final			
General Government					
Legislative					
Employee Services	30,300	30,300	21,264	( 9,036)	30,225
Supplies And Services	8,400	8,400	27,063	18,663	8,449
Total Legislative	38,700	38,700	48,327	9,627	38,674
Administration					
Employee Services	423,900	375,900	415,421	39,521	385,432
Supplies And Services	95,500	143,500	135,431	( 8,069)	94,030
Total Administration	519,400	519,400	550,852	31,452	479,462
Opera Hall					
Employee Services	25,800	25,800	26,537	737	26,788
Supplies And Services	19,600	19,600	59,501	39,901	184,662
Total Opera Hall	45,400	45,400	86,038	40,638	211,450
Sunrise Hills					
Employee Services	0	0	0	0	0
Supplies And Services	3,700	3,700	3,208	( 492)	2,912
Total Sunrise Hills	3,700	3,700	3,208	( 492)	2,912
Non-Departmental					
Visitors Bureau	221,500	221,500	225,312	3,812	190,631
Total Non-Departmental	221,500	221,500	225,312	3,812	190,631
Facilities					
Supplies And Services	8,500	8,500	5,647	( 2,853)	7,565
Debt Service	48,500	48,500	47,679	( 821)	46,931
Total Facilities	57,000	57,000	53,326	( 3,674)	54,496
Microenterprise Program					
Employee Services	10,400	10,400	7,436	( 2,964)	10,733
Total Microenterprise Program	10,400	10,400	7,436	( 2,964)	10,733
Cemetery					
Supplies And Services	4,200	4,200	1,873	( 2,327)	3,747
Total Cemetery	4,200	4,200	1,873	( 2,327)	3,747
Successor Agency Administration					
Employee Services	219,500	219,500	152,542	( 66,958)	198,918
Supplies And Services	24,100	24,100	44,696	20,596	8,531
Total Successor Agency Admin	243,600	243,600	197,238	( 46,362)	207,449
Total General Government	1,143,900	1,143,900	1,173,610	29,710	1,199,554

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, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)	
	Original	Final			
Public Safety					
Police					
Employee Services	1,328,500	1,328,500	1,292,611	( 35,889)	1,185,727
Supplies And Services	208,200	208,200	181,220	( 26,980)	168,380
Capital Outlay	54,000	54,000	53,624	( 376)	89,152
Total Police	1,590,700	1,590,700	1,527,455	( 63,245)	1,443,259
Fire					
Employee Services	450,200	495,200	490,211	( 4,989)	454,590
Supplies And Services	122,400	122,400	103,763	( 18,637)	94,045
Capital Outlay	24,400	24,400	22,325	( 2,075)	0
Total Fire	597,000	642,000	616,299	( 23,626)	548,635
Total Public Safety	2,187,700	2,232,700	2,143,754	( 86,871)	1,991,894
Transportation					
Public Works					
Employee Services	532,700	532,700	549,206	16,506	474,090
Supplies And Services	154,800	154,800	151,909	( 2,891)	157,610
Capital Outlay	0	0	0	0	0
Total Public Works	687,500	687,500	701,115	13,615	631,700
Parks Landscape					
Supplies And Services	20,400	20,400	15,992	( 4,408)	18,909
Total Parks Landscape	20,400	20,400	15,992	( 4,408)	18,909
Parking Lots					
Supplies And Services	6,500	6,500	5,629	( 871)	6,860
Total Parking Lots	6,500	6,500	5,629	( 871)	6,860
Total Transportation	714,400	714,400	722,736	8,336	657,469
Community Development					
Building And Planning					
Employee Services	133,400	133,400	143,228	9,828	141,444
Supplies And Services	72,000	90,700	90,317	( 383)	63,012
Capital Outlay	0	0	0	0	0
Total Building And Planning	205,400	224,100	233,545	9,445	204,456
Engineering					
Supplies And Service	81,800	81,800	55,313	( 26,487)	60,061
Total Engineering	81,800	81,800	55,313	( 26,487)	60,061
Total Community Development	287,200	305,900	288,858	( 17,042)	264,517
Total General Fund	4,333,200	4,396,900	4,328,958	( 67,942)	4,113,434

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, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2013 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	77,800	77,800	64,467	( 13,333)	71,890
Intergovernmental	122,300	122,300	11,925	( 110,375)	130,822
Rental Income	12,000	12,000	11,000	( 1,000)	11,000
Miscellaneous	0	0	7,183	7,183	0
Total Revenues	<u>212,100</u>	<u>212,100</u>	<u>94,575</u>	<u>( 117,525)</u>	<u>213,712</u>
<b>EXPENDITURES</b>					
Salaries	0	0	0	0	24,312
Benefits	14,700	14,700	10,851	( 3,849)	12,879
Supplies And Services	140,500	140,500	84,285	( 56,215)	36,719
Capital Outlay	0	0	0	0	163,065
Bad Debt Expense	0	0	0	0	40,685
Total Expenditures	<u>155,200</u>	<u>155,200</u>	<u>95,136</u>	<u>( 60,064)</u>	<u>277,660</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>56,900</u>	<u>56,900</u>	<u>( 561)</u>	<u>( 57,461)</u>	<u>( 63,948)</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	77,859	77,859	0
Operating Transfers Out	( 5,400)	( 5,400)	( 82,200)	76,800	( 6,499)
Total Other Financing Sources (Uses)	<u>( 5,400)</u>	<u>( 5,400)</u>	<u>( 4,341)</u>	<u>154,659</u>	<u>( 6,499)</u>
Net Change In Fund Balance	51,500	51,500	( 4,902)	( 56,402)	( 70,447)
Fund Balance - Beginning	3,945,319	3,945,319	3,945,319	0	4,029,058
Prior Period Adjustment	0	0	0	0	( 13,292)
Fund Balance - Ending	<u>3,996,819</u>	<u>3,996,819</u>	<u>3,940,417</u>	<u>( 56,402)</u>	<u>3,945,319</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
SPECIAL SALES & USE TAX POLICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	<b>2013 Actual</b>
	<b>Original</b>	<b>Final</b>		<b>With Final Budget Over (Under)</b>	
<b>REVENUES</b>					
Sales Tax	943,200	943,200	945,066	1,866	883,506
Miscellaneous	2,100	2,100	2,601	501	6,574
Investment Earnings	300	300	767	467	800
Intergovernmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>945,600</u>	<u>945,600</u>	<u>948,434</u>	<u>2,834</u>	<u>890,880</u>
<b>EXPENDITURES</b>					
Salaries	374,500	374,500	403,609	29,109	386,400
Benefits	323,400	323,400	299,341	( 24,059)	262,063
Supplies And Services	157,000	157,000	138,077	( 18,923)	96,035
Capital Outlay	121,500	132,500	55,423	( 77,077)	37,852
Debt Service					
Principal	0	0	0	0	0
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>976,400</u>	<u>987,400</u>	<u>896,450</u>	<u>( 90,950)</u>	<u>782,350</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>( 30,800)</u>	<u>( 41,800)</u>	<u>51,984</u>	<u>93,784</u>	<u>108,530</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	<u>( 45,100)</u>	<u>( 45,100)</u>	<u>( 56,932)</u>	<u>( 11,832)</u>	<u>( 29,810)</u>
Total Other Financing Sources (Uses)	<u>( 45,100)</u>	<u>( 45,100)</u>	<u>( 56,932)</u>	<u>( 11,832)</u>	<u>( 29,810)</u>
Net Change In Fund Balance	<u>( 75,900)</u>	<u>( 86,900)</u>	<u>( 4,948)</u>	81,952	78,720
Fund Balance - Beginning	<u>334,424</u>	<u>334,424</u>	<u>334,424</u>	<u>0</u>	<u>255,704</u>
Fund Balance - Ending	<u><u>258,524</u></u>	<u><u>247,524</u></u>	<u><u>329,476</u></u>	<u><u>81,952</u></u>	<u><u>334,424</u></u>

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, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				<b>2013</b> <b>Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Property Tax Increments	0	0	0	0	0
Rental Income	8,700	8,700	8,700	0	7,275
Investment Earnings	<u>38,500</u>	<u>38,500</u>	<u>36,694</u>	( 1,806)	<u>36,800</u>
Total Revenues	<u>47,200</u>	<u>47,200</u>	<u>45,394</u>	( 1,806)	<u>44,075</u>
<b>EXPENDITURES</b>					
Salaries	4,000	4,000	2,929	( 1,071)	2,776
Benefits	1,400	1,400	1,792	392	1,063
Supplies And Services	3,100	3,100	29,909	26,809	3,364
Bad Debt Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>8,500</u>	<u>8,500</u>	<u>34,630</u>	<u>26,130</u>	<u>7,203</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>38,700</u>	<u>38,700</u>	<u>10,764</u>	( 27,936)	<u>36,872</u>
Net Change In Fund Balance	38,700	38,700	10,764	( 27,936)	36,872
Fund Balance - Beginning	<u>1,753,718</u>	<u>1,753,718</u>	<u>1,753,718</u>	<u>0</u>	<u>1,716,846</u>
Fund Balance - Ending	<u><u>1,792,418</u></u>	<u><u>1,792,418</u></u>	<u><u>1,764,482</u></u>	<u><u>( 27,936)</u></u>	<u><u>1,753,718</u></u>

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, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2013 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Investment Earnings	0	0	3,176	3,176	3,283
Impact Fees	250,000	250,000	296,447	46,447	6,067
Miscellaneous	0	0	0	0	0
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>299,623</u>	<u>49,623</u>	<u>9,350</u>
<b>EXPENDITURES</b>					
Salaries	0	0	0	0	0
Benefits	0	0	0	0	0
Supplies And Services	5,000	5,000	321	( 4,679)	433
Capital Outlay	30,000	0	0	0	0
Total Expenditures	<u>35,000</u>	<u>5,000</u>	<u>321</u>	<u>( 4,679)</u>	<u>433</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>215,000</u>	<u>245,000</u>	<u>299,302</u>	<u>54,302</u>	<u>8,917</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	( 270,200)	( 270,200)	( 58,399)	211,801	( 27,949)
Total Other Financing Sources (Uses)	<u>( 270,200)</u>	<u>( 270,200)</u>	<u>( 58,399)</u>	<u>211,801</u>	<u>( 27,949)</u>
Net Change In Fund Balance	215,000	245,000	240,903	( 4,097)	( 19,032)
Fund Balance - Beginning	<u>677,466</u>	<u>677,466</u>	<u>677,466</u>	<u>0</u>	<u>696,498</u>
Fund Balance - Ending	<u>892,466</u>	<u>922,466</u>	<u>918,369</u>	<u>( 4,097)</u>	<u>677,466</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS



**CITY OF SONORA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	<b>Agency Fund</b>			<b>Totals (Memorandum Only)</b>	
	<b>Sunrise Hills</b>	<b>Successor RDA Fund</b>			
			<b>2014</b>	<b>2013</b>	
<b>Assets</b>					
Cash And Investments	106,227	121,745	227,972	330,783	
Capital Assets, net	<u>0</u>	<u>1,852,187</u>	<u>1,852,187</u>	<u>2,078,569</u>	
Total Assets	<u><u>106,227</u></u>	<u><u>1,973,932</u></u>	<u><u>2,080,159</u></u>	<u><u>2,409,352</u></u>	
<b>Liabilities</b>					
Accounts Payable	0	9,917	9,917	12,129	
Deferred Revenue	0	121,745	121,745	233,609	
Due To Other Government Funds	0	2,729,150	2,729,150	2,729,150	
Bonds Payable	<u>106,227</u>	<u>475,995</u>	<u>582,222</u>	<u>667,224</u>	
Total Liabilities	<u><u>106,227</u></u>	<u><u>3,336,807</u></u>	<u><u>3,443,034</u></u>	<u><u>3,642,112</u></u>	
<b>Net Position</b>	<u><u>0</u></u>	<u><u>( 1,362,875)</u></u>	<u><u>( 1,362,875)</u></u>	<u><u>( 1,232,760)</u></u>	

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

The **Special Sales & Use Tax Police Fund** 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 departments.

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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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%
	<u>100%</u>

**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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**4. Capital Assets (continued)**

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

<u>Assets</u>	<u>Years</u>
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. 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.

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.



**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**7. 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.

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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**7. Net Position and Fund Equity (continued)**

As of June 30, 2014, the fund balance details by classification are listed below:

	<u>General</u>	<u>CDBG</u>	<u>Special Sales Tax Police</u>	<u>Low/Moderate Income Housing</u>	<u>Mitigation Fees</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Perpetual Care						299,446	299,446
Long-Term Advances	1,879,890	386,812					2,266,702
<b>Restricted:</b>							
Debt Service	182,125						182,125
CDBG		3,553,605					3,553,605
Public Safety			329,476			159,889	489,365
Community Development					918,369		918,369
Public Housing				1,764,482			1,764,482
Transportation						367,730	367,730
Public Works						151,190	151,190
<b>Committed To:</b>							
Historic Preservation						6,079	6,079
In-Lieu Parking						10,439	10,439
<b>Assigned To:</b>							
Vehicle Abatement						11,246	11,246
Landscaping						137,580	137,580
RSTP						202,509	202,509
Other Purposes						122,908	122,908
<b>Unassigned:</b>	1,090,073					( 57,809)	1,032,264
<b>Total Fund Balances</b>	<u>3,152,088</u>	<u>3,940,417</u>	<u>329,476</u>	<u>1,764,482</u>	<u>918,369</u>	<u>1,411,207</u>	<u>11,516,039</u>

**8. 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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2014, expenditures exceeded appropriations in a few services as follows:

General Fund Services	
Legislative	9,627
Administrative	31,452
Opera Hall	40,638
Visitors Bureau	3,812
Public Works	13,615
Building And Planning	9,445
Low/Moderate Income Housing	26,130

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

**C. Deficit Fund Equity**

The Cops AB11 Fund has a deficit fund balance of \$1,315 as of June 30, 2014. Cops AB11 Fund will be reimbursed by future sales tax revenue. The Business Improvement Benefit Fund has a deficit fund balance of \$56,494 as of June 30, 2014. Future annual collections of Benefit Zone fees and lower allocations of personnel costs for sponsored events will reduce the deficit in the Business Improvement Benefit Fund.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	4,785,365
Restricted Cash	<u>862,040</u>
Total cash and investments	<u><u>5,647,405</u></u>
Investment in Local Agency Investment Fund (LAIF)	4,920,091
Deposits with financial institutions	727,189
Cash on hand	<u>125</u>
Total cash and investments	<u><u>5,647,405</u></u>

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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**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 7.73 months.

		<u>Maturity Date</u>
State investment pool	\$ <u>4,920,091</u>	7.73 months average maturity
Total	\$ <u>4,920,091</u>	

**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

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**A. Cash and Investments (continued)**

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, 2013 is \$862,040. This consists of the Cemetery Fund endowment \$149,014, the Reserve For Revenue Bond Debt Service \$182,125, the Special Sales Tax Police Fund of \$289,790, the Special Sales Tax Fire Fund of \$66,746 and the Special Sales Tax Public Works Fund of \$174,365.

**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%.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**B. Notes Receivable (continued)**

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, 2014 are \$1,953,972 (CDBG Fund) and \$999,786 (Low/Moderate Income Housing Fund).

However, the City has recorded an allowance for uncollectible accounts totaling \$114,769 and \$24,055 respectively, therefore reporting \$2,068,741 and \$1,023,841, respectively on the City's financial statements.

**C. Receivables**

Receivables at June 30, 2014 for the City's individual major funds and nonmajor 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	Special Sales & Use Tax	LMIH Fund	Mitigation Fees	Non-Major Govern- mental Funds	Total
Interest	0	499,798	0	284,929	0	0	784,727
Taxes	0	0	68,386	0	0	45,333	113,719
Grants	0	6,356	0	0	0	21,748	28,104
Accounts	229,427	0	0	1,690	835	411,360	643,312
Total	<u>229,427</u>	<u>506,154</u>	<u>68,386</u>	<u>286,619</u>	<u>835</u>	<u>478,441</u>	<u>1,569,862</u>

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

Receivable/payable balances at June 30, 2014 consist of the following:

- The former Redevelopment Agency borrowed \$1,124,934 from the CDBG Special Revenue Fund for four capital projects. The money was for the purchase of former PG&E property (fiscal year ended 6/30/98), 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 PG&E advance was repaid at 3% interest over a ten-year period.
  - The Rother's Corner and Opera Hall Expansion advances are being repaid at 5% interest over a ten-year period for each.\*\*
  - The Stewart Street advance will be paid back with principal-only payments over a ten-year period.\*\*

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**C. Receivables (continued)**

The individual amounts of outstanding balances as of June 30, 2014 are as follows:

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

\*\*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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	1,917,463	268,154	0	2,185,617
Construction in progress	569,594	405,343	0	974,937
Total capital assets not being	<u>2,487,057</u>	<u>673,497</u>	<u>0</u>	<u>3,160,554</u>
Capital assets being depreciated:				
Buildings and improvements	4,428,406	0	0	4,428,406
Equipment and vehicles	2,151,832	168,902	0	2,320,734
Infrastructure	6,089,984	0	0	6,089,984
Total capital assets being depreciated	12,670,222	168,902	0	12,839,124
Less accumulated depreciation for:				
Buildings and improvements	( 2,777,763)	( 168,612)	0	( 2,946,375)
Equipment and vehicles	( 1,672,362)	( 54,773)	0	( 1,727,135)
Infrastructure	( 1,172,701)	( 237,636)	0	( 1,410,337)
Total accumulated depreciation	<u>( 5,622,826)</u>	<u>( 461,021)</u>	<u>0</u>	<u>( 6,083,847)</u>
Net capital assets being depreciated	<u>7,047,396</u>	<u>( 292,119)</u>	<u>0</u>	<u>6,755,277</u>
Total net capital assets - governmental	<u>9,534,453</u>	<u>381,378</u>	<u>0</u>	<u>9,915,831</u>

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**D. Capital Assets (continued)**

Depreciation was charged to functions/programs of governmental activities for the year ended June 30, 2014 as follows:

General Government	154,896
Public Safety	105,811
Public Works	35,277
Community Development	19,980
Culture and Leisure	<u>145,057</u>
Total Depreciation Expense – Governmental	<u>461,021</u>

**E. Transfers**

Interfund transfers for the year ended June 30, 2014 consisted of the following amounts:

Fund	Transfer In	Transfer Out
General Fund	98,146	460,154
CDBG Fund	77,859	82,200
Special Sales Tax-Police	0	56,932
Mitigation Fees	0	58,399
Comm Revitalization Fund	1,640	0
Cops Hiring Program Fund	35,432	10,700
Gas Tax Fund	0	98,146
Cops AB 11 Fund	0	10,700
Business Improvement Benefit Fund	6,613	13,613
Economic Development	94,400	0
Special Sales Tax-Fire	0	10,700
Community Transformation Fund	51	
Special Sales Tax-Public Works	0	21,500
Fire Fighters Code 5 Fund	200	21,500
Self Insurance Fund	471,804	0
Mono Way Project	<u>58,399</u>	<u>0</u>
Totals	<u>844,544</u>	<u>844,544</u>



**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**F. Payables**

Payables at June 30, 2014 for the City's individual major funds and non-major funds in the aggregate are as follows:

	General	CDBG	Special Sales & Use Tax	LMIH Fund	Mitigation Fees	Non- major Govern- mental	Total
Governmental Activities:							
Vendors	111,124	17,959	28,700	1,743	353,650	367,284	880,460
Salaries and Benefits	34,193	0	0	0	0	0	34,193
Intergovernmental	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0
Other	276,332	0	0	1,000	225,426	0	502,758
Total	<u>421,649</u>	<u>17,959</u>	<u>28,700</u>	<u>2,743</u>	<u>579,076</u>	<u>367,284</u>	<u>1,417,411</u>

**G. Long-Term Debt**

Revenue bonds

1997 Lease Revenue Bonds –

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

Revenue bonds outstanding at June 30, 2014 were \$650,000. With the dissolution of the Redevelopment Agency, part of the revenue bond outstanding has been transferred to the Successor Agency. However, in this note, the City is reporting the entire revenue bond payable. The City's portion is 26.77% and the new Successor Agency's portion is 73.23%. Revenue bond debt service requirements to maturity are as follows:

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**G. Long-Term Debt (continued)**

Year Ending June 30	Principal	Interest
2015	150,000	29,000
2016	160,000	21,000
2017	165,000	12,875
2018	175,000	4,375
Total	<u>650,000</u>	<u>67,250</u>

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, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds					
City's Portion	212,821	0	( 38,817)	174,004	40,155
Successor RDA's Portion	<u>582,179</u>	<u>0</u>	<u>( 106,183)</u>	<u>475,996</u>	<u>109,845</u>
Total Bonds Payable	930,000	0	( 145,000)	650,000	150,000
Compensated Absences	<u>582,978</u>	<u>0</u>	<u>( 6,764)</u>	<u>576,214</u>	<u>126,767</u>
Long-Term Liabilities of Governmental Activities	<u>1,444,101</u>	<u>0</u>	<u>( 151,764)</u>	<u>1,292,337</u>	<u>276,767</u>

**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.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**H. Sunrise Hills Assessment District (continued)**

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 18, 2014, 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, 2013, are presented below:

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**A. Risk Management (continued)**

Total Assets	<u>82,190,005</u>
Total Liabilities	66,304,596
Total Net Assets	<u>15,885,409</u>
Total Liabilities & Retained Earnings	<u>82,190,005</u>
Total Revenues for Year	30,504,439
Total Expenses for Year	<u>26,902,049</u>
Net Income for Year	<u>3,602,390</u>

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

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

fiscal year ended June 30, 2014, the City contributed \$0 in Post-Retirement Benefits. The City will have their next actuarial valuation performed for the fiscal year ending June 30, 2016.

The plan's obligations and funded status for the City at June 30, 2014 are as follows:

<u>Annual Required Contributions</u>	
Fiscal Year	July 1, 2013 to June 30, 2014
Funding Method	Pay As You Go
Interest Rate	Level % of Pay Fresh Start
Number of Covered Employees	
Active (Participating)	5
Retirees	5
Total Participants	<u>10</u>
Actuarial Present Value of Projected Benefits (APVPB)	
Actives	255,721
Retirees	646,975
Total	<u>902,696</u>
Actuarial Accrued Liabilities (AAL)	
Actives	164,474
Retirees	586,135
Total	<u>750,609</u>
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liabilities (UAAL)	750,609
Normal Cost	15,524
Annual Required Contributions	
Normal Cost	15,524
Amortization of UAAL	27,734
Total ARC	<u>43,258</u>
ARC per Active Employee	8,998
ARC Adjustment	0
Interest on Unfunded ARC	1,730
Total OPED Cost	44,988
Expected Benefits Payments	
Actives (in retirement)	3,772
Current Retirees	88,911
Total	<u>92,683</u>

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

Schedule of Funding Progress	
Valuation date	July 1, 2012
Accrued liabilities	791,803
Actuarial value of assets	0
Unfunded liability (excess assets)	791,803
Funded status	0
Annual covered payroll	545,085
Unfunded liability (excess assets) as a percentage of covered payroll	145.00%

Schedule of Employer Contribution Without Advance Funding	
Fiscal Year Ending	June 30, 2014
Annual OPEB Cost	44,988
Actual Contribution (Excess from prior year)	52,227
Percentage Contributed	116%
Net OPEB Obligation	(7,239)

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, 2013, 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 June 30, 2014, 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 3 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

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

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, 2014, 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. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. CalPERS Headquarters Office, Lincoln Plaza North, 400 Q Street, Sacramento, California, 95811. Information about benefits and contributions expected to be paid in each of the next five fiscal years and the five years thereafter have not been provided by PERS.

Participants are required to contribute 8% (9% for fire, police safety employees) of their annual covered salary. 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. New participants are required to contribute 6.5% (11.5% for fire, police safety employees) of their annual covered salary.

The City is required to contribute at an actuarially determined rate; the current rate is 28.163% for non-safety employees, 44.233% for police safety employees, and 35.811% for fire safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

For June 30, 2014, the City's annual pension costs of \$798,234 for PERS were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by age, duration of service, and type of employment and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3.0%.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

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

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was two years for prior service unfunded, and 13 years for remaining unfunded.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	848,685	100	0
6/30/2013	905,168	100	0
6/30/2014	798,234	100	0

**F. Successor Agency Trust for Assets of Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Sonora that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 01-30-2012-B. Additionally, the City agreed to assume the housing function previously performed by the former redevelopment agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.



**F. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)**

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. Since the City assumed the housing function previously performed by the former redevelopment agency, the Successor Housing Fund (Low/Moderate Income Housing Fund) has been classified as special revenue in the City's financial statements.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

**CITY OF SONORA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**F. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)**

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - decrease to net assets of the Successor RDA Trust Fund	1,876,461
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor RDA Trust Fund	( 2,305,840)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor RDA Trust Fund	<u>681,039</u>
Net decrease to net assets of the Successor RDA Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government wide-financial statements of the City)	<u><u>251,660</u></u>

With the passing of AB1484 the State has developed a method whereby the City can receive a “Finding of Completion”. A “Finding of Completion” will allow the City to be reimbursed for its previous debts and expenditures on behalf of the former RDA and current Successor Agency. AB1484 also provides a method whereby assets slated for government use can be transferred to the City after receiving the “Finding of Completion” and having completed a long term asset plan. On September 10, 2014, the City received final approval for their Long Range Property Management Plan to retain the government use property.

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

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

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

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

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

#### Capital Projects

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

#### Internal Service

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

#### Permanent

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

**CITY OF SONORA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2013**

**Special Revenue**

	<b>Aban- doned Vehicle Funds</b>	<b>Gas Tax Funds</b>	<b>Cops AB11 Fund</b>	<b>Local Trans- portation Fund</b>	<b>Business Improve- ment Benefit Fund</b>	<b>Highway Users' Tax Fund</b>	<b>Historic Preser- vation Fund</b>	<b>Sunrise Hills Land- scaping Fund</b>	<b>Special Sales Tax Fire Fund</b>
<b>Assets</b>									
Cash And Investments	11,246	9,839	( 9,442)	56,363	( 55,480)	211,426	6,079	137,668	0
Accounts Receivable	0	0	8,127	29,844	0	6,617	0	76	28,275
Loans Receivable	0	0	0	0	0	0	0	0	0
Interest Receivable	0	0	0	0	0	0	0	0	0
Restricted Cash	0	0	0	0	0	0	0	0	66,746
Due From Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>11,246</u>	<u>9,839</u>	<u>( 1,315)</u>	<u>86,207</u>	<u>( 55,480)</u>	<u>218,043</u>	<u>6,079</u>	<u>137,744</u>	<u>95,021</u>
<b>Liabilities And Fund Balances</b>									
<b>Liabilities</b>									
Accounts Payable	0	0	0	0	1,014	0	0	164	643
Other Liabilities	0	0	0	0	0	0	0	0	0
Due To Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,014</u>	<u>0</u>	<u>0</u>	<u>164</u>	<u>643</u>
<b>Fund Balances</b>									
Nonspendable	0	0	0	0	0	0	0	0	0
Restricted	0	9,839	0	86,207	0	218,043	0	0	94,378
Committed	0	0	0	0	0	0	6,079	0	0
Assigned	11,246	0	0	0	0	0	0	137,580	0
Unassigned	<u>0</u>	<u>0</u>	<u>( 1,315)</u>	<u>0</u>	<u>( 56,494)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>11,246</u>	<u>9,839</u>	<u>( 1,315)</u>	<u>86,207</u>	<u>( 56,494)</u>	<u>218,043</u>	<u>6,079</u>	<u>137,580</u>	<u>94,378</u>
Total Liabilities And Fund Balances	<u>11,246</u>	<u>9,839</u>	<u>( 1,315)</u>	<u>86,207</u>	<u>( 55,480)</u>	<u>218,043</u>	<u>6,079</u>	<u>137,744</u>	<u>95,021</u>

**Special Revenue**

Special Sales Tax PW Fund	Fire- Fighters Code 5 Fund	RSTP Exchange Fund	In Lieu Parking Fund	Certified Access Specialist Program Fund	Comm. Revi- tilization Fund	BSCC Fund	Cops Hiring Program Fund	Comm. Trans- formation Fund	Economic Development Fund	Total
0 (	20,732)	202,398	10,439	359	0	31,080	10,370	0	94,400	696,013
17,058	35,450	111	0	0	0	0	21,748	0	0	147,306
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
174,365	0	0	0	0	0	0	0	0	0	241,111
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>191,423</u>	<u>14,718</u>	<u>202,509</u>	<u>10,439</u>	<u>359</u>	<u>0</u>	<u>31,080</u>	<u>32,118</u>	<u>0</u>	<u>94,400</u>	<u>1,084,430</u>
40,233	12,405	0	0 (	44)	0	0	0	0	0	54,415
0	0	0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>40,233</u>	<u>12,405</u>	<u>0</u>	<u>0</u> (	<u>44)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,415</u>
0	0	0	0	0	0	0	0	0	0	0
151,190	2,313	0	0	0	0	31,080	32,118	0	0	625,168
0	0	0	10,439	0	0	0	0	0	0	16,518
0	0	202,509	0	403	0	0	0	0	94,400	446,138
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u> (	<u>57,809)</u>
<u>151,190</u>	<u>2,313</u>	<u>202,509</u>	<u>10,439</u>	<u>403</u>	<u>0</u>	<u>31,080</u>	<u>32,118</u>	<u>0</u>	<u>94,400</u>	<u>1,030,015</u>
<u>191,423</u>	<u>14,718</u>	<u>202,509</u>	<u>10,439</u>	<u>359</u>	<u>0</u>	<u>31,080</u>	<u>32,118</u>	<u>0</u>	<u>94,400</u>	<u>1,084,430</u>

**CITY OF SONORA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2013**

	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>	
	<u>Mono Way Project Fund</u>	<u>Self Insurance Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>					
Cash And Investments	( 9,821)	73,477	150,256	909,925	2,000,819
Accounts Receivable	330,895	0	240	478,441	178,334
Loans Receivable	0	0	0	0	0
Interest Receivable	0	0	0	0	0
Restricted Cash	0	0	149,014	390,125	293,926
Due From Other Funds	0	0	0	0	0
Total Assets	<u>321,074</u>	<u>73,477</u>	<u>299,510</u>	<u>1,778,491</u>	<u>2,473,079</u>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	267,433	45,372	64	367,284	134,087
Other Liabilities	0	0	0	0	667,543
Due To Other Funds	0	0	0	0	0
Total Liabilities	<u>267,433</u>	<u>45,372</u>	<u>64</u>	<u>367,284</u>	<u>801,630</u>
<b>Fund Balances</b>					
Nonspendable	0	0	299,446	299,446	298,293
Restricted	53,641	0	0	678,809	875,920
Committed	0	0	0	16,518	16,456
Assigned	0	28,105	0	474,243	543,075
Unassigned	0	0	0	( 57,809)	( 62,295)
Total Fund Balances	<u>53,641</u>	<u>28,105</u>	<u>299,446</u>	<u>1,411,207</u>	<u>1,671,449</u>
Total Liabilities And Fund Balances	<u>321,074</u>	<u>73,477</u>	<u>299,510</u>	<u>1,778,491</u>	<u>2,473,079</u>

**CITY OF SONORA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	Special Revenue							
	Abandoned Vehicle Funds	Gas Tax Funds	Cops AB11 Fund	Local Trans- portation Fund	Business Improve- ment Benefit Fund	Highway Users' Tax Fund	Historic Preser- vation Fund	
<b>Revenues</b>								
Investment Earnings	0	91	0	108	0	433	0	336
Intergovernmental	3,217	100,331	91,490	42,871	0	67,828	0	0
Property Taxes	0	0	0	0	0	0	0	0
Sales Taxes	0	0	0	0	0	0	0	0
Impact Fees	0	0	0	0	0	0	0	0
Licenses And Permits	0	0	0	0	69,385	0	0	0
Miscellaneous	0	0	0	0	0	0	62	54
Total Revenues	<u>3,217</u>	<u>100,422</u>	<u>91,490</u>	<u>42,979</u>	<u>69,385</u>	<u>68,261</u>	<u>62</u>	<u>390</u>
<b>Expenditures</b>								
General Government	0	0	0	0	0	0	0	0
Public Safety	3,431	0	75,599	0	0	0	0	0
Public Works	0	0	0	0	0	0	0	0
Community Development	0	0	0	0	0	0	0	2,432
Culture And Leisure	0	0	0	0	58,353	0	0	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	<u>3,431</u>	<u>0</u>	<u>75,599</u>	<u>0</u>	<u>58,353</u>	<u>0</u>	<u>0</u>	<u>2,432</u>
Excess(Deficiency) Of Revenues Over Expenditures	( 214)	100,422	15,891	42,979	11,032	68,261	62	( 2,042)
<b>Other Financing Sources (Uses)</b>								
Operating Transfers In	0	0	0	0	6,613	0	0	0
Operating Transfers Out	0	( 98,146)	( 10,700)	0	( 13,613)	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>( 98,146)</u>	<u>( 10,700)</u>	<u>0</u>	<u>( 7,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Extraordinary Gain (Loss) - RDA	0	0	0	0	0	0	0	0
Net Change In Fund Balances	( 214)	2,276	5,191	42,979	4,032	68,261	62	( 2,042)
Fund Balance - Beginning	<u>11,460</u>	<u>7,563</u>	<u>( 6,506)</u>	<u>43,228</u>	<u>( 60,526)</u>	<u>149,782</u>	<u>6,017</u>	<u>139,622</u>
Fund Balance - Ending	<u>11,246</u>	<u>9,839</u>	<u>( 1,315)</u>	<u>86,207</u>	<u>( 56,494)</u>	<u>218,043</u>	<u>6,079</u>	<u>137,580</u>



**Special Revenue**

<b>Special Sales Tax Fire Fund</b>	<b>Special Sales Tax PW Fund</b>	<b>Fire- Fighters Fund</b>	<b>RSTP Exchange Fund</b>	<b>In Lieu Parking Fund</b>	<b>Certified Access Specialist Program Fund</b>	<b>Comm. Revi- tilization Fund</b>	<b>BSCC Fund</b>	<b>Cops Hiring Program Fund</b>	<b>Comm. Trans- formation Fund</b>	<b>Economic Development Fund</b>	<b>Total</b>
68	367	0	490	0	0	0	0	0	0	0	1,893
0	0	221,713	0	0	0	63,969	31,009	89,248	27,985	0	739,661
0	0	0	0	0	0	0	0	0	0	0	0
393,777	236,267	0	0	0	0	0	0	0	0	0	630,044
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	379	0	0	0	0	0	69,764
0	0	200	0	0	0	0	0	0	0	0	316
<u>393,845</u>	<u>236,634</u>	<u>221,913</u>	<u>490</u>	<u>0</u>	<u>379</u>	<u>63,969</u>	<u>31,009</u>	<u>89,248</u>	<u>27,985</u>	<u>0</u>	<u>1,441,678</u>
0	0	0	0	0	0	0	0	0	0	0	0
317,078	0	202,830	0	0	0	0	23,440	81,862	0	0	704,240
0	181,641	0	0	0	0	0	0	0	3,124	0	184,765
0	0	0	0	0	0	65,609	0	0	0	0	68,041
0	0	0	0	0	0	0	0	0	0	0	58,353
0	37,529	0	0	0	0	0	0	0	24,912	0	62,441
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
<u>317,078</u>	<u>219,170</u>	<u>202,830</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>65,609</u>	<u>23,440</u>	<u>81,862</u>	<u>28,036</u>	<u>0</u>	<u>1,077,840</u>
<u>76,767</u>	<u>17,464</u>	<u>19,083</u>	<u>490</u>	<u>0</u>	<u>379</u>	<u>( 1,640)</u>	<u>7,569</u>	<u>7,386</u>	<u>( 51)</u>	<u>0</u>	<u>363,838</u>
0	0	200	0	0	0	1,640	0	35,432	51	94,400	138,336
( 10,700)	( 21,500)	( 21,500)	0	0	0	0	0	( 10,700)	0	0	( 186,859)
( 10,700)	( 21,500)	( 21,300)	0	0	0	1,640	0	24,732	51	94,400	( 48,523)
0	0	0	0	0	0	0	0	0	0	0	0
66,067	( 4,036)	( 2,217)	490	0	379	0	7,569	32,118	0	94,400	315,315
<u>28,311</u>	<u>155,226</u>	<u>4,530</u>	<u>202,019</u>	<u>10,439</u>	<u>24</u>	<u>0</u>	<u>23,511</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>714,700</u>
<u>94,378</u>	<u>151,190</u>	<u>2,313</u>	<u>202,509</u>	<u>10,439</u>	<u>403</u>	<u>0</u>	<u>31,080</u>	<u>32,118</u>	<u>0</u>	<u>94,400</u>	<u>1,030,015</u>

**CITY OF SONORA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013**

	Capital Projects	Internal Service	Permanent Fund	Total Non-Major Governmental Funds	
	Mono Way Project Fund	Self Insurance Fund	Cemetery Perpetual Care Fund	2014	2013
<b>Revenues</b>					
Investment Earnings	0	0	726	2,619	6,155
Intergovernmental	635,558	0	0	1,375,219	580,832
Property Taxes	0	0	0	0	0
Sales Taxes	0	0	0	630,044	589,005
Impact Fees	0	0	0	0	7,916
Licenses And Permits	0	0	0	69,764	68,001
Miscellaneous	0	0	1,950	2,266	178,397
Total Revenues	<u>635,558</u>	<u>0</u>	<u>2,676</u>	<u>2,079,912</u>	<u>1,430,306</u>
<b>Expenditures</b>					
General Government	0	260,761	0	260,761	122,262
Public Safety	0	90,607	0	794,847	688,269
Public Works	825	43,416	1,523	230,529	336,043
Community Development	0	20,811	0	88,852	31,455
Culture And Leisure	0	0	0	58,353	55,818
Capital Outlay	648,585	0	0	711,026	428,375
Debt Service				0	
Principal	0	0	0	0	0
Interest And Other Charges	0	0	0	0	0
Total Expenditures	<u>649,410</u>	<u>415,595</u>	<u>1,523</u>	<u>2,144,368</u>	<u>1,662,222</u>
Excess(Deficiency) Of Revenues Over Expenditures	( 13,852)	( 415,595)	1,153	( 64,456)	( 231,916)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	58,399	471,804	0	668,539	664,765
Operating Transfers Out	0	0	0	( 186,859)	( 289,577)
Total Other Financing Sources (Uses)	<u>58,399</u>	<u>471,804</u>	<u>0</u>	<u>481,680</u>	<u>375,188</u>
Extraordinary Gain (Loss) - RDA	0	0	0	0	0
Net Change In Fund Balances	44,547	56,209	1,153	417,224	143,272
Fund Balance - Beginning	9,094	( 28,104)	298,293	993,983	1,528,177
Fund Balance - Ending	<u>53,641</u>	<u>28,105</u>	<u>299,446</u>	<u>1,411,207</u>	<u>1,671,449</u>

**CITY OF SONORA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Loan Amount	Loan Balance Outstanding At Year End
United States Department of Agriculture Rural Development Loan	10.776	N/A	<u>2,276,500</u>	<u>650,000</u>
Total Federal Awards			<u><u>2,276,500</u></u>	<u><u>650,000</u></u>

**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**

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 units, 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, 2014, and the related notes to the financial statements, which collectively comprise City of Sonora, State of California's basic financial statements, and have issued our report thereon dated December 18, 2014 .

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Sonora, State of California's internal control over financial reporting 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. 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 18, 2014