




COUNCIL AGENDA REPORT

DATE: FEBRUARY 4, 2019
TO: CITY COUNCIL
FROM: CHRIS GORSKY, ADMINISTRATIVE SERVICES DIRECTOR 
SUBJECT: FISCAL YEAR 2018 AUDITED ANNUAL FINANCIAL REPORT

RECOMMENDATION:

City staff recommends that the City Council approve the City of Sonora's Fiscal Year 2018 Audited Financial Report for the year ended June 30, 2018.

BACKGROUND:

Each year the City is required to have an audit of its financial records by an outside audit firm. The firm of Clendenin Bird & Company has completed the attached fiscal year 2018 Annual Financial Report.

DISCUSSION:

The City's Annual Financial Report for fiscal year 2018 complies with the requirements set forth in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB No. 54 established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unreserved to five new classifications which are Non-spendable, Restricted, Committed, Assigned and Unassigned. Please refer to Note I.D.8 of the City's Annual Financial Report for more information regarding the additional classifications, definitions and disclosures.

In accordance with GASB No. 34, the City's Annual Financial Report contains Management's Discussion and Analysis (MD&A). The format and content of the MD&A are established by GASB No. 34. This section is designed to provide an overview of the City's financial activities for the fiscal year.

In addition to the information provided in the MD&A, comments by fund are noted below:

General Fund (Page 21) - The City experienced a very small increase in General Fund revenues in fiscal year 2018. Revenues were \$5,010,304, \$5,495 more than the prior year amount of \$5,004,809. General Fund expenditures were \$4,702,590, \$84,935 or 2% less than the prior year amount of \$4,787,525. Revenues exceeded total expenditures and operating transfers for the year by \$357,613.

Revenues and expenditures of Major Funds are shown on **Pages 24 through 27**. In addition to the General Fund, CDBG Funds, the Police Department Special Sales & Use Tax Fund, the Traffic Impact Mitigation Fund, and the Low/Moderate Income Housing Fund (successor RDA Housing Fund) are classified as Major Funds. The Low/Moderate Income Housing Fund was created on February 1, 2012 as a result of the City Council election to assume the housing function previously performed by the dissolved Sonora Redevelopment Agency.

Special Sales and Use Tax – The passing of Measure “I” in August, 2004 increased the sales tax rate within the City limits by ½%, effective January 1, 2005. The increase generated \$1,820,774 in fiscal year 2018, affording the City the ability to continue to provide full police, fire and public works services.

As part of obtaining reasonable assurance about whether the City of Sonora, State of California’s financial statements are free of material misstatements, the auditors performed tests for compliance with certain provisions of laws, regulations, contracts and grant agreements. The results of the tests did not identify any deficiencies in internal controls that would be considered to be material weaknesses and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Please refer to the MDA for additional information relating to capital assets, long-term debt and economic factors affecting City revenues.

Conclusion

It is staff’s recommendation that the City Council approve the City of Sonora’s Fiscal Year 2018 Audited Financial Report for the year ended June 30, 2018.

Attachments:

1. City of Sonora, California Annual Financial Report, Year Ended June 30, 2018.