

Finance Department

The City of Sonora's 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, and franchise fees finance these activities. Financial highlights for the fiscal year ended June 30, 2010 are outlined below and shown in more detail in the accompanying tables.

FINANCIAL HIGHLIGHTS

The City's governmental activities total assets exceeded liabilities (net assets) at the close of the fiscal year by \$15,932,323 a decrease of \$1,025,372 from fiscal year 2009. Of this amount, \$1,796,991 is in unrestricted net assets, which is available to meet the City's ongoing financial obligations.

CITY OF SONORA NET ASSET JUNE 30, 2010 AND 2009		
	Government Activities	
	2010	2009
Current and Other Assets	\$ 8,186,190	\$ 9,336,626
Capital Assets	10,085,552	10,483,688
Total Assets	18,271,742	19,820,314
Long-term Liabilities Outstanding	\$1,185,000	\$1,326,129
Other Liabilities	1,154,419	1,536,490
Total Liabilities	2,339,419	2,862,619
Net Assets:		
Invested in Capital Assets (net of related debt)	8,900,552	9,157,559
Restricted	5,234,780	5,259,212
Unrestricted	1,796,991	2,540,924
Total Net Assets	\$15,932,323	\$16,957,695

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

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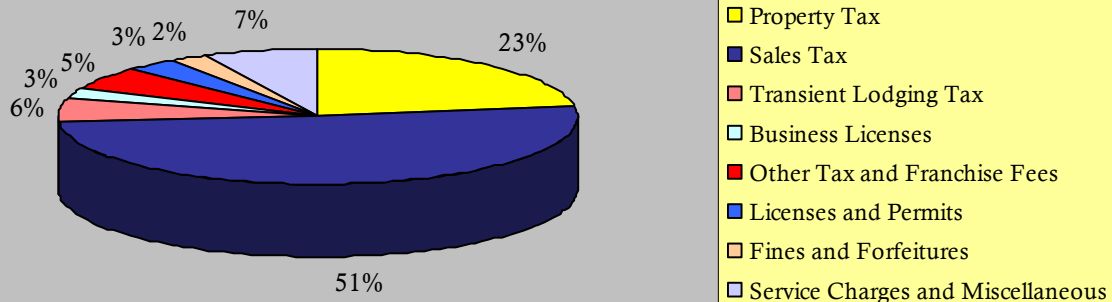
Total governmental expenses for the year exceeded revenues by \$1,025,372. Below is a table showing the governmental activities of the City for the years ended June 30, 2010 and 2009.

CITY OF SONORA STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2010 AND 2009		
	Government Activities	
	2010	2009
Revenues:		
Program Revenues:		
Charges for Services	\$ 613,798	\$ 502,495
Operating Grants & Contributions	764,319	656,588
Capital Grants & Contributions	289,680	381,446
General Revenues:		
Property Tax	2,317,421	2,293,769
Sales Tax	3,374,883	3,896,228
Motor vehicle Tax	14,177	17,466
Transient Lodging Tax	230,277	193,131
Motor Fuel Tax	94,972	92,969
Other Taxes	212,191	223,056
Investment Earnings	174,835	281,473
Gain (loss) on Sale of Assets		500
	(3,666)	
Total Revenues	\$ 8,082,887	\$ 8,539,121
Expenses:		
General Government	\$ 962,509	\$ 1,030,957
Public Safety	4,167,831	4,314,260
Public Works	1,587,407	1,787,329
Community Development (Building & Planning)	2,076,086	1,447,214
Culture & Leisure	235,793	163,240
Interest on Long-term Debt	78,633	91,377
Total Expenses	\$ 9,108,259	\$ 8,834,377
Increase in Net Assets	\$(1,025,372)	\$ (295,256)

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

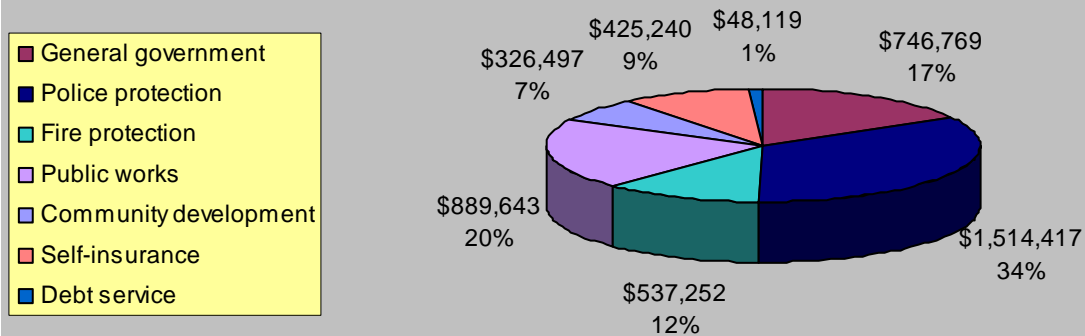
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CITY OF SONORA
GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2010



The City's General Fund ended the year with a fund balance of \$2,142,199, a decrease of \$434,724 from the previous year. General Fund expenditures exceeded revenues by \$434,724 largely as a result of decreases in sales tax revenue and investment earnings. General Fund expenditures totaled \$4,062,697. Police and fire protection costs were \$1,514,417 or 37% and \$537,252 or 13%, respectively, of total General Fund expenditures.

CITY OF SONORA
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010



The formation of a Special Sales and Use Tax District (Measure I) provided sales tax revenue of \$1,311,418 in fiscal year 2010. This revenue was used for personnel, wage and benefit costs and equipment purchases in the Police, Fire and Public Works Departments.

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NEXT YEAR'S BUDGET – FISCAL YEAR 2011 ECONOMIC FACTORS

In preparing the budget for fiscal year 2011, City Management has taken into consideration the following economic factors:

- * The State of California's adopted budget for fiscal year 2011 has a negative impact on the City and Redevelopment Agency in terms of State mandated revenue losses and/or deferrals.
- * Sales tax revenue is projected to increase by 1% during fiscal year 2011. The economy remains sluggish but there are signs of improvement locally. The Lowe's Home Improvement Store has opened and should be providing additional sales tax revenue in the latter part of the fiscal year.
- * Property tax revenue is projected to decrease by 3.5% as foreclosures and short-sales continue to impact our local housing market. Reductions in the assessed value of commercial properties due to retail space vacancies will also impact property tax revenue in fiscal year 2011.
- * The City continues to freeze positions as they become vacant. In some cases, retirees have been hired on a part-time basis to help support the loss of full-time staff. Previously negotiated cost of living salary increases to existing employees were deferred for a second year in an effort to offset declines in revenue resulting from the on-going recession.
- * 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 \$1,362,400 in revenue in fiscal year 2011.

For fiscal year 2011, the City's General Fund recurring revenues are projected to increase by \$36,900 or 1%. General Fund expenditures are budgeted to decrease by \$135,800 or 3%. A balanced General Fund budget was adopted for fiscal year 2011, with projected revenues and expenses of \$4,113,700.

City management continues to take a position of conservative revenue projection and decreases to General Fund department expenditures through staffing reductions and deferrals of cost of living increases to salaries. There were no positions added to the General Fund and no major capital expenditures budgeted.

DEPARTMENT STAFFING AND GOALS FOR 2011

The Finance Department is staffed with a full-time Finance Director, a full-time Administrative Assistant and a part-time (.75 FTE) Office Assistant/Accounting Technician. The Finance Department is responsible for the City's accounting functions, financial reporting and treasury operations.

Addressing the financial challenges resulting from the ongoing recession will continue to be the focus of the Finance Department in calendar year 2011. During the preparation of the fiscal year 2012 budget, Finance Department staff will be working closely with the City Administrator and the City Council's Finance Committee to reduce the cost of employer-paid pension and health benefit programs. The General Fund reserve balance will be closely monitored and a policy developed and adopted to identify the desired General Fund reserve balance and additional cost-saving measures that will result in the actual reserve balance reaching the established policy level.

Karen Stark
Finance Director