

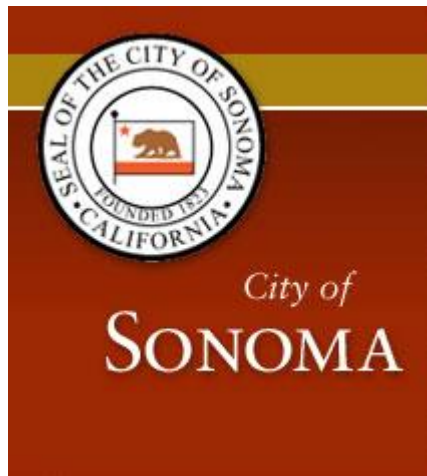
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2015

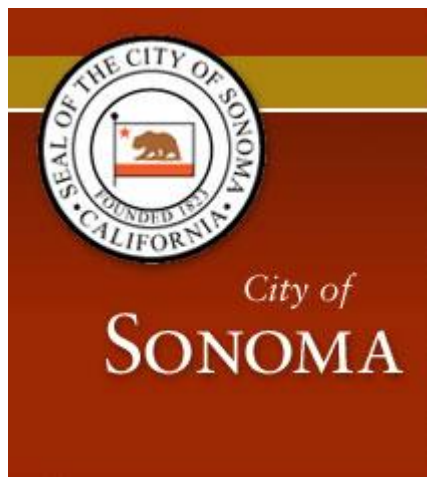


City of Sonoma, California

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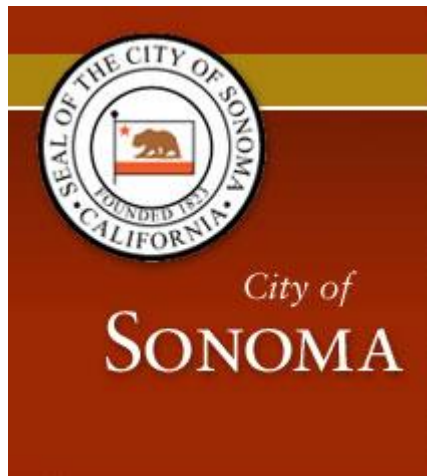
CITY OF SONOMA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



Prepared by:

DeAnna Hilbrants
Finance Director

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City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

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City of Sonoma

No. 1 The Plaza
Sonoma California 95476-6690
Phone (707) 938-3681 Fax (707) 938-8775
E-Mail: cityhall@sonomacity.org



June 28, 2016

To the Honorable Mayor and Members of the City Council and Citizens of the City of Sonoma:

We are pleased to submit the City of Sonoma's Annual Financial Report for the fiscal year ended June 30, 2015. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Sonoma, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Sonoma

The City of Sonoma is located in southeastern Sonoma County in the San Francisco Bay area on State Highway 12. The City is about 50 miles northeast of San Francisco and 20 miles southeast of the City of Santa Rosa. Approximately 2.2 square miles in size, the City of Sonoma is a small, historic community of some 10,933 residents. Located in the heart of the Wine Country and surrounded by world-class wineries and scenic vineyards, the mainstays of the local economy are agriculture, tourism, and public services. The City serves as the economic hub of Sonoma Valley.

Originally founded in 1823, the City was incorporated on September 3, 1883 under the general laws of the State of California. The City is a municipal corporation operating as a general law city. The Sonoma City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Mayor Pro Tem are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees.

The City of Sonoma operates under a Council-Manager form of government and provides municipal services that include public safety, public works and parks, community development and community activities. In addition, the City operates a water system and three cemeteries in the form of enterprise activities. This report includes all funds of the City of Sonoma and its blended component unit, the Successor Agency of the Sonoma Community Development Agency, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

In Sonoma, the total labor force is approximately 8,200. Unemployment in Sonoma is approximately 4.0 %.

The City of Sonoma is committed to providing high quality services in an economical manner. For fiscal year 2014/15, the City's efforts were focused in the following areas.

Balancing City Character: To promote effective communication between City Council, residents, and businesses so that decisions reflect the community's desires and expectations; provide open dialog which is responsive to residents, and is characterized by ethical behavior, stability, public trust, transparency, confidence in the future, and cooperative interaction among civic leaders, residents, business representatives, and staff, while recognizing and respecting legitimate differences of opinion on critical issues facing the City; recognize the City's economic attributes and build a cohesive relationship which allows the City to continue to thrive.

Economic Development – Explore Economic Development Drivers to ensure preservation and long term viability of Community Assets.

Fiscal Management: Maintain fiscal responsibility that ensures short and long-term prosperity through effective fiscal planning and efficient management of the taxpayers' assets; apply sound budget strategy to assure financial sustainability in the General and Enterprise Funds through the continued application of sound financial policies; maintain stable reserve levels.

Infrastructure: To provide reliable, safe and effective infrastructure (streets & roads, sidewalks, transportation, parking and pedestrian safety) throughout the City; work with Sonoma County and Caltrans to increase maintenance on connector streets and/or State Hwy 12 through downtown Sonoma.

Policy & Leadership: Provide continuing leadership as elected officials and residents of the community; review Mission and Vision Statement to assure that it reflects the current economic, environmental and social climate and creates a visual image for the community; take steps to assure a safe and vibrant community; respond to County, State and Federal legislative issues with a focus on retaining local control.

Public Service: Expand efficiencies with a focus on providing excellent customer service; openly share information about City actions, events and decisions; increase the awareness of City programs and promote community participation; improve public access to City information.

Recreation and Community Resources: Promote coordination of efforts of local and regional non-profits, community youth groups, School District and Sonoma Valley organizations; work with County to address lack of County resources available and potential long-range opportunities to share resources with the City

Water: Develop long-term strategies to address current and future infrastructure needs, promote water conservation while maintaining a stabilized rate structure; strengthen Capital infrastructure needs with a focus on enhancing the City's local water supply; promote and support the value of water conservation to protect local resources.

Current Economic Conditions and Outlook

The City's economic development efforts and implementation of the City's financial policies help to promote Sonoma's long-term fiscal stability.

The City's principle general fund revenue sources are transient occupancy tax (TOT), property tax, sales tax, and Measure J transactions and use tax. Each of these sources experienced growth during 2014 / 2015. In 2012, voters approved Measure J; a ½ cent transactions and use tax. Collections exceeded estimates and those funds were primarily used for streets and other capital projects. Due to the robust economy primarily driven by tourism, sales tax is projected to increase for FY 2015-16.

While the City has experienced growth in key revenue drives, the City of Sonoma anticipates minimal ongoing revenue growth for the next ten years.

The City has a reserve policy which includes 17% of General Fund Revenue set aside for emergency reserve and \$1.5 Million as operating reserve.

Financial Information

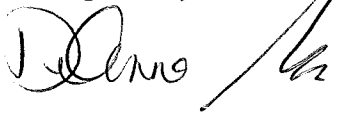
During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department including: Barbara Cates, Rebecca Stewart, Leticia Carranza with the support of the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, Tika Koshiyama-Diaz, and Brett Jones of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation. In addition, the Finance Team was supported by Anjanette Scott who, as a volunteer, contributed to development of components of the City of Sonoma's first Consolidated Annual Financial Report (CAFR).

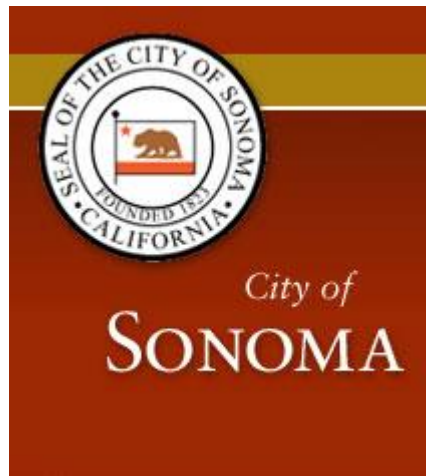
I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



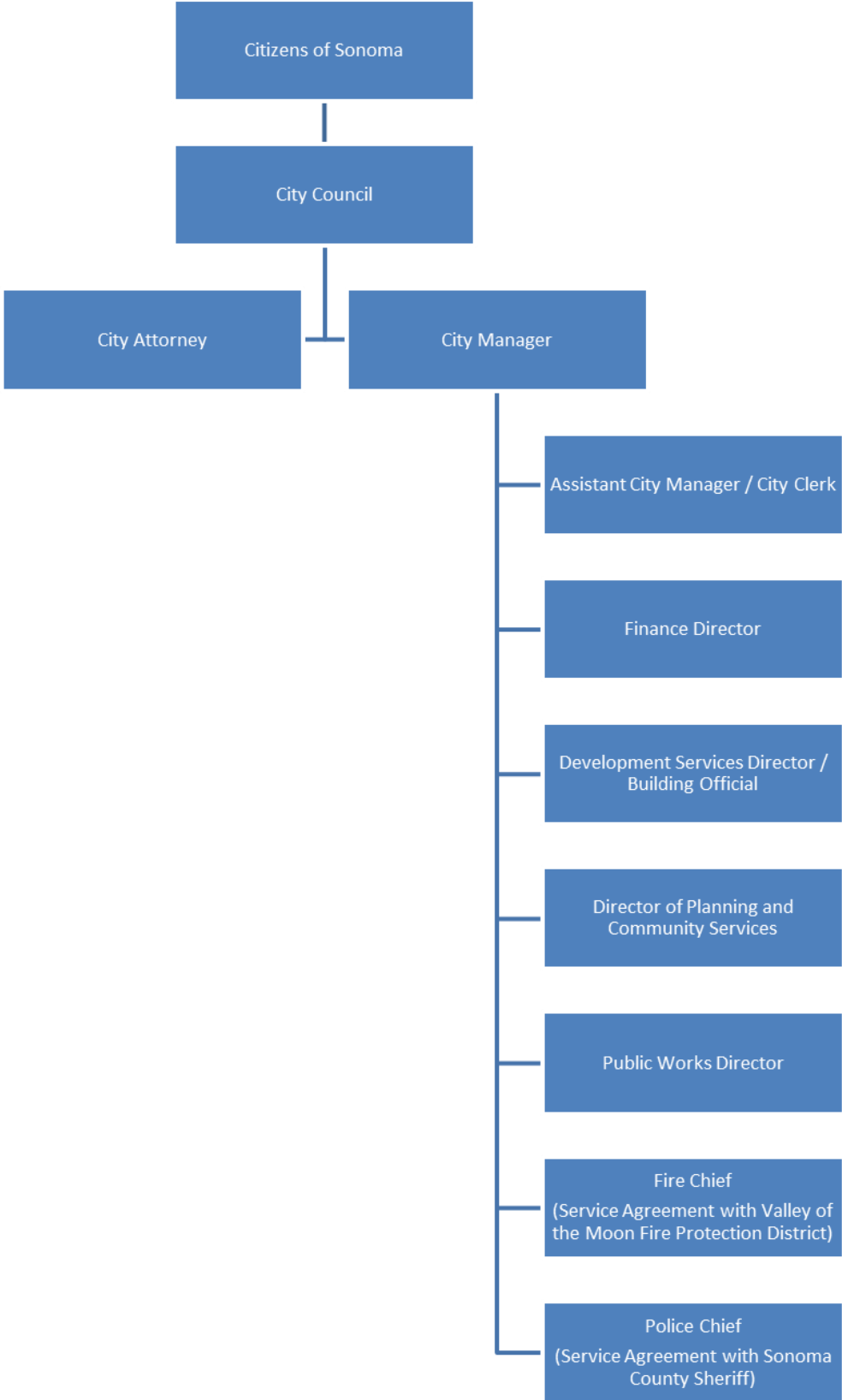
DeAnna Hilbrants
Finance Director

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City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Organization Chart



City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

List of Officials

CITY COUNCIL

- Laurie Gallian, Mayor
- Madolyn Agrimonti, Mayor Pro Tem
- David Cook, Council Member
- Gary Edwards, Council Member
- Rachel Hundley, Council Member

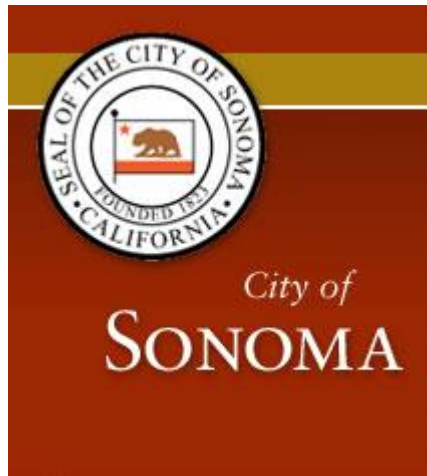
CITY OFFICIALS

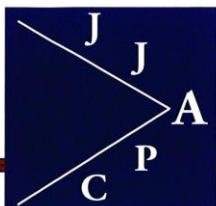
- Carol Giovanatto, City Manager
- Gay Johann, Assistant City Manager/City Clerk
- DeAnna Hilbrants, Finance Director
- Mark Freeman, Fire Chief
- David Goodison, Planning Director
- Bret Sackett, Chief of Police
- Dan Takasugi, Public Works Director / City Engineer
- Jeffrey Walter (Walter & Pistole), City Attorney
- Wayne Wirick, Development Services Director / Building Official

FINANCE DEPARTMENT

- Barbara Cates, Accounting Technician
- Rebecca Stewart, Accounting Technician
- Leticia Carranza, Administrative Clerk
- Anjanette Scott, Volunteer (Analyst)

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Sonoma
Sonoma, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Sonoma, California (City), as of and for the year ended June 30, 2015, 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 business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–15, the City's Schedules of Contributions on pages 90-93, and the Schedules of the City's proportionate Share of the Net Pension Liability on pages 94-97, 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.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have 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

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

June 28, 2016

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

This section provides a narrative overview and analysis of the financial activities of the City of Sonoma (City) for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position was \$57.1 million, an increase of about \$3.8 million over the course of this year's operations after conducting all City operations and programs. This increase is primarily related to an accounting change relating to tracking of capital assets especially for internal service funds and enterprise funds. This increase was offset by a decrease related to entry of long term pension liabilities as required under GASB 68.
- The assets of the City exceeded its liabilities by about \$58.8 million at the end of the 2015 fiscal year. Of that amount, \$3.6 million (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year. This unrestricted net position has declined as a result of the entry of long term pension liabilities as required under GASB 68.
- Overall City-wide revenues from all governmental and business-type activities increased by \$1,439,507 compared to the 2014 fiscal year. The City's total expense of all programs in fiscal 2015 decreased by \$201,640 compared to the 2014 fiscal year.
- The general fund reported a fund balance of \$6.9 million at the end of the 2015 fiscal year, an increase of \$46,829.
- The City also ended the fiscal year with \$4.2 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt).

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.
- 3) **Statistical section**, which includes detailed information as a context for understanding what the information in the financial statements, and footnotes says about the City's overall financial health.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, community activities, public safety, engineering, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ***Business-type activities*** – All the City's enterprise activities are reported here, including Water, and Cemetery. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2015, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- General Fund
- Gas Tax Fund

PROPRIETARY FUNDS:

- Water Enterprise Fund
- Cemetery Enterprise Fund

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2015, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Cemetery activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for benefits, information technology assets, long term building maintenance, and vehicle replacement. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 46–88 of this report. Required Supplementary Information follows the notes on pages 90-97.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 102–138 of this report.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$58,808,612 as of June 30, 2015. The Summary of Net Position as of June 30, 2015, and 2014, follows:

	Summary of Net Position					
	2015			2014		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 10,997,871	\$ 4,849,229	\$ 15,847,100	\$ 10,355,031	\$ 4,853,097	\$ 15,208,128
Noncurrent assets	41,839,310	15,556,450	57,395,760	33,531,039	12,464,875	45,995,914
Deferred outflows or resources	884,422	-	884,422			
Total assets and deferred outflows	53,721,603	20,405,679	73,242,860	43,886,070	17,317,972	61,204,042
Current and other liabilities	1,918,087	541,926	2,460,013	3,035,780	528,076	3,563,856
Long-term liabilities	10,467,647	1,506,588	11,974,235	2,682,926	1,625,400	4,308,326
Deferred inflows of resources	2,602,564	-	2,602,564			
Total liabilities and deferred inflows	14,988,298	2,048,514	14,434,248	5,718,706	2,153,476	7,872,182
Net position:						
Net investment in capital assets	39,303,569	14,136,450	53,440,019	30,633,549	10,979,875	41,613,424
Restricted	-	-	-	10,965	-	10,965
Unrestricted	(570,264)	4,220,715	3,650,451	7,522,850	4,184,621	11,707,471
Total net position	\$ 38,733,305	\$ 18,357,165	\$ 57,090,470	\$ 38,167,364	\$ 15,164,496	\$ 53,331,860

Overall, total net position increased by approximately \$3.7 million. Of this amount, net position for governmental activities increased by approximately \$600,000 primarily the result of accounting changes related to capital assets which was offset by entry of pension liabilities as required by GASB 68. Net position for business-type activities increased by approximately \$3.2 million. Approximately 94 percent of the net position of the City is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. Working capital of \$9,079,784, which consists of current and other assets less current and other liabilities, essentially represents the other 22 percent. Approximately 83 percent of the City's total liabilities are represented by long-term obligations including revenue bonds, capital lease obligations, certificates of participation, and pension obligations.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$21,200,123 for the fiscal year ended June 30, 2015.

Significant revenues for the City General Fund for fiscal year 2014-15 were derived from Transient Occupancy Tax / TOT (22%), Sales Tax (17%), Property Tax (17%), and Measure J / Transactions and Use Tax (14%).

In general, the City saw increases in most revenue sources but the growth in those revenue sources declined from the prior year. The following discusses variances in key revenues from the prior fiscal year:

1. **Property Taxes.** Property taxes increased by \$102,515 (4.8%).
2. **Sales Taxes.** Sales taxes increased by \$109,857 (4.0%).
3. **Measure J.** Measure J Transactions and Use Tax increased by \$26,484 (1.2%).
4. **Transient Occupancy Taxes.** Annual revenue increased by \$313,819 (9.6%) resulting both from ongoing increases in tourism and the ongoing activity of the Tourism Improvement District focused on marketing tourism in Sonoma.
5. **Grants and Contributions – Governmental Activities Operating.** Annual receipts decreased after completion of the Depot Park project in 2014. This project was partially paid from Community Development Block Grant Funds.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2015, and 2014, follows:

	Changes in Net Position					
	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,121,986	\$ 4,460,537	\$ 6,582,523	\$ 1,983,165	\$ 4,319,431	\$ 6,302,596
Grants and contributions:						
Operating	987,302	-	987,302	1,108,168	-	1,108,168
Capital	-	-	-	-	-	-
General revenues:						
Property taxes, levied for general purposes	2,714,782	-	2,714,782	2,112,267	-	2,112,267
Transient occupancy taxes	3,568,737	-	3,568,737	3,254,918	-	3,254,918
Sales taxes	2,827,073	-	2,827,073	2,717,216	-	2,717,216
Measure J	2,252,141	-	2,252,141	2,225,657	-	2,225,657
Franchise taxes	525,257	-	525,257	406,409	-	406,409
Other taxes	472,038	-	472,038	389,540	-	389,540
State motor vehicle in-lieu	849,291	-	849,291	794,157	-	794,157
Use of money and property	18,310	305,634	323,944	43,665	202,402	246,067
Other general revenues	97,035	-	97,035	203,621	-	203,621
Total revenues	16,433,952	4,766,171	21,200,123	15,238,783	4,521,833	19,760,616
Expenses:						
Governmental activities:						
General government	3,193,624	-	3,193,624	4,049,913	-	4,049,913
Public safety	9,738,047	-	9,738,047	9,499,274	-	9,499,274
Public works	2,103,359	-	2,103,359	2,580,984	-	2,580,984
Community development	1,149,960	-	1,149,960	16,609	-	16,609
Culture and leisure	231,941	-	231,941	309,418	-	309,418
Interest and fiscal charges	232,972	-	232,972	(2,427)	-	(2,427)
Business-type activities:						
Water	-	3,575,634	3,575,634	-	3,990,174	3,990,174
Cemetery	-	270,439	270,439	-	275,891	275,891
Total expenses	16,649,903	3,846,073	20,495,976	16,453,771	4,266,065	20,719,836
Excess (Deficiency) of revenues over expenditures before transfers	(215,951)	920,098	704,147	(1,214,988)	255,768	(959,220)
Transfers	763,738	(763,738)	-	1,432,083	(1,432,083)	-
Transfers to fiduciary activities	(238,823)	-	(238,823)	-	-	-
Special Item	10,196,008	3,036,309	13,232,317	20,682,556	-	20,682,556
Change in net position	10,504,972	3,192,669	13,697,641	20,899,651	(1,176,315)	19,723,336
Net position:						
Beginning of year	38,167,364	15,164,496	53,331,860	17,267,713	16,340,811	33,608,524
Adjustments	(9,939,031)	-	(9,939,031)	-	-	-
Beginning, as adjusted	28,228,333	-	43,392,829	-	-	-
End of year	\$ 38,733,305	\$ 18,357,165	\$ 57,090,470	\$ 38,167,364	\$ 15,164,496	\$ 53,331,860

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$20,518,916. Governmental activity expenses totaled \$16,672,123 or 81% of total expenses. Business-type activities incurred \$3,846,073 of expenses during the fiscal year. Public safety costs represented 58% of total governmental activities expenses.

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2015, and 2014, are as follows:

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 3,193,624	\$ (2,989,602)	\$ 4,049,913	\$ (3,855,295)
Public safety	9,738,047	(7,823,116)	9,499,274	(7,840,529)
Public works	2,103,359	(1,639,107)	2,580,984	(1,471,925)
Community development	1,149,960	(672,343)	16,609	(16,609)
Culture and leisure	231,941	(183,475)	309,418	(180,507)
Interest and fiscal charges	232,972	(232,975)	(2,427)	2,427
Total	<u>\$ 16,649,903</u>	<u>\$ (13,540,618)</u>	<u>\$ 16,453,771</u>	<u>\$ (13,362,438)</u>

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

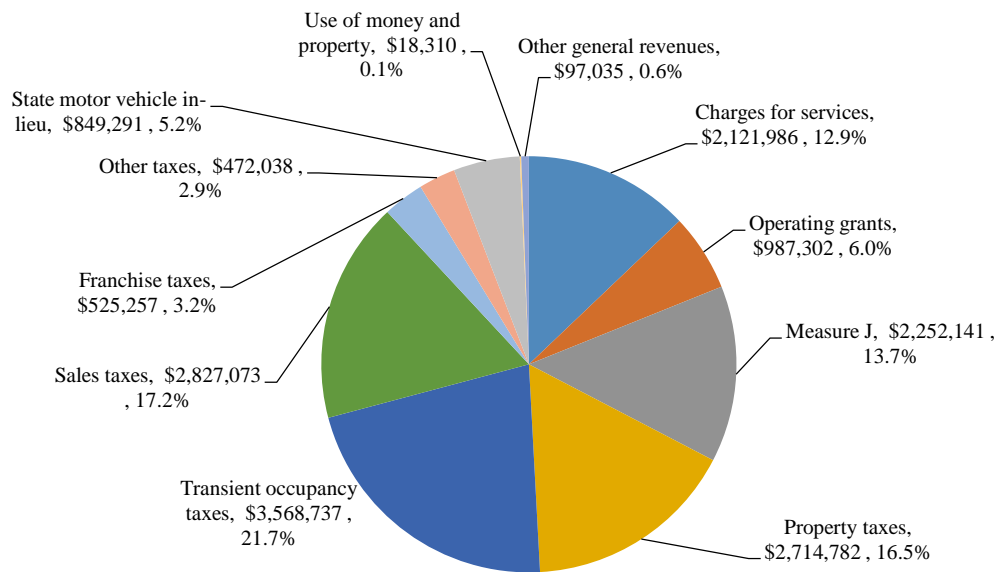
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

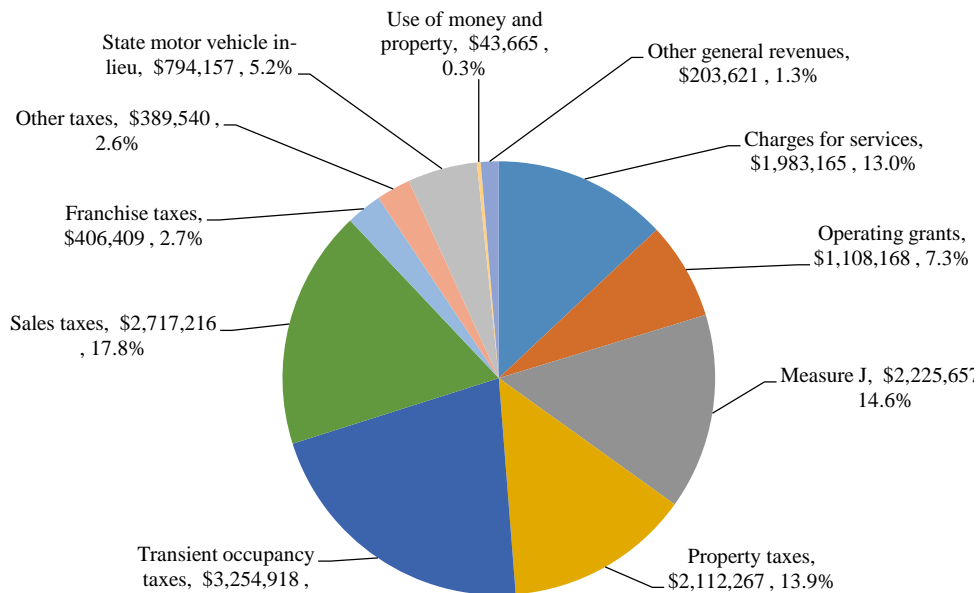
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2015, and 2014, are as follows:

**Revenues by Source - Governmental Activities
2015**



**Revenues by Source - Governmental Activities
2014**



City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

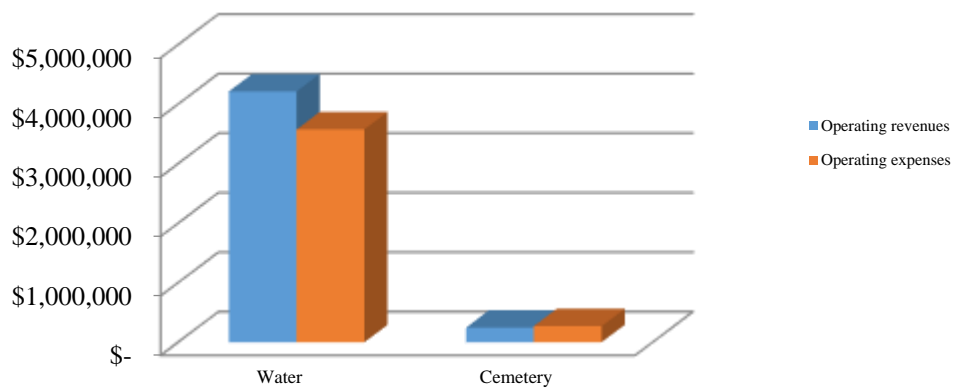
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

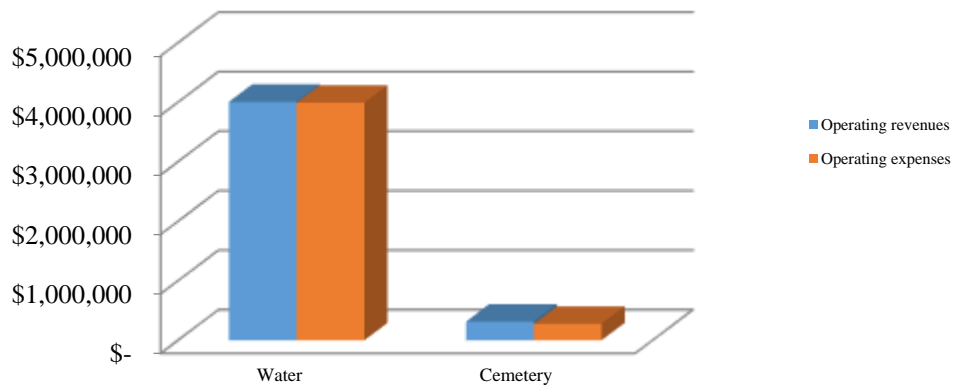
Business-type Activities

Business-type activities increased the City’s net position by \$3,192,669. The City has two business-type activities: Water and Cemetery operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2015, and 2014, are as follows:

**Operating Revenues and Expenses
 Business-type Activities
 2015**



**Operating Revenues and Expenses
 Business-type Activities
 2014**



City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

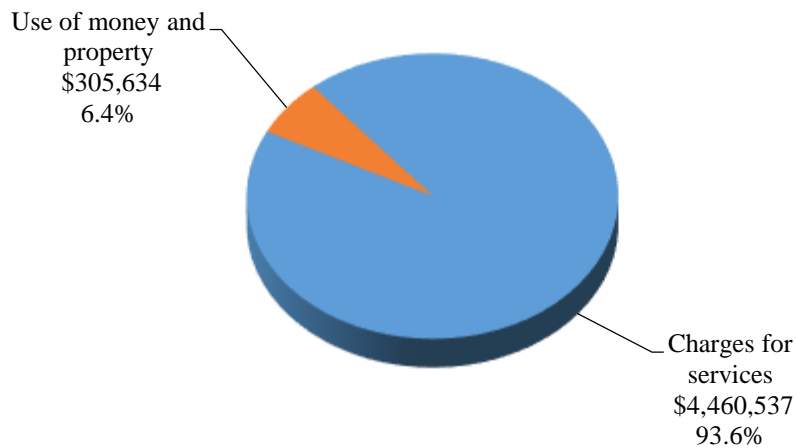
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

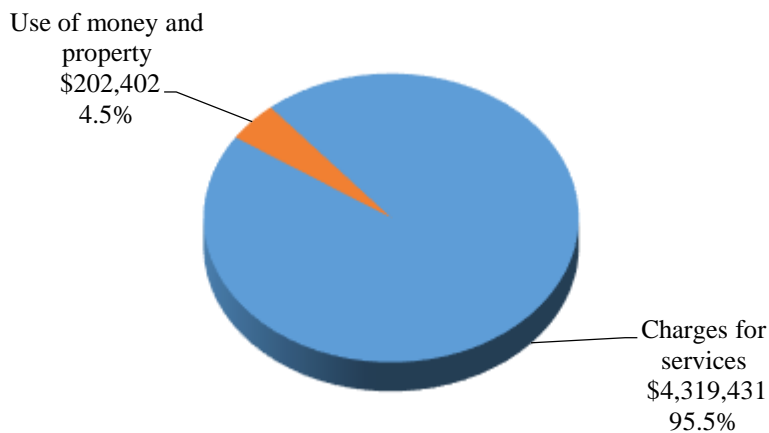
Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2015, and 2014, are as follows:

**Revenues by Source - Business-type Activities
2015**



**Revenues by Source - Business-type Activities
2014**



City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Sonoma uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2015, the City's governmental funds reported combined fund balances of \$7,317,067. This is an increase of \$828,715. This increase is primarily a result of clearing the deficit balance in the Gas Tax Fund.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2015, General Fund unassigned fund balance totaled \$6,982,959. This is an increase of \$46,829 from the prior year.

Proprietary funds. The City's proprietary funds unrestricted net position increased by approximately \$3.2 million in the fiscal year ended June 30, 2015. This increase primarily resulted from corrections to capital asset entries in enterprise funds.

General Fund Budgetary Highlights

The difference between final budget and actual revenues and expenses is not significant.

City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amount to \$57,395,760. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,141,367	\$ 4,868,520	\$ 960,472	\$ 960,472	\$ 6,101,839	\$ 5,828,992
Construction in progress	594,952	858,520	458,469	981,294	1,053,421	1,839,814
Buildings and improvements	16,371,316	9,074,289	2,163,224	6,409,190	18,534,540	15,483,479
Equipment and vehicles	2,284,764	1,843,527	297,877	70,341	2,582,641	1,913,868
Infrastructure	17,446,911	16,886,183	11,676,408	4,043,578	29,123,319	20,929,761
Total	\$ 41,839,310	\$ 33,531,039	\$ 15,556,450	\$ 12,464,875	\$ 57,395,760	\$ 45,995,914

This increase results from the transfer of capital assets from the Former Sonoma Community Development Agency.

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 52 for significant accounting policies and Note 4 on page 63 for other capital asset information.

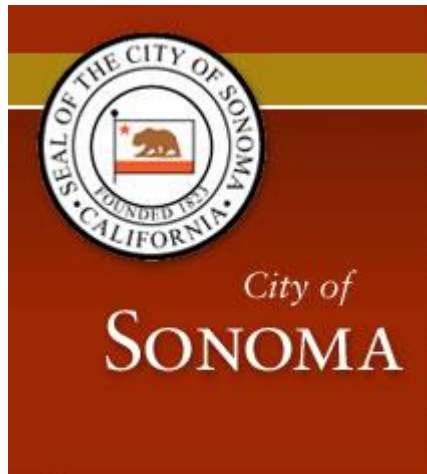
Economic Outlook

Continuing to turn the economic corner from prior years, the local and national economy continued to grow but the City is cautiously optimistic as the rate of growth is declining. Sonoma County saw an increase in employment and an increase in tourism but it is anticipated that growth will slow. At the same time, the state’s impact on, and relationship with, local government will continue to impose many barriers to economic growth within the City as a result of the dissolution of redevelopment, shifts in public safety related to realignment, and as the State’s activities continue to require additional revenue and impose stricter regulatory requirements on local government and small business.

Requests for Information

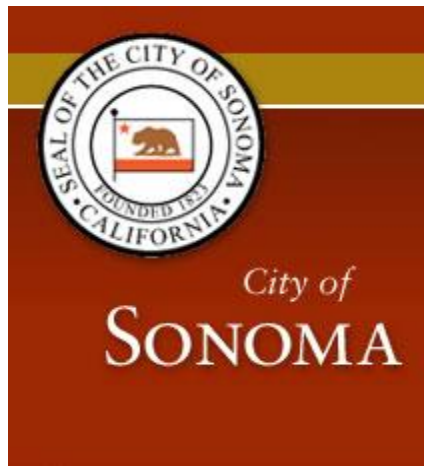
This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City’s finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sonoma Finance Department, No. 1 the Plaza, Sonoma, CA 95476, or visit the City’s web page at www.sonomacity.org

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BASIC FINANCIAL STATEMENTS

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City of Sonoma, California
Statement of Net Position
June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and investments	\$ 8,161,158	\$ 5,288,623	\$ 13,449,781
Restricted cash and investments	-	5,940	5,940
Receivables:			
Accounts	-	75,985	75,985
Intergovernmental	142	-	142
Loans/Notes receivable	393,767	-	393,767
Other	1,877,814	-	1,877,814
Internal balances	521,319	(521,319)	-
Deposits and other assets	43,671	-	43,671
Total current assets	10,997,871	4,849,229	15,847,100
Noncurrent assets:			
Capital assets:			
Nondepreciable	5,736,319	1,941,766	7,678,085
Depreciable	36,102,991	13,614,684	49,717,675
Total assets	52,837,181	20,405,679	73,242,860
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	884,422	-	884,422
Total deferred outflows of resources:	884,422	-	884,422
Total assets and deferred outflows of resources:	53,721,603	20,405,679	74,127,282
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,347,142	\$ 305,497	\$ 1,652,639
Interest payable	5,338	-	5,338
Deposits payable	179,635	161,808	341,443
Compensated absences - current portion	14,223	9,621	23,844
Due within one year	371,749	65,000	436,749
Total current liabilities	1,918,087	541,926	2,460,013
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	128,010	86,588	214,598
Due after one year	2,163,992	1,420,000	3,583,992
Net pension liability	8,175,645	-	8,175,645
Total noncurrent liabilities	10,467,647	1,506,588	11,974,235
Total liabilities	12,385,734	2,048,514	14,434,248
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	2,602,564	-	2,602,564
Total deferred inflows of resources:	2,602,564	-	2,602,564
NET POSITION			
Net investment in capital assets	39,303,569	14,136,450	53,440,019
Restricted	-	-	-
Unrestricted	(570,264)	4,220,715	3,650,451
Total net position	38,733,305	18,357,165	57,090,470
Total liabilities, deferred inflows of resources and net position	\$ 53,721,603	\$ 20,405,679	\$ 74,127,282

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California
Statement of Activities
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,193,624	\$ 29,436	\$ 174,586	\$ -
Public safety	9,738,047	1,491,073	423,858	-
Public works	2,103,359	82,539	381,713	-
Community development	1,149,960	474,038	3,579	-
Culture and leisure	231,941	44,900	3,566	-
Interest and fiscal charges	232,972	-	-	-
Total governmental activities	16,649,903	2,121,986	987,302	-
Business-type activities:				
Water	3,575,634	4,213,641	-	-
Cemetery	270,439	246,896	-	-
Total business-type activities	3,846,073	4,460,537	-	-
Total primary government	\$ 20,495,976	\$ 6,582,523	\$ 987,302	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy taxes, levied for general purposes
- Sales taxes
- Measure J
- Franchise taxes
- Other taxes

Intergovernmental:

- State motor vehicle in-lieu tax (MVLFF)
- Use of money and property
- Other general revenues
- Total general revenues
- Transfers
- Transfer to fiduciary activities
- Total general revenues and transfers

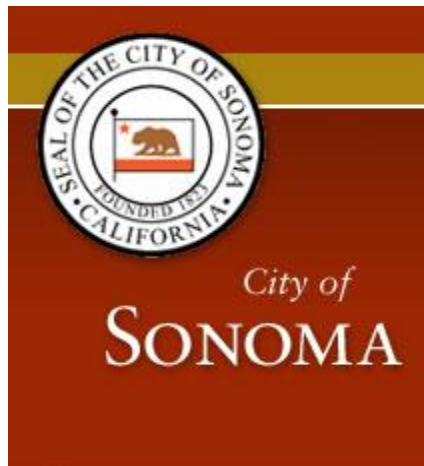
Special item:

- Capital contribution
- Change in net position
- Net position:
 - Beginning of year
 - Adjustments
 - Beginning, as adjusted
 - End of year

The accompanying notes are an integral part of these basic financial statements.

Governmental Activities	Business-Type Activities	Totals
\$ (2,989,602)	\$ -	\$ (2,989,602)
(7,823,116)	-	(7,823,116)
(1,639,107)	-	(1,639,107)
(672,343)	-	(672,343)
(183,475)	-	(183,475)
(232,972)	-	(232,972)
<u>(13,540,615)</u>	<u>-</u>	<u>(13,540,615)</u>
-	638,007	638,007
-	(23,543)	(23,543)
<u>-</u>	<u>614,464</u>	<u>614,464</u>
<u>(13,540,615)</u>	<u>614,464</u>	<u>(12,926,151)</u>
2,714,782	-	2,714,782
3,568,737	-	3,568,737
2,827,073	-	2,827,073
2,252,141	-	2,252,141
525,257	-	525,257
472,038	-	472,038
849,291	-	849,291
18,310	305,634	323,944
97,035	-	97,035
<u>13,324,664</u>	<u>305,634</u>	<u>13,630,298</u>
763,738	(763,738)	-
(238,823)	-	(238,823)
<u>13,849,579</u>	<u>(458,104)</u>	<u>13,391,475</u>
10,196,008	3,036,309	13,232,317
10,504,972	3,192,669	13,697,641
38,167,364	15,164,496	53,331,860
(9,939,031)	-	(9,939,031)
28,228,333	-	43,392,829
<u>\$ 38,733,305</u>	<u>\$ 18,357,165</u>	<u>\$ 57,090,470</u>

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
Gas Tax Special Revenue Fund	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.

City of Sonoma, California
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Gas Tax Special Revenue</u>
ASSETS		
Cash and investments	\$ 5,496,615	\$ 35,963
Receivables:		
Intergovernmental	-	-
Other receivable	1,874,355	-
Due from other funds	654,718	-
Prepaid items	36,806	-
Total assets	<u>\$ 8,062,494</u>	<u>\$ 35,963</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,050,439	\$ 35,457
Due to other funds	-	-
Deposits payable	29,096	-
Total liabilities	<u>1,079,535</u>	<u>35,457</u>
Fund balances:		
Nonspendable - Prepaid items	36,806	-
Assigned	-	-
Unassigned (deficit)	6,946,153	506
Total fund balances	<u>6,982,959</u>	<u>506</u>
Total liabilities and fund balances	<u>\$ 8,062,494</u>	<u>\$ 35,963</u>

The accompanying notes are an integral part of these basic financial statements.

Nonmajor Governmental Funds	Totals
\$ 498,074	\$ 6,030,652
142	142
-	1,874,355
-	654,718
-	36,806
\$ 498,216	\$ 8,596,673

\$ 2,387	\$ 1,088,283
19,767	19,767
142,460	171,556
164,614	1,279,606
-	36,806
353,371	353,371
(19,769)	6,926,890
333,602	7,317,067
\$ 498,216	\$ 8,596,673

City of Sonoma, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances - total governmental funds \$ 7,317,067

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 39,719,868

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$ (142,233)	
Due within one year	(371,749)	
Due after one year	(2,163,992)	
Net pension liability	(8,175,645)	(10,853,619)

Pension obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets and liabilities:

Deferred outflows of resources	884,422	
Deferred inflows of resources	(2,602,564)	(1,718,142)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (5,338)

Internal services funds are used by management to charge the costs of certain activities, such as information technology and long term building maintenance, to individual funds. The assets and liabilities of the internal service funds are:

Current assets	2,534,597	
Accounts payable and accrued liabilities	(380,570)	4,273,469

Net Position of governmental activities \$ 38,733,305

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2015

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
ASSETS					
Current assets:					
Cash and investments	\$ 6,030,652	\$ -	\$ -	\$ 2,130,506	\$ 8,161,158
Receivables:					
Intergovernmental	142	-	-	-	142
Loans/Notes receivable	-	-	-	393,767	393,767
Other receivable	1,874,355	-	-	3,459	1,877,814
Due from other funds	654,718	(654,718)	-	-	-
Internal balances	-	521,319	-	-	521,319
Deposits and other assets	36,806	-	-	6,865	43,671
Total current assets	8,596,673	(133,399)	-	2,534,597	10,997,871
Noncurrent assets:					
Capital assets, net	-	-	39,719,868	2,119,442	41,839,310
Total noncurrent assets	-	-	39,719,868	2,119,442	41,839,310
Total assets	8,596,673	(133,399)	39,719,868	4,654,039	52,837,181
DEFERRED OUTFLOWS OF RESOURCES					
Pension Plan	-	-	884,422	-	884,422
Total assets and deferred outflows of resources:	\$ 8,596,673	\$ (133,399)	\$ 40,604,290	\$ 4,654,039	\$ 53,721,603
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,088,283	\$ -	\$ -	\$ 258,859	\$ 1,347,142
Interest payable	-	-	5,338	-	5,338
Due to other funds	19,767	(133,399)	-	113,632	-
Deposits payable	171,556	-	-	8,079	179,635
Compensated absences - current portion	-	-	14,223	-	14,223
Due within one year	-	-	371,749	-	371,749
Total current liabilities	1,279,606	(133,399)	391,310	380,570	1,918,087
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	128,010	-	128,010
Due after one year	-	-	2,163,992	-	2,163,992
Net pension liability	-	-	8,175,645	-	8,175,645
Total noncurrent liabilities	-	-	10,467,647	-	10,467,647
Total liabilities	1,279,606	(133,399)	10,858,957	380,570	12,385,734
DEFERRED OUTFLOWS OF RESOURCES					
Pension Plan	-	-	2,602,564	-	2,602,564
Total liabilities and deferred inflows of resources:	1,279,606	(133,399)	13,461,521	380,570	14,988,298
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	36,806	(36,806)	-	-	-
Restricted	-	-	-	-	-
Assigned	353,371	(353,371)	-	-	-
Unassigned (deficit)	6,926,890	(6,926,890)	-	-	-
Net position:					
Net investment in capital assets	-	-	37,184,127	2,119,442	39,303,569
Restricted	-	-	-	-	-
Unrestricted	-	7,317,067	(10,041,358)	2,154,027	(570,264)
Total fund balances/net position	7,317,067	-	27,142,769	4,273,469	38,733,305
Total liabilities, deferred inflows and net position	\$ 8,596,673	\$ (133,399)	\$ 40,604,290	\$ 4,654,039	\$ 53,721,603

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	Major Funds	
	General Fund	Gas Tax Special Revenue
REVENUES:		
Taxes and assessments	\$ 13,263,341	\$ -
Licenses and permits	13,691	-
Fines and forfeitures	106,457	-
Intergovernmental	145,692	314,092
Use of money and property	128,311	-
Charges for services	2,092,103	-
Reimbursements	82,504	-
Other revenues	14,327	-
Total revenues	15,846,426	314,092
EXPENDITURES:		
Current:		
General government	1,697,946	-
Public safety	9,330,844	-
Public works	824,764	750,519
Community development	1,129,013	-
Culture and leisure	206,716	-
Capital outlay	781,751	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Total expenditures	13,971,034	750,519
REVENUES OVER (UNDER) EXPENDITURES	1,875,392	(436,427)
OTHER FINANCING SOURCES (USES):		
Proceeds from sale of assets	25,000	-
Transfer from fiduciary activities	-	-
Transfer to fiduciary activities	(250,000)	-
Transfers in	566,990	1,237,447
Transfers out	(2,170,553)	(47,897)
Total other financing sources (uses)	(1,828,563)	1,189,550
Net change in fund balances	46,829	753,123
FUND BALANCES (deficit):		
Beginning of year	6,936,130	(752,617)
End of year	\$ 6,982,959	\$ 506

The accompanying notes are an integral part of these basic financial statements.

Other Governmental Funds		Totals	
\$	75,191	\$	13,338,532
	23,213		36,904
	-		106,457
	144,596		604,380
	5,057		133,368
	-		2,092,103
	-		82,504
	377		14,704
	<u>248,434</u>		<u>16,408,952</u>
	-		1,697,946
	11,219		9,342,063
	147,748		1,723,031
	20,947		1,149,960
	25,225		231,941
	-		781,751
	506,249		506,249
	92,550		92,550
	<u>803,938</u>		<u>15,525,491</u>
	(555,504)		883,461
	-		25,000
	30,501		30,501
	(19,324)		(269,324)
	785,782		2,590,219
	(212,692)		(2,431,142)
	<u>584,267</u>		<u>(54,746)</u>
	28,763		828,715
	<u>304,839</u>		<u>6,488,352</u>
\$	<u>333,602</u>	\$	<u>7,317,067</u>

City of Sonoma, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2015

Functions/Programs	Fund Based Totals	Compensated		Internal Service	Depreciation	Capital		Government- wide Totals
		Absences/ Debt Service				Asset (Additions)/ Retirements	Pension Plan	
Governmental activities:								
General government	\$ 1,697,946	\$ (110,058)	\$ (1,141,714)	\$ 200,413	\$ 2,592,281	\$ (45,244)	\$ 3,193,624	
Public safety	9,342,063	-	-	395,984	-	-	9,738,047	
Public works	1,723,031	-	-	485,407	(105,079)	-	2,103,359	
Community development	1,149,960	-	-	-	-	-	1,149,960	
Culture and leisure	231,941	-	-	-	-	-	231,941	
Capital outlay	781,751	-	-	-	(781,751)	-	-	
Debt service/Interest	598,799	(365,827)	-	-	-	-	232,972	
Total governmental activities	\$ 15,525,491	\$ (475,885)	\$ (1,141,714)	\$ 1,081,804	\$ 1,705,451	\$ (45,244)	\$ 16,649,903	

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California
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, 2015

Net change in fund balances - total governmental funds \$ 828,715

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ (1,705,451)	
Capital contribution	10,196,008	
Depreciation expense	<u>(1,081,804)</u>	7,408,753

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Debt principal payments		361,749
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in interest payable	4,078	
Change in compensated absences	<u>110,058</u>	114,136

Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Position:

Net OPEB obligation		45,244
---------------------	--	--------

Internal services funds are used by management to charge the costs of certain activities, such as MIS, to individual funds. The change in Net Position of the Internal Service Funds before transfers (\$1,181,266) and net transfers out of (\$60,000) are included in the governmental activities in the government-wide Statement of Net Position.

1,141,714	
<u>604,661</u>	<u>1,746,375</u>

Change in Net Position of governmental activities \$ 10,504,972

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget to Actual - Major Funds

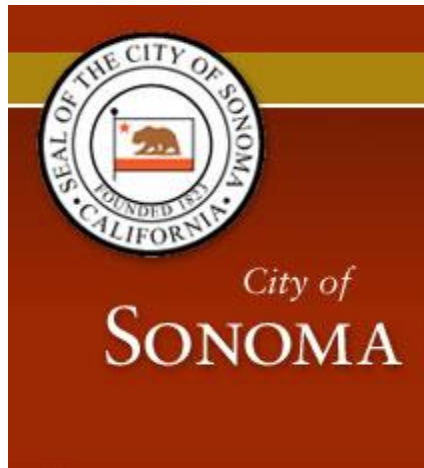
For the year ended June 30, 2015

	General Fund			
	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 12,251,080	\$ 12,317,480	\$ 13,263,341	\$ 945,861
Licenses and permits	12,000	12,000	13,691	1,691
Fines and forfeitures	80,900	80,900	106,457	25,557
Intergovernmental	1,042,254	1,042,254	145,692	(896,562)
Use of money and property	144,500	144,500	128,311	(16,189)
Charges for services	1,933,182	1,933,182	2,092,103	158,921
Reimbursements	44,000	44,000	82,504	38,504
Other revenues	-	-	14,327	14,327
Total revenues	15,507,916	15,574,316	15,846,426	272,110
EXPENDITURES:				
Current:				
General government	1,735,268	1,745,788	1,697,946	47,842
Public safety	9,432,206	9,432,779	9,330,844	101,935
Public works	964,942	972,795	824,764	148,031
Community development	1,234,787	1,257,241	1,129,013	128,228
Culture and leisure	179,500	204,500	206,716	(2,216)
Capital outlay	2,100,964	2,100,964	781,751	1,319,213
Total expenditures	15,647,667	15,714,067	13,971,034	1,743,033
REVENUES OVER (UNDER) EXPENDITURES	(139,751)	(139,751)	1,875,392	2,015,143
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	25,000	25,000
Transfer from fiduciary activities	-	-	-	-
Transfer to fiduciary activities	-	-	(250,000)	-
Transfers in	554,298	804,298	566,990	(237,308)
Transfers out	(442,145)	(692,145)	(2,170,553)	(1,478,408)
Total other financing sources (uses)	112,153	112,153	(1,828,563)	(1,690,716)
Net change in fund balances	(27,598)	(27,598)	46,829	324,427
FUND BALANCES (deficit):				
Beginning of year	6,936,130	6,936,130	6,936,130	-
End of year	\$ 6,908,532	\$ 6,908,532	\$ 6,982,959	\$ 324,427

The accompanying notes are an integral part of these basic financial statements.

Gas Tax Special Revenue Fund			
Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
275,015	282,215	314,092	31,877
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>275,015</u>	<u>282,215</u>	<u>314,092</u>	<u>31,877</u>
-	-	-	-
-	-	-	-
775,346	782,546	750,519	32,027
-	-	-	-
-	-	-	-
-	-	-	-
<u>775,346</u>	<u>782,546</u>	<u>750,519</u>	<u>32,027</u>
<u>(500,331)</u>	<u>(500,331)</u>	<u>(436,427)</u>	<u>63,904</u>
-	-	-	-
-	-	-	-
-	-	-	-
548,025	548,025	1,237,447	689,422
(47,694)	(47,694)	(47,897)	(203)
<u>500,331</u>	<u>500,331</u>	<u>1,189,550</u>	<u>689,219</u>
-	-	753,123	753,123
<u>(752,617)</u>	<u>(752,617)</u>	<u>(752,617)</u>	<u>-</u>
<u>\$ (752,617)</u>	<u>\$ (752,617)</u>	<u>\$ 506</u>	<u>\$ 753,123</u>

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ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.
Cemetery Fund	Accounts for the operation and maintenance of the Mountain, Valley and Veteran's Cemeteries

City of Sonoma, California
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water Fund	Cemetery Fund	Totals	Governmental Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 5,288,623	\$ -	\$ 5,288,623	\$ 2,130,506
Restricted cash and investments	5,940	-	5,940	-
Receivables:				
Accounts	75,008	977	75,985	3,459
Loans/Notes	-	-	-	393,767
Prepaid items	-	-	-	6,865
Total current assets	<u>5,369,571</u>	<u>977</u>	<u>5,370,548</u>	<u>2,534,597</u>
Noncurrent assets:				
Capital assets, net	14,010,984	1,545,466	15,556,450	2,119,442
Total noncurrent assets	<u>14,010,984</u>	<u>1,545,466</u>	<u>15,556,450</u>	<u>2,119,442</u>
Total Assets	<u>\$ 19,380,555</u>	<u>\$ 1,546,443</u>	<u>\$ 20,926,998</u>	<u>\$ 4,654,039</u>
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	\$ 292,815	\$ 12,682	\$ 305,497	\$ 258,859
Due to other funds	-	521,319	521,319	113,632
Deposits payable	60,554	101,254	161,808	8,079
Current portion of long-term debt	65,000	-	65,000	-
Compensated absences - current portion	8,068	1,553	9,621	-
Total current liabilities	<u>426,437</u>	<u>636,808</u>	<u>1,063,245</u>	<u>380,570</u>
Noncurrent liabilities:				
Compensated absences	72,614	13,974	86,588	-
Due after one year	1,420,000	-	1,420,000	-
Total noncurrent liabilities	<u>1,492,614</u>	<u>13,974</u>	<u>1,506,588</u>	<u>-</u>
Total liabilities	<u>1,919,051</u>	<u>650,782</u>	<u>2,569,833</u>	<u>380,570</u>
Net Position:				
Net investment in capital assets	12,590,984	1,545,466	14,136,450	2,119,442
Unrestricted (deficit)	4,870,520	(649,805)	4,220,715	2,154,027
Total net position	<u>17,461,504</u>	<u>895,661</u>	<u>18,357,165</u>	<u>4,273,469</u>
Total liabilities and net position	<u>\$ 19,380,555</u>	<u>\$ 1,546,443</u>	<u>\$ 20,926,998</u>	<u>\$ 4,654,039</u>

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2015

	Water Fund	Cemetery Fund	Totals	Governmental Activities Internal Service Funds
OPERATING REVENUES:				
Charges for service	\$ 4,189,882	\$ 148,032	\$ 4,337,914	\$ -
Interdepartmental charges	-	-	-	1,944,683
Other operating revenue	23,759	98,864	122,623	-
Total operating revenues	4,213,641	246,896	4,460,537	1,944,683
OPERATING EXPENSES:				
Salaries and benefits	1,072,392	177,519	1,249,911	423,145
Contractual services	1,529,318	43,806	1,573,124	1,109
Materials and supplies	81,989	4,272	86,261	118,056
Repairs and maintenance	40,944	5,449	46,393	86,826
Utilities	28,966	8,647	37,613	-
Insurance	53,731	-	53,731	152,951
Other operating	151,527	-	151,527	-
Allocated overhead	110,372	(8,333)	102,039	45,693
Depreciation	447,310	39,079	486,389	-
Total operating expenses	3,516,549	270,439	3,786,988	827,780
OPERATING INCOME (LOSS)	697,092	(23,543)	673,549	1,116,903
NONOPERATING REVENUES (EXPENSES):				
Gain (Loss) from the sale of capital assets	1,039	-	1,039	-
Connection fees	259,110	-	259,110	-
Interest revenue	38,180	7,305	45,485	24,811
Interest expense	(59,085)	-	(59,085)	-
Total non-operating revenues, net	239,244	7,305	246,549	24,811
NET INCOME (LOSS) BEFORE TRANSFERS	936,336	(16,238)	920,098	1,141,714
Transfers in	-	204,617	204,617	664,661
Transfers out	(846,052)	(122,303)	(968,355)	(60,000)
Total transfers	(846,052)	82,314	(763,738)	604,661
CAPITAL CONTRIBUTIONS	2,914,480	121,829	3,036,309	1,220,337
CHANGE IN NET POSITION	3,004,764	187,905	3,192,669	2,966,712
NET POSITION:				
Beginning of year	14,456,740	707,756	15,164,496	1,306,757
End of year	<u>\$ 17,461,504</u>	<u>\$ 895,661</u>	<u>\$ 18,357,165</u>	<u>\$ 4,273,469</u>

The accompanying notes are an integral part of these basic financial statements.

City of Sonoma, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2015

	Water Fund	Cemetery Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 4,458,576	\$ 241,334
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(2,001,877)	(48,123)
Cash payments to employees for services	(1,119,020)	(175,082)
Net cash provided by operating activities	1,337,679	18,129
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	209,127
Transfers paid	(846,052)	(234,561)
Connection fees received	259,110	-
Net cash used by noncapital financing activities	(586,942)	(25,434)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(606,165)	-
Proceeds from sale of capital assets	1,039	-
Interest paid on long term debt	(59,085)	-
Payments for loans receivable	-	-
Net cash (used) by capital and related financing activities	(664,211)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	38,180	7,305
Net cash provided by investing activities	38,180	7,305
Net increase (decrease) in cash and cash equivalents	124,706	-
CASH AND CASH EQUIVALENTS:		
Beginning of year	5,169,857	-
End of year	\$ 5,294,563	\$ -
Amounts as reported in Statement of Net Position:		
Cash and investments	\$ 5,288,623	\$ -
Restricted cash and investments	5,940	-
Total cash and investments	\$ 5,294,563	\$ -
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ 697,092	\$ (23,543)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	447,310	39,079
(Increase) decrease in current assets:		
Accounts receivable	240,620	(957)
Inventory	-	-
Prepaid items	1,169	-
Increase (decrease) in liabilities:		
Accounts payable	(6,199)	5,718
Deposits payable	4,315	(4,605)
Compensated absences	(46,628)	2,437
Net cash provided by operating activities	\$ 1,337,679	\$ 18,129

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2015.

The accompanying notes are an integral part of these basic financial statements.

		Governmental Activities	
		Internal Service Funds	
Totals			
\$	4,699,910	\$	-
	-		2,733,343
	(2,050,000)		(1,143,980)
	(1,294,102)		(423,558)
	<u>1,355,808</u>		<u>1,165,805</u>
	209,127		664,661
	(1,080,613)		(1,769,885)
	259,110		-
	<u>(612,376)</u>		<u>(1,105,224)</u>
	(606,165)		(899,105)
	1,039		-
	(59,085)		-
	-		(393,767)
	<u>(664,211)</u>		<u>(1,292,872)</u>
	45,485		24,811
	<u>45,485</u>		<u>24,811</u>
	124,706		(1,207,480)
	5,169,857		3,337,986
\$	<u>5,294,563</u>	\$	<u>2,130,506</u>
\$	5,288,623	\$	2,130,506
	5,940		-
\$	<u>5,294,563</u>	\$	<u>2,130,506</u>
\$	673,549	\$	1,116,903
	486,389		-
	239,663		(104)
	-		822,385
	1,169		-
	(481)		(772,966)
	(290)		-
	<u>(44,191)</u>		<u>(413)</u>
\$	<u>1,355,808</u>	\$	<u>1,165,805</u>

FIDUCIARY ACTIVITIES

Fund	Description
Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.	
Successor Agency - Sonoma Community Development Agency	Accounts for funds collected and disbursed for the dissolution of the former Sonoma Community Development Agency related to Administration and Retirement of enforceable obligations
Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments.	

The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

City of Sonoma, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2015

	<u>Successor Agency</u>	
	Former Sonoma Community Development	
	<u>Agency</u>	<u>Agency Funds</u>
Current assets:		
Cash and investments	\$ 3,866,776	\$ 3,368,183
Cash and investments with trustee/fiscal agent	6,592,839	-
Accounts receivable	-	244,244
Total current assets	<u>10,459,615</u>	<u>3,612,427</u>
Property, plant and equipment	-	1,491,927
Less accumulated depreciation	-	-
Property, plant, and equipment, net	<u>-</u>	<u>1,491,927</u>
Other assets:		
Prepaid items	18,167	70,508
Total other assets	<u>18,167</u>	<u>70,508</u>
Total assets	<u>\$ 10,477,782</u>	<u>\$ 5,174,862</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,290	\$ 61,267
Deposits payable	-	127,257
Payable to Sonoma County Housing Authority	1,798,279	-
Interest payable	906,600	-
Amounts held in trust	-	4,986,338
Due within one year	1,090,368	-
Total current liabilities	<u>3,815,537</u>	<u>5,174,862</u>
Long-term liabilities:		
Due after one year	38,646,083	-
Total long-term liabilities	<u>38,646,083</u>	<u>-</u>
Total liabilities	<u>42,461,620</u>	<u>\$ 5,174,862</u>
Net Position (deficit):		
Net position held in trust for Redevelopment Dissolution	<u>(31,983,838)</u>	
Total Net Position (deficit)	<u>(31,983,838)</u>	
Total liabilities and net position	<u>\$ 10,477,782</u>	

The accompanying notes are an integral part of these basic financial statements.

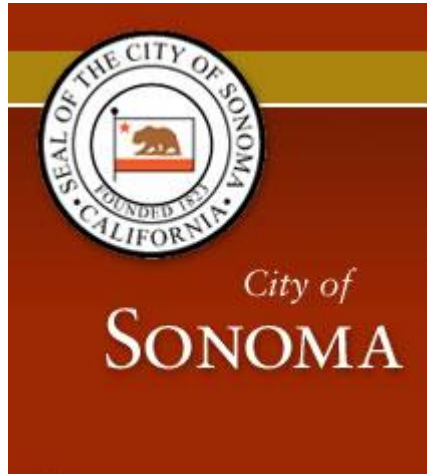
City of Sonoma, California
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the year ended June 30, 2015

	<u>Successor Agency</u>
	Former Sonoma Community Development Agency
	<u>Agency</u>
ADDITIONS:	
Property taxes	4,903,945
Intergovernmental	286,320
Investment income	21,190
Other additions	144,500
Total operating revenues	<u>5,355,955</u>
DEDUCTIONS:	
Community development	496,558
Interest and trustee fees	2,133,950
Loss on disposal of assets	278,218
Transfers to the County of Sonoma	1,540,097
Transfers to the City of Sonoma	11,177
Total operating expenses	<u>4,460,000</u>
CHANGE IN FIDUCIARY NET POSITION	<u>895,955</u>
NET POSITION (DEFICIT):	
Beginning of year	(32,879,793)
End of year	<u>\$ (31,983,838)</u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Sonoma, California
Basic Financial Statements
For the year ended June 30, 2015

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City of Sonoma, California
Notes to the Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sonoma (City) was incorporated in 1883, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety, public works and facilities, community services, public utilities, and community development.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales tax, property tax, Measure J (Transactions and Use Tax), and Transient Occupancy Tax (TOT).

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Sonoma, Finance Department, 1 The Plaza Sonoma, CA 95476.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's reporting entity includes the following blended component unit:

Sonoma Community Housing Corporation was created as a public benefit corporation to provide affordable public housing. It is governed by two members of the City Council and two City employees. The Sonoma Community Housing Corporation activities are reported in a special revenue fund.

Sonoma Public Financing Authority is governed by a board comprised of members of the City's elected council.

The above component units are included in the City's basic financial statements using the blended method because of the significance of their operational or financial relationships with the City. There are no component units of the City that meet the criteria for discrete presentation.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Gas Tax Fund
- Water Fund
- Cemetery Fund

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Debt Service Funds

Debt Service Funds account for the accumulation of resources to pay principal and interest on debt.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds

Internal Service Funds are used to account for financial transactions related to the City's Management Information Systems, Vehicle Replacement, Liability and Property Insurance, Employee Benefits, and Long Term Building Maintenance. These services are provided based on a prorated share of costs or based on anticipated equipment replacement timelines.

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments.

The City closed the following funds during the fiscal year: Community Development Block Grant.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position, which serves as an indicator of financial position.

In the fund financial statements, the "current financial resources" measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The enterprise funds and private purpose trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are anticipated to be collected within 60 days after year end.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Cash Deposits and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 8 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include: property taxes, sales taxes, Measure J, Emergency Medical Services charges, and Transient Occupancy Tax (TOT).

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventories of governmental funds are recorded as expenditures when used or consumed.

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. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25 – 50 years
Machinery and equipment	8 – 30 years
Furniture and fixtures	5 – 12 years
Software	5 – 7 years
Infrastructure	5 – 60 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item reported as a deferred outflow of resources. The item is a deferred charge on pension plan contributions in the government-wide statement of net position.

In addition to liabilities, the statement of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has item reported as a deferred inflow of resources. The item is the net difference between projected and actual earnings on pension plan investments and is reported in the government-wide statement of net position.

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for 40 to 120 hours of unused annual leave depending upon their length of service. All vacation pay is accrued when incurred in the government-wide and proprietary 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 resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the County of Sonoma (County) for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses, Continued

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

The County levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year’s budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgetary Accounting, Continued

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were supplemental appropriations of \$420,225 made for the fiscal year ended June 30, 2015. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Implementation of GASB Statements 68 and 71 related to Pension Plans

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

In addition, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions".

The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

In implementing these Statements, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the Plan reflected in an actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the City's prior Plan year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change in the liability.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Implementation of GASB Statements 68 and 71 related to Pension Plans, Continued

The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the City’s pension plan with CalPERS and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Prior Period Adjustment

Due to the City’s adoption of GASB 68, net position was adjusted at June 30, 2015. The following is a reconciliation of the total net position as previously reported at July 1, 2014, to the restated net position.

	Governmental Activities
Net Position at June 30, 2014	\$ 38,167,364
Adjustment:	
Adoption of GASB 68, pensions	(9,939,031)
Total Adjustments	<u>(9,939,031)</u>
Net Position at July 1, 2014, as adjusted	<u>\$ 28,228,333</u>

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

2. CASH AND INVESTMENTS

At June 30, 2015, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair Market Value	
	<1	1 to 3	3 to 5			
<u>Cash equivalents and investments pooled</u>						
Pooled cash, at fair value						
Cash in bank	\$ -	\$ -	\$ -	\$ 1,307,541	\$ 1,307,541	
Petty cash	-	-	-	850	850	
Total pooled items	-	-	-	1,308,391	1,308,391	
Pooled investments, at fair value						
<u>Interest obligations</u>						
<u>Par</u>	<u>Rate</u>					
\$ 6,451,000	0.750 - 2.650%	Certificate of Deposits	210,218	6,009,532	-	6,219,750
	0.010%	Money Market	6,598,779	-	-	6,598,779
State of California Local Agency Investment Fund			13,156,599	-	-	13,156,599
Total pooled investments - interest obligations			19,965,596	6,009,532	-	25,975,128
Total cash equivalents and investments pooled			\$ 19,965,596	\$ 6,009,532	\$ -	\$ 27,283,519
Amounts reported in:						
						\$ 8,161,158
						5,288,623
						5,940
						7,234,959
						6,592,839
						\$ 27,283,519

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 6,219,750	1.60
State investment pool	13,156,599	0.00
Held by bond trustees:		
Money market funds	6,598,779	0.00
Total fair value	\$ 25,975,128	
Portfolio weighted average maturity		0.37

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code of the City’s investment policy. During the year ended June 30, 2015, the City’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	180 days	30%	None
Commercial Paper	180 days	15%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50 Million per entity
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

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 market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit risk – As of June 30, 2015, the City’s investments in money market funds were rated AAA by Standard & Poor’s and Fitch Ratings, and Aaa by Moody’s Investors Service. The State of California Local Agency Investment Fund is not rated.

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 0.97% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

2. CASH AND INVESTMENTS, Continued

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2015, the carrying amount of the City's deposits was \$1,062,140 and the balances in financial institutions were \$1,914,719. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$1,664,719 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2015, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2015 was \$21,495,234,784 of which the City had a balance of \$13,156,598. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2015 has a portfolio of \$69,606,487,716. Of the total invested, 99.03% was invested in non-derivative financial products and 0.97% in structured notes and asset-backed securities. 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.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Totals
Taxes	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	75,985	244,244	320,229
Intergovernmental	142	-	-	142
Other	1,877,814	-	-	1,877,814
	<u>\$ 1,877,956</u>	<u>\$ 75,985</u>	<u>\$ 244,244</u>	<u>\$ 2,198,185</u>

These amounts resulted in the following concentrations in receivables:

Individuals/Business	14.6%
Other	85.4%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

4. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2015
Governmental activities:					
Nondepreciable assets:					
Land	\$ 4,868,520	\$ -	\$ -	\$ 272,847	\$ 5,141,367
Construction in progress	858,520	122,433	(583,132)	197,131	594,952
Total nondepreciable assets	<u>5,727,040</u>	<u>122,433</u>	<u>(583,132)</u>	<u>469,978</u>	<u>5,736,319</u>
Depreciable assets:					
Buildings and structures	18,598,131	-	(2,312,084)	7,800,528	24,086,575
Equipment and vehicles	5,166,119	764,397	(142,168)	(228,110)	5,560,238
Infrastructure	22,858,229	-	(738,565)	(2,270,132)	19,849,532
Total depreciable assets	<u>46,622,479</u>	<u>764,397</u>	<u>(3,192,817)</u>	<u>5,302,286</u>	<u>49,496,345</u>
Total	<u>52,349,519</u>	<u>886,830</u>	<u>(3,775,949)</u>	<u>5,772,264</u>	<u>55,232,664</u>
Accumulated depreciation:					
Buildings and structures	(9,523,842)	(483,652)	838,475	1,453,760	(7,715,259)
Equipment and vehicles	(3,322,592)	(211,540)	142,168	116,490	(3,275,474)
Infrastructure	(5,972,046)	(386,612)	203,025	3,753,012	(2,402,621)
Total accumulated depreciation	<u>(18,818,480)</u>	<u>(1,081,804)</u>	<u>1,183,668</u>	<u>5,323,262</u>	<u>(13,393,354)</u>
Net depreciable assets	<u>27,803,999</u>	<u>(317,407)</u>	<u>(2,009,149)</u>	<u>10,625,548</u>	<u>36,102,991</u>
Total net capital assets	<u>\$ 33,531,039</u>	<u>\$ (194,974)</u>	<u>\$ (2,592,281)</u>	<u>\$ 11,095,526</u>	<u>\$ 41,839,310</u>

Depreciation expense for capital assets was charged to functions as follows:

General government	\$ 200,413
Public safety	395,984
Public works	485,407
	<u>\$ 1,081,804</u>

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

4. CAPITAL ASSETS, Continued

Business-type capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2015
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 960,472	\$ -	\$ -	\$ -	\$ 960,472
Construction in progress	981,294	260,496	-	(783,321)	458,469
Total nondepreciable assets	<u>1,941,766</u>	<u>260,496</u>	<u>-</u>	<u>(783,321)</u>	<u>1,418,941</u>
Depreciable assets:					
Buildings and improvements	16,876,552	-	-	(13,707,957)	3,168,595
Equipment and vehicles	942,455	258,233	-	(562,373)	638,315
Infrastructure	4,715,513	-	-	16,102,792	20,818,305
Total depreciable assets	<u>22,534,520</u>	<u>258,233</u>	<u>-</u>	<u>1,832,462</u>	<u>24,625,215</u>
Total	<u>24,476,286</u>	<u>518,729</u>	<u>-</u>	<u>1,049,141</u>	<u>26,044,156</u>
Accumulated depreciation:					
Buildings and improvements	(10,467,362)	(62,547)	-	9,524,538	(1,005,371)
Equipment and vehicles	(872,114)	(24,561)	-	556,237	(340,438)
Infrastructure	(671,935)	(399,281)	-	(8,070,681)	(9,141,897)
Total accumulated depreciation	<u>(12,011,411)</u>	<u>(486,389)</u>	<u>-</u>	<u>2,010,094</u>	<u>(10,487,706)</u>
Net depreciable assets	<u>10,523,109</u>	<u>(228,156)</u>	<u>-</u>	<u>3,842,556</u>	<u>14,137,509</u>
Total net capital assets	<u>\$ 12,464,875</u>	<u>\$ 32,340</u>	<u>\$ -</u>	<u>\$ 3,059,235</u>	<u>\$ 15,556,450</u>

Depreciation expense for capital assets was charged to functions as follows:

Water	\$ 447,310
Cemetery	39,079
	<u>\$ 486,389</u>

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2015:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 1,132,763	\$ 305,497	\$ 81,557	\$ 1,519,817
Accrued payroll and related liabilities	214,379	-	-	214,379
Deposits payable	179,635	161,808	127,257	468,700
Interest payable	5,338	-	906,600	911,938
Amounts held in trust	-	-	4,740,937	4,740,937
Total	\$ 1,532,115	\$ 467,305	\$ 5,856,351	\$ 7,855,771

These amounts resulted in the following concentrations in payables:

Vendors	19.3%
Employees	2.7%
Others	77.9%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Capital Lease Obligations - CREBs	\$ 417,490	\$ -	\$ (41,749)	\$ 375,741	\$ 41,749
Pension Obligation Bond	2,480,000	-	(320,000)	2,160,000	330,000
Total governmental debt	\$ 2,897,490	\$ -	\$ (361,749)	\$ 2,535,741	\$ 371,749
Compensated absences	252,291	-	(110,058)	142,233	105,106
Total governmental activities	\$ 3,149,781	\$ -	\$ (471,807)	\$ 2,677,974	\$ 476,855
Business-type activities					
2012 Refunding Water Sales Agreement	1,545,000	-	(60,000)	1,485,000	65,000
Total business-type activity debt	1,545,000	-	(60,000)	1,485,000	65,000
Compensated absences	68,286	27,923	-	96,209	9,621
Total business-type activities	\$ 1,613,286	\$ 27,923	\$ (60,000)	\$ 1,581,209	\$ 74,621

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

6. LONG-TERM LIABILITIES, Continued

Governmental Activities

Capital Lease Obligations

Municipal Finance Corporation Lease – In 2007, the City submitted applications to the United States Internal Revenue Service (IRS) for allocation of Clean Renewable Energy Bonds (CREBs). The IRS awarded the City and allocation of \$1,156,000 to finance solar paneling project at four different municipal facilities within the City limits. Bonds were issued on July 10, 2008 and tax credits were granted to lender upon financing. The obligation is a lease agreement with Municipal Finance Corporation in the amount of \$1,156,000 entered into on July 10, 2008. Principal installments of \$41,749 are made on December 15 of each year, with the final installment due on December 15, 2024.

2012 Pension Obligation Bond

On December 20, 2012, the City issued Taxable Pension Obligation Bonds in the amount of \$2,925,000 to refund its obligation to make certain payments to PERS in respect of retired public safety and miscellaneous employees under the Side Fund program of PERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.5%. Debt service will be funded from the revenue of the general fund. Interest rates vary from 2% to 4%. The principal installments and interest are payable annually beginning on June 1, 2013 and the final payment will be made on June 1, 2021. The bond was issued at a premium of \$117,206 with underwriter discount of \$43,875 which will be amortized over the life of the bonds.

Business-type Activities

2012 Refunding Water Installment Sale

On October 1, 2001, the Sonoma Public Financing Authority issued the 2001 Revenue Bonds, Series A in the amount of \$1,605,000 to finance improvements to the Water System. On October 1, 2012, the City entered into an agreement with Public Property Financing Corporation of California (“Corporation”) whereby Corporation purchases and resale the improvements to the Water System from and to the City for \$1,605,000. The proceeds from the 2012 Refunding Water Installment Sale was used to repay the 2001 Revenue Bonds, Series A. The Corporation assigned and transferred certain of its rights, including the right to receive the installment payment to City National Bank. The principal amount is payable annually beginning from October 1, 2013 until October 1, 2031. Interests are payable semi-annually on April 1 and October 1. The outstanding balance of the loan at June 30, 2015, was \$1,485,000.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

6. LONG-TERM LIABILITIES, Continued

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$238,442 at June 30, 2015; of that amount \$114,727 is expected to be paid within a year.

Future debt service for Governmental Activities at June 30, 2015, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities			
	Capital lease		Pension Obligation Bond	
	Principal	Interest	Principal	Interest
2016	\$ 41,749	\$ -	\$ 330,000	\$ 69,688
2017	41,749	-	340,000	63,369
2018	41,749	-	350,000	55,019
2019	41,749	-	365,000	44,383
2020	41,749	-	380,000	29,733
2021-2024	166,996	-	395,000	14,483
Total	<u>\$ 375,741</u>	<u>\$ -</u>	<u>\$ 2,160,000</u>	<u>\$ 276,675</u>
Due within one year	\$ 41,749	\$ -	\$ 330,000	\$ 69,688
Due after one year	333,992	-	1,830,000	206,987
Total	<u>\$ 375,741</u>	<u>\$ -</u>	<u>\$ 2,160,000</u>	<u>\$ 276,675</u>
Year Ending June 30,	Total			
	Principal	Interest		
2016	\$ 371,749	\$ 69,688		
2017	381,749	63,369		
2018	391,749	55,019		
2019	406,749	44,383		
2020	421,749	29,733		
2021-2024	561,996	14,483		
Total	<u>\$ 2,535,741</u>	<u>\$ 276,675</u>		
Due within one year	\$ 371,749	\$ 69,688		
Due after one year	2,163,992	206,987		
Total	<u>\$ 2,535,741</u>	<u>\$ 276,675</u>		

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

6. LONG-TERM LIABILITIES, Continued

Future debt service for Business-type Activities at June 30, 2015, is as follows:

Year Ending June 30,	Business Type Activities	
	2012 Refunding Water Installment Sale	
	Principal	Interest
2016	\$ 65,000	\$ 56,648
2017	65,000	54,112
2018	70,000	51,480
2019	75,000	48,652
2020	75,000	45,728
2021-2025	415,000	182,227
2026-2030	495,000	93,698
2031-2032	225,000	8,872
Total	<u>\$ 1,485,000</u>	<u>\$ 541,417</u>
Due within one year	\$ 65,000	\$ 56,648
Due after one year	1,420,000	484,769
Total	<u>\$ 1,485,000</u>	<u>\$ 541,417</u>

7. NET POSITION/ FUND BALANCES

Net Position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 39,303,569	\$ 14,136,450	\$ 53,440,019
Restricted	-	-	-
Unrestricted	(570,264)	4,220,715	3,650,451
Total	<u>\$ 38,733,305</u>	<u>\$ 18,357,165</u>	<u>\$ 57,090,470</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

7. NET POSITION/ FUND BALANCES, Continued

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2015:

Nonspendable:	
Prepaid items	\$ 36,806
Total Nonspendable	<u><u>\$ 36,806</u></u>

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

Nonspendable

- **Prepaid items** – represents amounts classified as prepaid items as they do not represent current, spendable financial resources.

Fund Balance Deficits

Deficit fund balances consisted of the following:

	<u>June 30, 2015</u>
<u>Nonmajor Special Revenue Funds:</u>	
Strong Motion	\$ 626
Bond Property Maintenance	<u>19,143</u>
Total Nonmajor Special Revenue	<u>19,769</u>
<u>Fiduciary Funds:</u>	
Successor Agency Private Purpose Trust	<u>30,165,523</u>

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

7. NET POSITION/ FUND BALANCES, Continued

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2015, for the following funds:

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
<u>Major Funds:</u>			
Gas Tax Special Revenue	\$ 782,546	\$ 798,416	\$ (15,870)
<u>Nonmajor Funds</u>			
<u>Special Revenue Funds:</u>			
Abandoned Vehicle	-	11,219	(11,219)
Sonoma Creek Senior Housing	-	25,225	(25,225)
Community Development Block Grant	-	13,485	(13,485)

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

8. INTERFUND TRANSACTIONS

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2015:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 654,718	\$ -
Total Major Funds	<u>654,718</u>	<u>-</u>
Nonmajor Funds:		
Strong Motion Special Revenue	-	624
Bond Property Maintenance Special Revenue	-	19,143
Total Nonmajor Funds	<u>-</u>	<u>19,767</u>
Total Governmental Funds	<u>654,718</u>	<u>19,767</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds:		
Cemetery	-	521,319
Major Enterprise Funds	<u>-</u>	<u>521,319</u>
Internal Service Funds:		
Employee Benefits Fund	-	113,632
Total Proprietary Funds	<u>-</u>	<u>634,951</u>
Total	<u><u>\$ 654,718</u></u>	<u><u>\$ 654,718</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

8. INTERFUND TRANSACTIONS, Continued

Transfers consisted of the following at June 30, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 566,990	\$ 2,170,553
Gas Tax Special Revenue	1,237,447	47,897
Total Major Funds	<u>1,804,437</u>	<u>2,218,450</u>
Non-major Funds:		
Special Revenue Funds:		
SLESF	-	112,692
Total Non-major Special Revenue Funds	<u>-</u>	<u>112,692</u>
Capital Projects Funds:		
Capital Improvement Program	-	100,000
Total Non-major Capital Projects Funds	<u>-</u>	<u>100,000</u>
Debt Service Funds:		
Municipal Finance Corporation	175,756	-
2008 CREBs	194,476	-
2012 Pension Obligation Bonds	412,550	-
Total Non-major Debt Service Funds	<u>782,782</u>	<u>-</u>
Total Non-major Governmental Funds	<u>782,782</u>	<u>212,692</u>
Total Governmental Funds	<u>2,587,219</u>	<u>2,431,142</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds		
Water	-	846,052
Cemetery	204,617	122,303
Total Enterprise Funds	<u>204,617</u>	<u>968,355</u>
Internal Service Funds		
Employee Benefits	664,661	-
MIS Fund	-	60,000
Total Internal Service Funds	<u>664,661</u>	<u>60,000</u>
Total Proprietary Funds	<u>869,278</u>	<u>1,028,355</u>
Total Transfers	<u>\$ 3,456,497</u>	<u>\$ 3,459,497</u>

The Water Fund transfers were made to provide resources recorded to other funds for water projects or related activities.

Other Special Revenue transfers out were to fund various programs and projects expended out of other funds.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

9. RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially, each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2015:

Total assets	\$	18,342,019
Total deferred outflows of resources		259,592
Total liabilities		(20,949,852)
Total deferred inflows of resources		(338,476)
Members' equity	\$	<u>(2,686,717)</u>
Total revenue	\$	8,748,439
Total expense		(12,424,901)
Operating income (loss)	\$	<u>(3,676,462)</u>

Members and associate members participate in the workers' compensation and general liability programs and have the option of participating in other coverage programs which provide property, flood and earthquake, fidelity/faithful performance, dental, vision, employee assistance and auto physical damage.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

9. RISK MANAGEMENT, Continued

The City of Sonoma participates in the following REMIF programs:

General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Sonoma self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Excess of \$500,000 to a total of \$25,000,000 coverage per occurrence is covered by Munich Reinsurance America and SCOR Reinsurance Co.

Included in the general liability insurance premium is bonds coverage of up to \$10,000 per occurrence against loss of money, securities and other property through employee's dishonesty, forgery or alteration loss, computer fraud involving money, securities and other property, loss related to the fraudulent transfer of funds and public official faithful performance. The City of Sonoma has a \$5,000 deductible for this coverage.

Workers' Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Sonoma is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000. Losses in excess of \$5,000 up to \$2,000,000 are covered by Safety National Casualty.

Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Sonoma has a deductible level of \$10,000 and a coverage limit of \$290,000,000.

The property insurance program includes boiler and machinery coverage which provides up to \$21,245,000 coverage per occurrence. The City of Sonoma has a deductible of \$5,000.

Auto Physical Damage Insurance

The City of Sonoma has a deductible of \$10,000 per vehicle. Damages in excess of \$10,000 up to \$9,990,000 per occurrence is covered by Hanover Insurance Company

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous
	Prior to January 1, 2013
Hire date	
Benefit formula	2.0% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 63
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%
Required employee contribution rates	7%
Required employer contribution rates	12.50%
	PEPRA
	Miscellaneous
	On or after January 1, 2013
Hire date	
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%
Required employee contribution rates	6.5%
Required employer contribution rates	6.70%

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

	Safety Fire
	<u>Prior to</u>
	<u>January 1, 2013</u>
Hire date	3.0% @ 50
Benefit formula	5 years service
Benefit vesting schedule	monthly for life
Benefit payments	50
Retirement age	3%
Monthly benefits, as a % of eligible compensation	

	Safety Police
	<u>Prior to</u>
	<u>January 1, 2013</u>
Hire date	2% @ 50
Benefit formula	5 years service
Benefit vesting schedule	monthly for life
Benefit payments	50 - 57
Retirement age	2% - 2.7%
Monthly benefits, as a % of eligible compensation	

Contributions -Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>PEPRA Miscellaneous</u>	<u>Safety Fire</u>	<u>Safety Police</u>
Contributions - employer	\$ 279,033	\$ 9,021	\$ 383,010	\$ 160,168

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,750,127
PEPRA Miscellaneous	374
Safety Fire	2,775,168
Safety Police	1,649,976
Total Net Pension Liability	<u>\$ 8,175,645.00</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	PEPRA Miscellaneous	Safety Fire	Safety Police
Proportion - June 30, 2013	N/A	N/A	N/A	N/A
Proportion - June 30, 2014	0.06027%	0.00001%	0.04460%	0.02652%
Change - Increase (Decrease)	N/A	N/A	N/A	N/A

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

For the year ended June 30, 2015, the City recognized pension expense of \$8,650,000. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 535,532.00	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(2,596,440.00)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of the contributions	348,890.00	(6,124.00)
Total	<u>\$ 884,422.00</u>	<u>\$ (2,602,564.00)</u>

\$535,532 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun	
<u> </u>	
2015	\$ 8,838.00
2016	(526,694.00)
2017	(551,176.00)
2018	(649,110.00)
2019	-
Thereafter	

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Actuarial Assumptions -The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>PEPRA Miscellaneous</u>
Valuation Date	30-Jun-13	30-Jun-13
Measurement	30-Jun-14	30-Jun-14
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3%	3%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

	<u>Safety Fire</u>	<u>Safety Police</u>
Valuation Date	30-Jun-13	30-Jun-13
Measurement	30-Jun-14	30-Jun-14
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3%	3%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Discount Rate -The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

The long -term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Asset Class
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is I-percentage point lower or I-percentage point higher than the current rate:

	Miscellaneous	PEPRA Miscellaneous	Safety Fire	Safety Police
1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 6,681,567	\$ 666	\$ 4,775,704	\$ 2,839,396
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 3,750,127	\$ 374	\$ 2,775,168	\$ 1,649,976
1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 1,317,310	\$ 131	\$ 1,126,812	\$ 669,946

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$2,811 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

11. SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY

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 Sonoma 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 12, 2012, the City Council elected to become the Successor Agency for the Former Sonoma Community Development Agency in accordance with the Bill.

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 Sonoma Community Development Agency until all enforceable obligations of the prior community development agency have been paid in full and all assets have been liquidated.

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. 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.

Investment in Land Held for Resale or Transfer

The amounts shown below as investment in land held for resale or transfer consist of two parcels of land there were sold during Fiscal Year 2014 – 2015. 32 Patten Street was sold in December 2014 with proceeds distributed to taxing entities via the RPTTF.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

11. SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY, CONTINUED

Below is the change in this account for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Transferred	Balance June 30, 2015
Fiduciary Activities:				
Old Fire Station (32 Patten St.)	\$ 15,000	\$ -	\$ (15,000)	\$ -
.42 Acres Fire/EMS	1,803,315	-	(1,803,315)	-
Total capital assets held	1,818,315	-	(1,818,315)	-
Total assets held	\$ 1,818,315	\$ -	\$ (1,818,315)	\$ -

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Fiduciary Activities:					
2003 Tax Allocation Bonds	\$ 15,810,000	\$ -	\$ (520,000)	\$ 15,290,000	\$ 535,000
2010 Tax Allocation Bonds	8,830,000	-	(395,000)	8,435,000	405,000
2011 Tax Allocation Bonds	15,370,000	-	(135,000)	15,235,000	145,000
2005 Note Payable - USDA	781,526	-	(5,075)	776,451	5,368
2005 Note Payable - Exchange Banl	1,866,953	-	(1,866,953)	-	-
Total fiduciary debt	\$ 42,658,479	\$ -	\$ (2,922,028)	\$ 39,736,451	\$ 1,090,368

2003 Tax Allocation Bonds

In May 2003, the Agency issued tax allocation bonds in the amount of \$20,635,000, with variable interest rates of 2.09% to 4.45% per annum, to provide funds for certain community development projects. The bond mature semi-annually in increasing amounts on each December 1, through 2033.

2010 Tax Allocation Refunding Bonds

In September 2010, the Agency issued \$10,120,000 of tax allocation bonds in order to refund the 1997 Tax Allocation Bonds and the 2000 Tax Allocation Refunding Bonds. Annual interest rates vary between 2% and 5% per annum. The Bonds mature semi-annually in increasing amounts on each December 1, through 2030.

2011 Tax Allocation Bonds

In February 2011, the Agency issued tax allocation bonds in the amount of \$15,750,000, with variable interest rates of 2.25% to 6.50% per annum, to provide funds for certain community development projects. The bond mature semi-annually in increasing amounts on each December 1, through 2036.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

11. SUCCESSOR AGENCY TRUST FOR FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY, CONTINUED

Long-term Liabilities, Continued

2005 Note Payable - USDA

In April 2005, the Agency obtained an \$816,635 loan from the U.S. Department of Agriculture to assist the Agency in purchasing and operating the Village Green Apartments II low/moderate income housing rental project. The loan is fully amortized over 30 years at an interest rate of 5.625%. The loan is secured by an interest in the property and rental income and is subordinated to an existing loan with Exchange Bank.

Future debt service for Fiduciary Activities at June 30, 2015, is as follows

Fiduciary Activities						
Year Ending June 30,	2003 Tax Allocation Bond		2010 Tax Allocation Refunding Bond		2011 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 535,000	\$ 661,134	\$ 405,000	\$ 334,873	\$ 145,000	\$ 1,061,319
2017	560,000	641,740	420,000	323,968	145,000	1,054,069
2018	580,000	619,340	430,000	313,655	155,000	1,046,819
2019	600,000	596,140	440,000	302,012	165,000	1,039,069
2020	630,000	572,140	450,000	289,102	170,000	1,030,489
2021 - 2025	3,575,000	2,440,580	2,495,000	1,194,947	995,000	4,990,445
2026 - 2030	4,455,000	1,581,085	3,085,000	578,125	1,360,000	4,607,145
2031 - 2035	4,355,000	494,840	710,000	17,750	6,415,000	3,726,325
2036	-	-	-	-	5,685,000	614,531
Total	\$ 15,290,000	\$ 7,606,999	\$ 8,435,000	\$ 3,354,432	\$ 15,235,000	\$ 19,170,211
Due within one year	\$ 535,000	\$ 661,134	\$ 405,000	\$ 334,873	\$ 145,000	\$ 1,061,319
Due after one year	14,755,000	6,945,865	8,030,000	3,019,559	15,090,000	18,108,892
Total	\$ 15,290,000	\$ 7,606,999	\$ 8,435,000	\$ 3,354,432	\$ 15,235,000	\$ 19,170,211

Year Ending June 30,	2005 Note Payable - USDA		2005 Note Payable - Exchange Bank		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,368	\$ 43,538	\$ -	\$ -	\$ 1,090,368	\$ 2,100,864
2017	5,677	43,229	-	-	1,130,677	2,063,006
2018	6,005	42,901	-	-	1,171,005	2,022,715
2019	6,352	42,554	-	-	1,211,352	1,979,775
2020	6,718	42,188	-	-	1,256,718	1,933,919
2021 - 2025	39,877	204,653	-	-	7,104,877	8,830,625
2026 - 2030	52,793	191,737	-	-	8,952,793	6,958,092
2031 - 2035	68,561	171,894	-	-	11,548,561	4,410,809
2036	585,100	-	-	-	6,270,100	614,531
Total	\$ 776,451	\$ 782,694	\$ -	\$ -	\$ 39,736,451	\$ 30,914,336
Due within one year	\$ 5,368	\$ 43,538	\$ -	\$ -	\$ 1,090,368	\$ 2,100,864
Due after one year	771,083	739,156	-	-	38,646,083	28,813,472
Total	\$ 776,451	\$ 782,694	\$ -	\$ -	\$ 39,736,451	\$ 30,914,336

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

12. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2015.

13. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2016.

The GASB has issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, "*Accounting and Financial Reporting for Pensions*", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, "*Financial Reporting for Pension Plans*", and Statement 68 for pension plans and pensions that are within their respective scopes.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

13. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City will evaluate the applicability of the provisions of this Statement and implement it in the applicable year, accordingly.

The GASB has issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year ending June 30, 2017.

The GASB has issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", as amended, and No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*", for OPEB. Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

City of Sonoma, California
Notes to the Basic Financial Statements, Continued
For the year ended June 30, 2015

13. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2016.

The GASB has issued Statement No. 77, “*Tax Abatement Disclosures*”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

City of Sonoma, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 279,033
Contributions in relation to the actuarially determined contributions	<u>(279,033)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,384,713
Contribution as a percentage of covered-employee payroll	11.70%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of Contributions

PEPRA Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 9,021
Contributions in relation to the actuarially determined contributions	<u>(9,021)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 121,281
Contribution as a percentage of covered-employee payroll	7.44%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of Contributions

Safety Fire Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 383,010
Contributions in relation to the actuarially determined contributions	<u>(383,010)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	N/A
Contribution as a percentage of covered-employee payroll	N/A

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of Contributions

Safety Police Plan

Last 10 Fiscal Years*

	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 160,168
Contributions in relation to the actuarially determined contributions	<u>(160,168)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	N/A
Contribution as a percentage of covered-employee payroll	N/A

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.06027%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,750,127
Plan's Covered-Employee Payroll	\$ 2,384,713
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	157.26%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 496,128

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

PEPRA Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.00001%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 374
Plan's Covered-Employee Payroll	\$ 121,281
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.31%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.02%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 49

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety Fire Plan

Last 10 Fiscal Years*

	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.04460%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,775,168
Plan's Covered-Employee Payroll	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 344,266

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

City of Sonoma, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety Police Plan

Last 10 Fiscal Years*

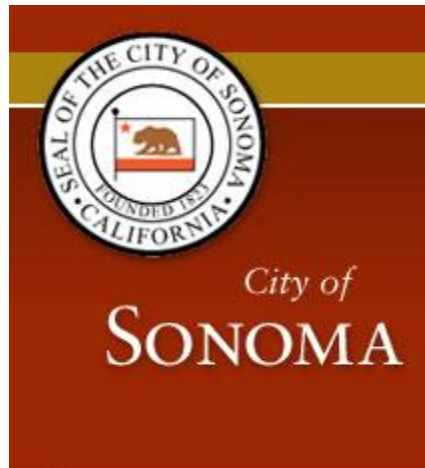
	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.02652%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,649,976
Plan's Covered-Employee Payroll	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 204,683

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

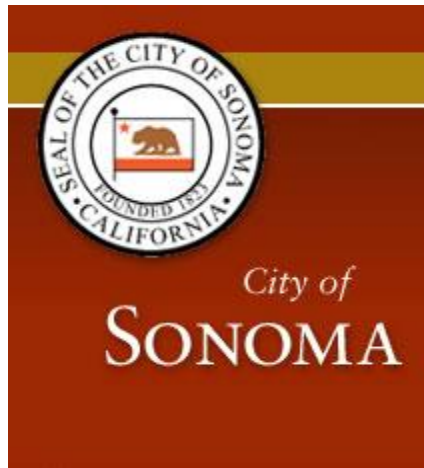
* - Fiscal year 2015 was the first year of implementation, therefore only the first year was available.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account for restricted revenues (for specified purposes).
Capital Projects	These funds account for construction or acquisition of governmental capital assets (capital outlay).
Debt Service	These funds account for the accumulation of resources to pay principal and interest on debt.

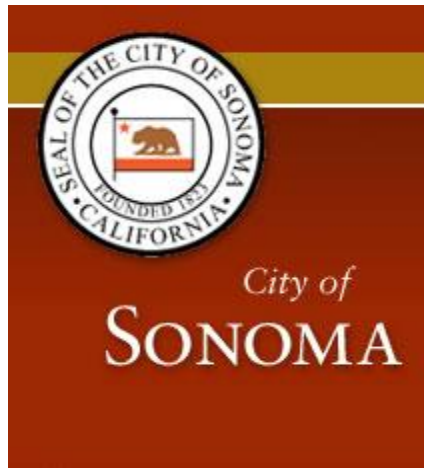
City of Sonoma, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Governmental Funds			Non-Major Funds Totals
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
ASSETS				
Cash and investments	\$ 427,733	\$ 70,341	\$ -	\$ 498,074
Receivables:				
Intergovernmental	142	-	-	142
Total assets	<u>\$ 427,875</u>	<u>\$ 70,341</u>	<u>\$ -</u>	<u>\$ 498,216</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,387	\$ -	\$ -	\$ 2,387
Due to other funds	19,767	-	-	19,767
Deposits Payable	142,460	-	-	142,460
Total liabilities:	<u>164,614</u>	<u>-</u>	<u>-</u>	<u>164,614</u>
Fund Balances:				
Assigned	283,030	70,341	-	353,371
Unassigned (deficit)	(19,769)	-	-	(19,769)
Total fund balances	<u>263,261</u>	<u>70,341</u>	<u>-</u>	<u>333,602</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 427,875</u>	<u>\$ 70,341</u>	<u>\$ -</u>	<u>\$ 498,216</u>

City of Sonoma, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2015

	Governmental Funds			Non-Major Funds Totals
	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
REVENUES:				
Taxes and assessments	\$ -	\$ 75,191	\$ -	\$ 75,191
Licenses and permits	1,059	22,154	-	23,213
Intergovernmental	133,630	10,966	-	144,596
Use of money and property	3,393	1,664	-	5,057
Other revenues	377	-	-	377
Total revenues	138,459	109,975	-	248,434
EXPENDITURES:				
Current:				
Public safety	11,219	-	-	11,219
Public works	-	147,748	-	147,748
Community development	20,947	-	-	20,947
Culture and leisure	25,225	-	-	25,225
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	506,249	506,249
Interest and fiscal charges	-	-	92,550	92,550
Total expenditures	57,391	147,748	598,799	803,938
REVENUES OVER (UNDER) EXPENDITURES	81,068	(37,773)	(598,799)	(555,504)
OTHER FINANCING SOURCES (USES):				
Transfer from fiduciary activities	-	-	30,501	30,501
Transfer to fiduciary activities	-	-	(19,324)	(19,324)
Transfers in	-	-	785,782	785,782
Transfers out	(112,692)	(100,000)	-	(212,692)
Total other financing sources (uses)	(112,692)	(100,000)	796,959	584,267
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(31,624)	(137,773)	198,160	28,763
FUND BALANCES (deficit):				
Beginning of year	294,885	208,114	(198,160)	304,839
End of year	\$ 263,261	\$ 70,341	\$ -	\$ 333,602

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Strong Motion	Accounts for State of California "strong motion" fees paid by building permit applicants. Funds are paid regularly to State Department of Conservation.
Asset Forfeiture	Accounts for funds received from seizure and forfeiture of assets that represent the proceeds of, or were used to facilitate crime. Funds are expended according to legal restrictions.
SLESF Law Enforcement Fund	Accounts for Supplemental Law Enforcement Services Funds (SLESF) which are collected by the State of California as part of the State Vehicle License Fee.
Bond Property Maintenance Fund	Accounts for revenues and expenditures related to maintenance of the Bond Property.
Maysonnave Property Fund	Accounts for revenues and expenditures related to ongoing maintenance of the Maysonnave Property.
Schell Drainage Fund	Accounts for funds used for tracking of mitigation fees for specific projects.
Abandoned Vehicle Fund	Accounts for funds received from the Abandoned Vehicle Abatement program and must be expended in compliance with legal restrictions.
Sonoma Creek Senior Housing Fund	Accounts for revenues and expenditures related to Sonoma Creek Senior Housing.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the City's Community Development Block program.

City of Sonoma, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Strong Motion	Asset Forfeiture	SLESF
ASSETS			
Cash and investments	\$ -	\$ 3,770	\$ 13,384
Receivables:			
Intergovernmental	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,770</u>	<u>\$ 13,384</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2	\$ -	\$ -
Due to other funds	624	-	-
Deposits payable	-	-	-
Total liabilities	<u>626</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Assigned	-	3,770	13,384
Unassigned (deficit)	(626)	-	-
Total fund balances	<u>(626)</u>	<u>3,770</u>	<u>13,384</u>
Total liabilities deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 3,770</u>	<u>\$ 13,384</u>

Bond Property Maintenance	Maysonnave Property	Schell Drainage	Abandoned Vehicle	Sonoma Creek Senior Housing	Community Development Block Grant	Totals
\$ -	\$ 11,730	\$ 185,124	\$ 24,570	\$ 189,155	\$ -	\$ 427,733
-	142	-	-	-	-	142
\$ -	\$ 11,872	\$ 185,124	\$ 24,570	\$ 189,155	\$ -	\$ 427,875
\$ -	\$ -	\$ -	\$ 2,385	\$ -	\$ -	\$ 2,387
19,143	-	-	-	-	-	19,767
-	-	142,460	-	-	-	142,460
19,143	-	142,460	2,385	-	-	164,614
-	11,872	42,664	22,185	189,155	-	283,030
(19,143)	-	-	-	-	-	(19,769)
(19,143)	11,872	42,664	22,185	189,155	-	263,261
\$ -	\$ 11,872	\$ 185,124	\$ 24,570	\$ 189,155	\$ -	\$ 427,875

City of Sonoma, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2015

	Strong Motion	Asset Forfeiture	SLESF	Bond Property Maintenance
REVENUES:				
Licenses and permits	\$ 1,059	\$ -	\$ -	\$ -
Intergovernmental	-	-	125,517	-
Use of money and property	-	23	559	-
Other revenues	-	-	-	377
Total revenues	1,059	23	126,076	377
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	146
Culture and leisure	-	-	-	-
Total expenditures	-	-	-	146
REVENUES OVER (UNDER) EXPENDITURES	1,059	23	126,076	231
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(112,692)	-
Total other financing sources and uses	-	-	(112,692)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	1,059	23	13,384	231
FUND BALANCES (deficit):				
Beginning of year	(1,685)	3,747	-	(19,374)
End of year	\$ (626)	\$ 3,770	\$ 13,384	\$ (19,143)

Maysonnave Property	Schell Drainage	Abandoned Vehicle	Sonoma Creek Senior Housing	Community Development Block Grant	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,059
-	-	5,593	-	2,520	133,630
160	990	196	1,465	-	3,393
-	-	-	-	-	377
160	990	5,789	1,465	2,520	138,459
-	-	11,219	-	-	11,219
7,316	-	-	-	13,485	20,947
-	-	-	25,225	-	25,225
7,316	-	11,219	25,225	13,485	57,391
(7,156)	990	(5,430)	(23,760)	(10,965)	81,068
-	-	-	-	-	(112,692)
-	-	-	-	-	(112,692)
(7,156)	990	(5,430)	(23,760)	(10,965)	(31,624)
19,028	41,674	27,615	212,915	10,965	294,885
\$ 11,872	\$ 42,664	\$ 22,185	\$ 189,155	\$ -	\$ 263,261

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Strong Motion Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 1,059	\$ 1,059
Total revenues	-	-	1,059	1,059
EXPENDITURES:				
Current:				
Culture and leisure	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	1,059	1,059
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	1,059	1,059
FUND BALANCES (DEFICIT):				
Beginning of year	(1,685)	(1,685)	(1,685)	-
End of year	\$ (1,685)	\$ (1,685)	\$ (626)	\$ 1,059

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Asset Forfeiture Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 23	\$ 23
Total revenues	-	-	23	23
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	23	23
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	23	23
FUND BALANCES:				
Beginning of year	3,747	3,747	3,747	-
End of year	\$ 3,747	\$ 3,747	\$ 3,770	\$ 23

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

SLESF Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 125,517	\$ 125,517
Use of money and property	-	-	559	559
Total revenues	-	-	126,076	126,076
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	126,076	126,076
OTHER FINANCING SOURCES (USES):				
Transfers out			(112,692)	(112,692)
Total other financing sources (uses)	-	-	-	(112,692)
Net change in fund balances	-	-	126,076	13,384
FUND BALANCES (DEFICIT):				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 126,076	\$ 13,384

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Bond Property Maintenance Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Other revenues	\$ -	\$ -	\$ 377	\$ 377
Total revenues	-	-	377	377
EXPENDITURES:				
Current:				
Community development	5,044	5,044	146	4,898
Total expenditures	5,044	5,044	146	4,898
REVENUES OVER (UNDER)				
EXPENDITURES	(5,044)	(5,044)	231	5,275
OTHER FINANCING SOURCES (USES):				
Transfers in	5,044	5,044	-	(5,044)
Total other financing sources (uses)	5,044	5,044	-	(5,044)
Net change in fund balances	-	-	231	231
FUND BALANCES (DEFICIT):				
Beginning of year	(19,374)	(19,374)	(19,374)	-
End of year	\$ (19,374)	\$ (19,374)	\$ (19,143)	\$ 231

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Maysonnave Property Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 160	\$ 160
Total revenues	<u>-</u>	<u>-</u>	<u>160</u>	<u>160</u>
EXPENDITURES:				
Current:				
Community development	10,317	10,317	7,316	3,001
Total expenditures	<u>10,317</u>	<u>10,317</u>	<u>7,316</u>	<u>3,001</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,317)</u>	<u>(10,317)</u>	<u>(7,156)</u>	<u>3,161</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,317	10,317	-	-
Total other financing sources (uses)	<u>10,317</u>	<u>10,317</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(7,156)</u>	<u>3,161</u>
FUND BALANCES:				
Beginning of year	19,028	19,028	19,028	-
End of year	<u>\$ 19,028</u>	<u>\$ 19,028</u>	<u>\$ 11,872</u>	<u>\$ 3,161</u>

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Schell Drainage Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 990	\$ 990
Total revenues	-	-	990	990
EXPENDITURES:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	990	990
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	990	990
FUND BALANCES:				
Beginning of year	41,674	41,674	41,674	-
End of year	\$ 41,674	\$ 41,674	\$ 42,664	\$ 990

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Abandoned Vehicle Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 5,593	\$ 5,593
Use of money and property	-	-	196	196
Total revenues	-	-	5,789	5,789
EXPENDITURES:				
Current:				
Public safety	-	-	11,219	(11,219)
Total expenditures	-	-	11,219	(11,219)
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(5,430)	(5,430)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(5,430)	(5,430)
FUND BALANCES:				
Beginning of year	27,615	27,615	27,615	-
End of year	\$ 27,615	\$ 27,615	\$ 22,185	\$ (5,430)

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Sonoma Creek Senior Housing Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	1,465	1,465
Total revenues	-	-	1,465	1,465
EXPENDITURES:				
Current:				
Culture and leisure	-	-	25,225	(25,225)
Capital outlay	-	-	0	-
Total expenditures	-	-	25,225	(25,225)
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(23,760)	(23,760)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(23,760)	(23,760)
FUND BALANCES:				
Beginning of year	212,915	212,915	212,915	-
End of year	\$ 212,915	\$ 212,915	\$ 189,155	\$ (23,760)

City of Sonoma, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,520	\$ 2,520
Use of money and property	-	-	-	-
Total revenues	-	-	2,520	2,520
EXPENDITURES:				
Current:				
Community development	-	-	13,485	(13,485)
Total expenditures	-	-	13,485	(13,485)
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(10,965)	(10,965)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(10,965)	(10,965)
FUND BALANCES:				
Beginning of year	10,965	10,965	10,965	-
End of year	<u>\$ 10,965</u>	<u>\$ 10,965</u>	<u>\$ -</u>	<u>\$ (10,965)</u>

NON-MAJOR CAPITAL PROJECTS AND DEBT SERVICE FUNDS

Fund	Description
Capital Projects Funds	
Capital Improvement Program	The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.
Measure M	Accounts for funds received from a Countywide 1/4 cent sales tax and designated to be used for transportation projects.
Debt Service Funds	
Municipal Finance Corporation	Accounts for debt service for the Redwood Empire Financing Authority Lease. Final payment was made on this lease in 2013 and the fund will be closed.
2008 CREBs	Accounts for debt service related to the Clean Renewable Energy Bonds.
2012 Pension Obligation Bonds	Accounts for debt service for the Pension Obligation Bond issued in 2012.

City of Sonoma, California
Combining Balance Sheet
Nonmajor Capital Projects and Debt Service Funds
June 30, 2015

	Capital Projects Funds		
	Capital Improvement Program	Measure M	Sub- Totals
ASSETS			
Cash and investments	\$ 30,702	\$ 39,639	\$ 70,341
Due from other funds	-	-	-
Total assets	<u>\$ 30,702</u>	<u>\$ 39,639</u>	<u>\$ 70,341</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deposits payable	-	-	-
Total liabilities:	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	-	-	-
Assigned	30,702	39,639	70,341
Unassigned (deficit)	-	-	-
Total fund balances	<u>30,702</u>	<u>39,639</u>	<u>70,341</u>
Total liabilities deferred inflows and fund balances	<u>\$ 30,702</u>	<u>\$ 39,639</u>	<u>\$ 70,341</u>

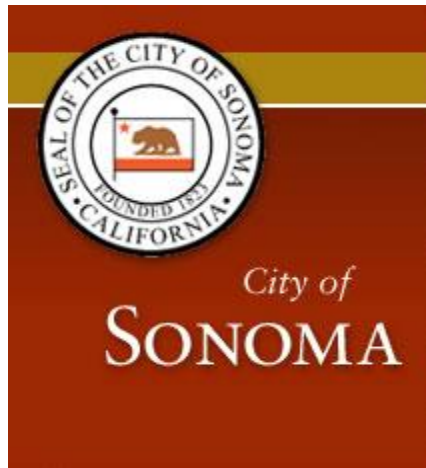
Debt Service Funds				
Municipal Finance Corporation	2008 CREBs	2012 Pension Obligation Bonds	Sub- Totals	Totals
\$ -	\$ -	\$ -	\$ -	\$ 70,341
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,341</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	70,341
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,341</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,341</u>

City of Sonoma, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects and Debt Service Funds
For the year ended June 30, 2015

	Capital Projects Funds		
	Capital Improvement Program	Measure M	Sub- Totals
REVENUES:			
Taxes and assessments	\$ -	\$ 75,191	\$ 75,191
Licenses and permits	22,154	-	22,154
Intergovernmental	10,966	-	10,966
Use of money and property	841	823	1,664
Total revenues	33,961	76,014	109,975
EXPENDITURES:			
Current:			
Public works	-	147,748	147,748
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	147,748	147,748
REVENUES OVER (UNDER) EXPENDITURES	33,961	(71,734)	(37,773)
OTHER FINANCING SOURCES (USES):			
Transfer from fiduciary activities	-	-	-
Transfer to fiduciary activities	-	-	-
Transfers in	-	-	-
Transfers out	(100,000)	-	(100,000)
Total other financing sources and uses	(100,000)	-	(100,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(66,039)	(71,734)	(137,773)
FUND BALANCES (deficit):			
Beginning of year	96,741	111,373	208,114
End of year	<u>\$ 30,702</u>	<u>\$ 39,639</u>	<u>\$ 70,341</u>

Debt Service Funds				
Municipal Finance Corporation	2008 CREBs	2012 Pension Obligation Bonds	Sub- Totals	Totals
\$ -	\$ -	\$ -	\$ -	\$ 75,191
-	-	-	-	22,154
-	-	-	-	10,966
-	-	-	-	1,664
-	-	-	-	109,975
-	-	-	-	147,748
-	186,249	320,000	506,249	506,249
-	-	92,550	92,550	92,550
-	186,249	412,550	598,799	746,547
-	(186,249)	(412,550)	(598,799)	(636,572)
-	30,501	-	30,501	30,501
(19,324)	-	-	(19,324)	(19,324)
175,756	197,476	412,550	785,782	785,782
-	-	-	-	(100,000)
156,432	227,977	412,550	796,959	696,959
156,432	41,728	-	198,160	60,387
(156,432)	(41,728)	-	(198,160)	9,954
\$ -	\$ -	\$ -	\$ -	\$ 70,341

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INTERNAL SERVICE FUNDS

Fund Type	Description
MIS Fund	Accounts for Management Information System maintenance and equipment replacement. Costs are distributed among user departments and transferred as approved in the annual budget process.
Admin Hearings Fund	Accounts for all activities of the City's Administrative Hearings as charged to departments.
Vehicle Replace Fund	Accounts for costs to replace vehicles based on a depreciation schedule. Costs are distributed among user departments and transferred as approved in the annual budget process.
Insurance Fund	Accounts for the City's self-insurance programs, the costs of which are distributed among designated user departments.
Employee Benefits Fund	Accounts for the City's employee benefit programs, the costs of which are distributed among designated user departments.
Long-term Building Maintenance Fund	Accounts for the City's building maintenance reserve programs, the costs of which are distributed among designated user departments.
Computer Loans Fund	Accounts for loans to employees for computer purchases. Reimbursements are collected from employee payroll.
Hardscape Maintenance Fund	Accounts for the City's hardscape maintenance reserve programs.

City of Sonoma, California
Combining Statement of Net Position
Internal Service Funds
For the year ended June 30, 2015

	MIS Fund	Admin Hearings Fund	Vehicle Replacement Fund
ASSETS			
Current assets:			
Cash and investments	\$ 405,119	\$ 9,217	\$ 296,132
Receivables:			
Accounts	-	-	-
Loans/Notes	-	-	393,767
Deposits and other assets	-	-	-
Total current assets	405,119	9,217	689,899
Noncurrent assets:			
Capital assets, net	40,544	-	2,078,898
Total noncurrent assets	40,544	-	2,078,898
Total assets	\$ 445,663	\$ 9,217	\$ 2,768,797
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 9,586	\$ -	\$ -
Due to other funds	-	-	-
Deposits payable	-	8,079	-
Total current liabilities	9,586	8,079	-
Net Position:			
Net investment in capital assets	40,544	-	2,078,898
Unrestricted	395,533	1,138	689,899
Total net position	436,077	1,138	2,768,797
Total liabilities and net position	\$ 445,663	\$ 9,217	\$ 2,768,797

Insurance Fund	Employee Benefits Fund	Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
\$ 40,680	\$ -	\$ 1,298,657	\$ 56,987	\$ 23,714	\$ 2,130,506
-	3,459	-	-	-	3,459
-	-	-	-	-	393,767
-	6,865	-	-	-	6,865
<u>40,680</u>	<u>10,324</u>	<u>1,298,657</u>	<u>56,987</u>	<u>23,714</u>	<u>2,534,597</u>
-	-	-	-	-	2,119,442
-	-	-	-	-	2,119,442
<u>\$ 40,680</u>	<u>\$ 10,324</u>	<u>\$ 1,298,657</u>	<u>\$ 56,987</u>	<u>\$ 23,714</u>	<u>\$ 4,654,039</u>
\$ -	\$ 214,379	\$ 22,000	\$ 12,894	\$ -	\$ 258,859
-	113,632	-	-	-	113,632
-	-	-	-	-	8,079
-	328,011	22,000	12,894	-	380,570
-	-	-	-	-	2,119,442
<u>40,680</u>	<u>(317,687)</u>	<u>1,276,657</u>	<u>44,093</u>	<u>23,714</u>	<u>2,154,027</u>
<u>40,680</u>	<u>(317,687)</u>	<u>1,276,657</u>	<u>44,093</u>	<u>23,714</u>	<u>4,273,469</u>
<u>\$ 40,680</u>	<u>\$ 10,324</u>	<u>\$ 1,298,657</u>	<u>\$ 56,987</u>	<u>\$ 23,714</u>	<u>\$ 4,654,039</u>

City of Sonoma, California

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the year ended June 30, 2015

	MIS Fund	Admin Hearings Fund	Vehicle Replacement Fund
OPERATING REVENUES:			
Interdepartmental charges	\$ 183,574	\$ -	\$ 187,500
Total operating revenues	183,574	-	187,500
OPERATING EXPENSES:			
Salaries and benefits	-	-	-
Contractual services	780	-	-
Materials and supplies	-	-	-
Repairs and maintenance	86,826	-	-
Insurance	-	-	-
Allocated overhead	45,693	-	-
Total operating expenses	133,299	-	-
OPERATING INCOME (LOSS)	50,275	-	187,500
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	1,962	47	9,641
Total non-operating revenues (expenses)	1,962	47	9,641
NET INCOME (LOSS) BEFORE TRANSFERS	52,237	47	197,141
Transfers in	-	-	-
Transfers out	(60,000)	-	-
Total transfers	(60,000)	-	-
CONTRIBUTED CAPITAL	40,544	-	1,179,793
Change in net position	32,781	47	1,376,934
NET POSITION (Deficit):			
Beginning of year	403,296	1,091	1,391,863
End of year	<u>\$ 436,077</u>	<u>\$ 1,138</u>	<u>\$ 2,768,797</u>

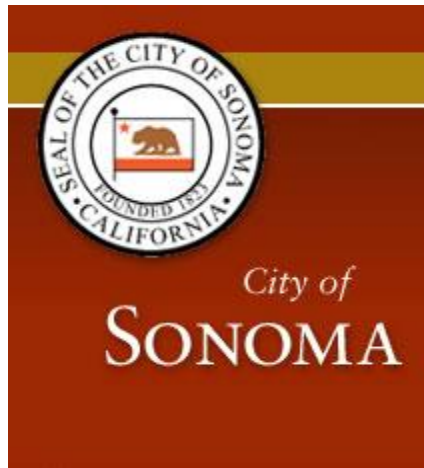
Insurance Fund	Employee Benefits Fund	Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
\$ 132,648	1,225,983	\$ 214,978	\$ -	\$ -	\$ 1,944,683
132,648	1,225,983	214,978	-	-	1,944,683
-	423,145	-	-	-	423,145
-	-	329	-	-	1,109
-	-	115,999	2,057	-	118,056
-	-	-	-	-	86,826
147,723	5,228	-	-	-	152,951
-	-	-	-	-	45,693
147,723	428,373	116,328	2,057	-	827,780
(15,075)	797,610	98,650	(2,057)	-	1,116,903
287	4,949	7,524	278	123	24,811
287	4,949	7,524	278	123	24,811
(14,788)	802,559	106,174	(1,779)	123	1,141,714
-	664,661	-	-	-	664,661
-	-	-	-	-	(60,000)
-	664,661	-	-	-	604,661
-	-	-	-	-	1,220,337
(14,788)	1,467,220	106,174	(1,779)	123	2,966,712
55,468	(1,784,907)	1,170,483	45,872	23,591	1,306,757
\$ 40,680	\$ (317,687)	\$ 1,276,657	\$ 44,093	\$ 23,714	\$ 4,273,469

City of Sonoma, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2015

	MIS Fund	Admin Hearings Fund	Vehicle Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 183,574	\$ -	\$ 976,264
Cash paid to suppliers for goods and services	(123,357)	-	-
Cash paid to employees for services	(413)	-	-
Net cash provided (used) by operating activities	59,804	-	976,264
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	-	-
Transfers paid	(60,000)	-	-
Net cash provided (used) by noncapital financing activities	(60,000)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	-	(899,105)
Payments for loans receivable	-	-	(393,767)
Net cash (used) by capital and related financing activities	-	-	(1,292,872)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	1,962	47	9,641
Net cash provided by investing activities	1,962	47	9,641
Net increase (decrease) in cash and cash equivalents	1,766	47	(306,967)
CASH AND CASH EQUIVALENTS:			
Beginning of year	403,353	9,170	603,099
End of year	<u>\$ 405,119</u>	<u>\$ 9,217</u>	<u>\$ 296,132</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 50,275	\$ -	\$ 187,500
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	-	-
(Increase) decrease in current assets:			
Accounts receivable	-	-	-
Deposits and other assets	3,999	-	788,764
Increase (decrease) in liabilities:			
Accounts payable	5,943	-	-
Compensated absences	(413)	-	-
Net cash provided by operating activities	\$ 59,804	\$ -	\$ 976,264

Insurance Fund	Employee Benefits Fund	Building Maintenance Fund	Computer Loans Fund	Hardscape Maintenance Fund	Totals
\$ 132,648	\$ 1,225,879	\$ 214,978	\$ -	\$ -	\$ 2,733,343
(147,723)	(717,143)	(158,799)	3,042	-	(1,143,980)
-	(423,145)	-	-	-	(423,558)
(15,075)	85,591	56,179	3,042	-	1,165,805
-	664,661	-	-	-	664,661
-	(1,709,885)	-	-	-	(1,769,885)
-	(1,045,224)	-	-	-	(1,105,224)
-	-	-	-	-	(899,105)
-	-	-	-	-	(393,767)
-	-	-	-	-	(1,292,872)
287	4,949	7,524	278	123	24,811
287	4,949	7,524	278	123	24,811
(14,788)	(954,684)	63,703	3,320	123	(1,207,480)
55,468	954,684	1,234,954	53,667	23,591	3,337,986
\$ 40,680	\$ -	\$ 1,298,657	\$ 56,987	\$ 23,714	\$ 2,130,506
\$ (15,075)	\$ 797,610	\$ 98,650	\$ (2,057)	\$ -	\$ 1,116,903
-	-	-	-	-	-
-	(104)	-	-	-	(104)
-	29,622	-	-	-	822,385
-	(741,537)	(42,471)	5,099	-	(772,966)
-	-	-	-	-	(413)
\$ (15,075)	\$ 85,591	\$ 56,179	\$ 3,042	\$ -	\$ 1,165,805

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AGENCY FUNDS

Fund	Description
Agency Funds	
Cultural Fine Arts	Accounts for assets held to be used for cultural fine art programs.
Tree Trust	Accounts for assets held to be used for planting and replacement of trees.
Public Art	Accounts for assets held to be used for public art displays.
Pool Scholarship Fund	Accounts for assets held to be used for services and programs in agreement with Sonoma Valley Health and Recreation Association (SVHRA).
Bid Deposits	Accounts for deposits received from applicants for City Engineering, Special Events, and other special services.
Valley of the Moon Fire Protection District	Accounts for assets held as the fiscal agent for the Valley of the Moon Fire District.

City of Sonoma, California
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	Cultural Fine Arts	Tree Trust	Public Art	Pool Scholarship Fund
ASSETS				
Cash and investments	\$ 10,697	\$ 15,598	\$ 18,021	\$ 250,000
Due from other funds	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Prepays	-	-	-	-
Capital Assets	-	-	-	-
Total assets	\$ 10,697	\$ 15,598	\$ 18,021	\$ 250,000
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Amounts held in trust	10,697	15,598	18,021	250,000
Total liabilities	\$ 10,697	\$ 15,598	\$ 18,021	\$ 250,000

Bid Deposits	Valley of the Moon Fire	Totals
\$ 145,749	\$ 2,928,118	\$ 3,368,183
-	-	-
90	244,154	244,244
-	70,508	70,508
	1,491,927	1,491,927
<u>\$ 145,839</u>	<u>\$ 4,734,707</u>	<u>\$ 5,174,862</u>

\$ 18,582	\$ 42,685	\$ 61,267
127,257	-	127,257
-	4,692,022	4,986,338
<u>\$ 145,839</u>	<u>\$ 4,734,707</u>	<u>\$ 5,174,862</u>

City of Sonoma, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Cultural Fine Arts				
ASSETS				
Cash and investments	\$ 10,642	\$ 55	\$ -	\$ 10,697
Receivables:				
Interest	-	-	-	-
Total assets	<u>\$ 10,642</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 10,697</u>
LIABILITIES				
Amounts held in trust	\$ 10,642	\$ 55	\$ -	\$ 10,697
Total liabilities	<u>\$ 10,642</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 10,697</u>
Tree Trust				
ASSETS				
Cash and investments	\$ 15,518	\$ 80	\$ -	\$ 15,598
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Total assets	<u>\$ 15,518</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 15,598</u>
LIABILITIES				
Amounts held in trust	\$ 15,518	\$ 80	\$ -	\$ 15,598
Total liabilities	<u>\$ 15,518</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 15,598</u>
Public Art				
ASSETS				
Cash and investments	\$ 17,929	\$ 92	\$ -	\$ 18,021
Total assets	<u>\$ 17,929</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 18,021</u>
LIABILITIES				
Amounts held in trust	\$ 17,929	\$ 92	\$ -	\$ 18,021
Total liabilities	<u>\$ 17,929</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 18,021</u>

(continued)

City of Sonoma, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Pool Scholarship Fund				
ASSETS				
Cash and investments	\$ -	\$ 250,000	\$ -	\$ 250,000
Total assets	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
LIABILITIES				
Amount held in trust	\$ -	\$ 250,000	\$ -	\$ 250,000
Total liabilities	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Bid Deposits				
ASSETS				
Cash and investments	\$ 154,450	\$ (8,701)	\$ -	\$ 145,749
Receivables:				
Accounts	(1,168)	1,258	-	90
Total assets	<u>\$ 153,282</u>	<u>\$ (7,443)</u>	<u>\$ -</u>	<u>\$ 145,839</u>
LIABILITIES				
Accounts payable	\$ 3,863	\$ 14,719	\$ -	\$ 18,582
Deposits payable	149,419	(22,162)	-	127,257
Amounts held in trust	-	-	-	-
Total liabilities	<u>\$ 153,282</u>	<u>\$ (7,443)</u>	<u>\$ -</u>	<u>\$ 145,839</u>
Valley of the Moon Fire				
ASSETS				
Cash and investments	\$ 2,642,375	\$ 2,928,118	\$ (2,642,375)	\$ 2,928,118
Receivables:				
Accounts	176,660	244,154	(176,660)	244,154
Prepays	271,347	70,508	(271,347)	70,508
Capital Assets	1,039,210	1,491,927	(1,039,210)	1,491,927
Total assets	<u>\$ 4,129,592</u>	<u>\$ 4,734,707</u>	<u>\$ (4,129,592)</u>	<u>\$ 4,734,707</u>
LIABILITIES				
Accounts payable	\$ 352,695	\$ -	\$ (310,010)	\$ 42,685
Deposits payable	-	-	-	-
Amounts held in trust	3,776,897	4,734,707	(3,819,582)	4,692,022
Total liabilities	<u>\$ 4,129,592</u>	<u>\$ 4,734,707</u>	<u>\$ (4,129,592)</u>	<u>\$ 4,734,707</u>

(continued)

City of Sonoma, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
TOTAL OF ALL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 2,840,914	\$ 3,169,644	\$ (2,642,375)	\$ 3,368,183
Restricted cash and investments	-	-	-	-
Due from other funds				-
Receivables:				
Accounts	175,492	245,412	(176,660)	244,244
Prepays	271,347	70,508	(271,347)	70,508
Capital Assets	1,039,210	1,491,927	(1,039,210)	1,491,927
Total assets	<u>\$ 4,326,963</u>	<u>\$ 4,977,491</u>	<u>\$ (4,129,592)</u>	<u>\$ 5,174,862</u>
LIABILITIES				
Accounts payable	\$ 356,558	\$ 14,719	\$ (310,010)	\$ 61,267
Deposits payable	149,419	(22,162)	-	127,257
Amounts held in trust	3,820,986	4,984,934	(3,819,582)	4,986,338
Total liabilities	<u>\$ 4,326,963</u>	<u>\$ 4,977,491</u>	<u>\$ (4,129,592)</u>	<u>\$ 5,174,862</u>

(concluded)

STATISTICAL SECTION

This part of the City of Sonoma's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, footnotes, and required supplementary information says about the City's overall financial health.

Contents	Page(s)
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	140-149
Revenue Capacity	
City's ability to generate revenues. Property taxes, sales and use taxes, charges for services, licenses, permits and fees and intergovernmental revenue are the City's most significant revenue sources.	150-156
Debt Capacity	
These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	157-159
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	160-161
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	162-169

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. Information was available beginning with the year ended June 30, 2005 for the financial trend schedules.

City of Sonoma, California
Net Position by Component
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Accrual basis of accounting)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ (567,040)	\$ 7,048,854	\$ 17,872,558	\$ 20,116,962
Restricted	6,799,902	7,126,945	5,561,526	4,982,684
Unrestricted	26,922,412	23,782,676	19,235,197	18,029,027
Total governmental activities net position	\$ 33,155,274	\$ 37,958,475	\$ 42,669,281	\$ 43,128,673
Business-type activities				
Net investment in capital assets	\$ 8,108,981	\$ 10,626,889	\$ 10,325,460	10,085,311
Restricted	798,011	391,060	320,084	318,830
Unrestricted	3,607,149	2,893,813	4,238,381	4,851,666
Total business-type activities net position	\$ 12,514,141	\$ 13,911,762	\$ 14,883,925	\$ 15,255,807
Primary government				
Net investment in capital assets	\$ 7,541,941	\$ 17,675,743	\$ 28,198,018	\$ 30,202,273
Restricted	7,597,913	7,518,005	5,881,610	5,301,514
Unrestricted	30,529,561	26,676,489	23,473,578	22,880,693
Total primary government net position	\$ 45,669,415	\$ 51,870,237	\$ 57,553,206	\$ 58,384,480

2010	2011	2012	2013	2014	2015
\$ 21,174,732	\$ 20,100,679	\$ 13,140,039	\$ 12,715,221	\$30,633,549	39,303,569
826,594	23,862,232	267,765	135,054	10,965	-
20,094,671	(6,469,366)	5,899,207	4,417,438	7,522,850	(570,264)
<u>\$ 42,095,997</u>	<u>\$ 37,493,545</u>	<u>\$ 19,307,011</u>	<u>\$ 17,267,713</u>	<u>\$38,167,364</u>	<u>\$38,733,305</u>
\$ 10,572,102	\$ 10,382,031	\$ 9,988,189	\$ 10,357,646	\$ 10,979,875	\$ 14,136,450
320,468	320,468	320,468	185,178	-	-
4,847,786	4,447,802	5,456,447	5,797,987	4,184,621	4,220,715
<u>\$ 15,740,356</u>	<u>\$ 15,150,301</u>	<u>\$ 15,765,104</u>	<u>\$ 16,340,811</u>	<u>\$ 15,164,496</u>	<u>\$ 18,357,165</u>
\$ 31,746,834	\$ 30,482,710	\$ 23,128,228	\$ 23,072,867	\$ 41,613,424	\$ 53,440,019
1,147,062	24,182,700	588,233	320,232	10,965	-
24,942,457	(2,021,564)	11,355,654	10,215,425	11,707,471	3,650,451
<u>\$ 57,836,353</u>	<u>\$ 52,643,846</u>	<u>\$ 35,072,115</u>	<u>\$ 33,608,524</u>	<u>\$ 53,331,860</u>	<u>\$ 57,090,470</u>

City of Sonoma, California

Changes in Net Position

Last Ten Fiscal Years

(Fiscal year ended June 30)

(Accrual basis of accounting)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	1,459,632	1,269,175	1,502,031	2,155,118
Public safety	4,725,535	7,698,692	7,935,616	8,960,544
Public works	1,637,372	1,738,478	1,614,127	1,863,414
Community development	2,084,134	2,183,479	2,159,700	2,593,115
Culture and leisure	308,125	250,500	363,782	268,921
Interest and fiscal charges	1,495,022	1,604,674	1,541,866	1,452,532
Total governmental activities expenses	<u>11,709,820</u>	<u>14,744,998</u>	<u>15,117,122</u>	<u>17,293,644</u>
Business-type activities:				
Water Utility	3,204,235	2,700,873	2,463,527	2,680,161
Cemetery	405,035	379,275	427,526	536,691
Emergency medical services	2,085,652	-	-	-
Deb Interest & Issuance Costs	134,415	127,822	123,339	118,230
Total business-type activities expenses	<u>5,829,337</u>	<u>3,207,970</u>	<u>3,014,392</u>	<u>3,335,082</u>
Total primary government expenses	<u>17,539,157</u>	<u>17,952,968</u>	<u>18,131,514</u>	<u>20,628,726</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	138,806	123,824	105,148	153,413
Public safety	143,842	2,049,865	2,072,433	2,247,496
Public works	719,938	566,836	402,518	229,016
Community development	605,911	626,640	613,606	637,952
Culture and leisure	44,007	32,625	37,291	22,617
Operating grants and contributions	528,348	566,932	359,101	495,057
Capital grants and contributions	617,696	399,321	569,534	-
Total governmental activities program revenues:	<u>2,798,548</u>	<u>4,366,043</u>	<u>4,159,631</u>	<u>3,785,551</u>
Business-type activities:				
Charges for services:				
Water utility	4,283,679	4,083,520	3,844,700	3,630,259
Cemetery	258,030	246,935	306,825	236,105
Emergency Medical Services	1,693,108	-	-	-
Capital Grants and contributions	-	-	-	-
Total business-type activities program revenues:	<u>6,234,817</u>	<u>4,330,455</u>	<u>4,151,525</u>	<u>3,866,364</u>
Total primary government program revenues	<u>9,033,365</u>	<u>8,696,498</u>	<u>8,311,156</u>	<u>7,651,915</u>
Net (Expense)/Revenue				
Governmental activities	(8,911,272)	(10,378,955)	(10,957,491)	(13,508,093)
Business-type activities	<u>405,480</u>	<u>1,122,485</u>	<u>1,137,133</u>	<u>531,282</u>
Total primary government net expense	<u>(8,505,792)</u>	<u>(9,256,470)</u>	<u>(9,820,358)</u>	<u>(12,976,811)</u>

2010	2011	2012	2013	2014	2015
1,622,464	1,592,227	1,892,197	2,473,531	4,049,913	3,193,624
8,651,318	8,601,073	9,027,869	11,350,853	9,499,274	9,738,047
2,291,509	3,890,524	2,185,620	2,393,459	2,580,984	2,103,359
5,095,692	5,497,644	5,370,099	218,749	16,609	1,149,960
170,588	201,033	169,432	175,499	309,418	231,941
1,451,727	2,834,241	1,347,449	155,029	(2,427)	232,972
19,283,298	22,616,742	19,992,666	16,767,120	16,453,771	16,649,903
3,194,385	3,443,789	3,509,816	3,869,772	3,990,174	3,575,634
511,544	516,592	402,769	427,438	275,891	270,439
-	-	-	-	-	-
126,863	87,090	83,028	97,057	-	-
3,832,792	4,047,471	3,995,613	4,394,267	4,266,065	3,846,073
23,116,090	26,664,213	23,988,279	21,161,387	20,719,836	20,495,976
158,089	65,090	301,825	435,079	114,098	29,436
1,842,144	2,068,850	2,012,130	2,169,129	1,288,593	1,491,073
282,656	305,202	468,698	653,318	543,692	82,539
616,906	590,672	437,526	206,369	-	474,038
28,417	28,720	33,662	51,848	36,782	44,900
320,427	729,813	522,990	-	1,108,168	987,302
998,380	188,432	44,274	-	-	-
4,247,019	3,976,779	3,821,105	3,515,743	3,091,333	3,109,288
3,881,364	3,514,936	4,733,546	4,845,255	4,005,862	4,213,641
248,474	318,891	344,773	408,727	313,569	246,896
-	-	-	-	-	-
-	-	-	-	-	-
4,129,838	3,833,827	5,078,319	5,253,982	4,319,431	4,460,537
8,376,857	7,810,606	8,899,424	8,769,725	7,410,764	7,569,825
(15,036,279)	(18,639,963)	(16,171,561)	(13,251,377)	(13,362,438)	(13,540,615)
297,046	(213,644)	1,082,706	859,715	53,366	614,464
(14,739,233)	(18,853,607)	(15,088,855)	(12,391,662)	(13,309,072)	(12,926,151)

(continued)

City of Sonoma, California
Changes in Net Position, Continued
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Accrual basis of accounting)

	2006	2007	2008	2009
Continued from previous page:				
General Revenues and Other Changes in Net Position:				
Governmental activities:				
Property taxes, levied for general purposes	5,915,780	6,893,263	7,099,172	7,362,450
Transient occupancy taxes, levied for general purposes	2,310,917	2,442,997	2,615,474	2,220,336
Sales taxes*	2,411,245	2,545,524	2,519,510	2,412,856
Measure J				
Franchise taxes	330,677	362,049	364,585	393,309
Other taxes	474,306	467,338	433,153	373,229
State motor vehicle in lieu tax (MVLFF)	871,193	751,207	790,678	819,697
Use of money and property	769,141	1,354,470	1,392,854	122,201
Other general revenues	383,710	93,187	50,096	(24,542)
Transfer in (out)	(596,903)	410,956	396,021	287,949
Transfer from (to) fiduciary activities	-	-	-	-
Special items - Successor Agency	-	-	-	-
Special items	2,751,133	(88,566)	4,750	-
Extraordinary Item	-	-	-	-
Total governmental activities	<u>15,621,199</u>	<u>15,232,425</u>	<u>15,666,293</u>	<u>13,967,485</u>
Business-type activities:				
Use of money and property	109,021	219,502	231,051	128,549
Other revenues	(2,830)	-	-	-
Transfer in (out)	596,903	(410,956)	(396,021)	(287,949)
Total business-type activities	<u>703,094</u>	<u>(191,454)</u>	<u>(164,970)</u>	<u>(159,400)</u>
Total primary government	<u>16,324,293</u>	<u>15,040,971</u>	<u>15,501,323</u>	<u>13,808,085</u>
Changes in Net Position				
Governmental activities	6,709,927	4,853,470	4,708,802	459,392
Business-type activities	1,108,574	931,031	972,163	371,882
Total primary government	<u>\$ 7,818,501</u>	<u>\$ 5,784,501</u>	<u>\$ 5,680,965</u>	<u>\$ 831,274</u>

Note: * Includes Measure J taxes in years not separated out

2010	2011	2012	2013	2014	2015
7,301,420	6,614,323	6,969,768	1,544,204	2,112,267	2,714,782
2,084,450	2,385,554	2,358,718	2,974,285	3,254,918	3,568,737
2,172,544	2,260,632	2,610,144	3,845,116	2,717,216	2,827,073
	-			2,225,657	2,252,141
370,989	405,110	378,854	370,686	406,409	525,257
359,624	351,726	407,896	355,836	389,540	472,038
804,095	830,142	756,031	805,258	794,157	849,291
746,141	378,424	135,782	14,998	43,665	18,310
131,614	304,978	79,177	151,799	203,621	97,035
(33,386)	540,046	529,479	311,114	1,432,083	763,738
-	-	-	-	-	(238,823)
-	-	-	-	20,682,556	-
-	-	-	-	-	10,196,008
-	-	(16,534,666)	850,711	-	-
<u>13,937,491</u>	<u>14,070,935</u>	<u>(2,308,817)</u>	<u>11,224,007</u>	<u>34,262,089</u>	<u>24,045,587</u>
154,117	163,633	61,576	27,103	202,402	305,634
-	-	-	-	-	-
33,386	(540,046)	(529,479)	(311,114)	(1,432,083)	(763,738)
<u>187,503</u>	<u>(376,413)</u>	<u>(467,903)</u>	<u>(284,011)</u>	<u>(1,229,681)</u>	<u>(458,104)</u>
<u>14,124,994</u>	<u>13,694,522</u>	<u>(2,776,720)</u>	<u>10,939,996</u>	<u>33,032,408</u>	<u>23,587,483</u>
(1,098,788)	(4,569,028)	(18,480,378)	(2,027,370)	20,899,651	10,504,972
484,549	(590,057)	614,803	575,704	(1,176,315)	156,360
<u>\$ (614,239)</u>	<u>\$ (5,159,085)</u>	<u>\$ (17,865,575)</u>	<u>\$ (1,451,666)</u>	<u>\$ 19,723,336</u>	<u>\$ 10,661,332</u>

(concluded)

City of Sonoma, California
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Modified accrual basis of accounting)

	2006	2007	2008	2009
General Fund:				
Nonspendable	\$ 1,541,166	\$ 1,528,930	\$ 1,520,867	\$ 1,513,784
Assigned	1,567,975	1,843,975	1,840,000	2,099,975
Unassigned	4,682,844	4,857,764	5,116,121	3,878,425
Total general fund	<u>7,791,985</u>	<u>8,230,669</u>	<u>8,476,988</u>	<u>7,492,184</u>
All Other Governmental Funds:				
Nonspendable	19,682,202	16,159,384	9,432,502	13,082,506
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned (deficit)	1,287,904	931,355	1,102,419	(561,431)
Total all other governmental funds	<u>20,970,106</u>	<u>17,090,739</u>	<u>10,534,921</u>	<u>12,521,075</u>
Total all governmental funds	<u>\$28,762,091</u>	<u>\$25,321,408</u>	<u>\$19,011,909</u>	<u>\$20,013,259</u>

2010	2011	2012	2013	2014	2015
\$ 1,518,991	\$ 18,991	\$ 18,991	\$ 18,991	\$ 8,492	\$ 36,806
2,099,975	-	-	-	-	-
1,754,784	5,150,335	4,828,454	6,441,203	6,927,638	6,946,153
5,373,750	5,169,326	4,847,445	6,460,194	6,936,130	6,982,959
4,527,841	1,920,016	-	-	-	-
	21,942,216	267,769	135,054	10,965	
-	1,216,338	648,092	560,032	513,093	353,371
6,815,818	(1,324,763)	(1,519,903)	(2,000,939)	(971,836)	(19,263)
11,343,659	23,753,807	(604,042)	(1,305,853)	(447,778)	334,108
\$16,717,409	\$28,923,133	\$ 4,243,403	\$ 5,154,341	\$ 6,488,352	\$ 7,317,067

City of Sonoma, California
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Fiscal year ended June 30)
(Modified accrual basis of accounting)

Revenues:	2006	2007	2008
Taxes	\$12,196,679	\$13,315,366	\$13,779,725
Licenses and permits	1,335,472	580,338	440,924
Fines and forfeitures	55,377	66,732	76,523
Intergovernmental	687,081	1,200,158	1,039,138
Use of money and property	1,479,056	2,082,312	2,119,008
Charges for services	82,868	1,957,865	1,919,739
Reimbursements			-
Sale of Property	2,811,492	6,186	4,750
Other revenues	460,367	67,123	50,096
Total revenues	19,108,392	19,276,080	19,429,903
Expenditures:			
Current:-			
General government	1,085,349	1,113,720	1,232,791
Public safety	4,483,707	7,289,780	7,356,219
Public works	1,530,020	1,681,757	1,491,389
Community development	1,069,387	1,197,594	1,141,904
Culture and leisure	308,125	250,500	363,782
Capital Outlay	8,018,772	8,670,488	12,222,955
Debt Service:			
Principal retirement	834,394	960,048	793,731
Interest and fiscal charges	1,489,767	1,612,674	1,543,427
Bond issuance costs	-	-	-
Total expenditures	18,819,521	22,776,561	26,146,198
Reconciliation of Governmental Revenues			
Less Expenditures to Fund Equity:			
Revenues over (under) expenditures	\$ 288,871	\$ (3,500,481)	\$ (6,716,295)
Other financing sources (uses):			
Proceeds from sale of assets	-	-	-
Proceeds from issuance debt	-	-	-
Transfers from (to) the Successor Agency Private Purpose Trust	-	-	-
Transfers in	3,063,090	3,847,585	3,856,163
Transfers out	(2,990,231)	(3,465,610)	(3,451,371)
Total other financing sources (uses)	72,859	381,975	404,792
Extraordinary gain (loss)	\$ -	\$ -	\$ -
Net change in fund balances	\$ 361,730	\$ (3,118,506)	\$ (6,311,503)
Debt service as a percentage of noncapital expenditures	10%	8%	7%

2009	2010	2011	2012	2013	2014	2015
\$13,451,894	\$12,742,434	\$ 12,825,025	\$ 13,439,006	\$10,060,936	\$12,010,532	\$13,338,532
274,508	339,942	364,171	518,454	399,554	60,750	36,904
68,068	100,841	96,285	81,668	91,239	72,941	106,457
672,364	1,499,521	865,355	559,015	421,799	805,912	604,380
825,648	1,450,616	1,180,678	651,840	448,331	148,610	133,368
2,193,769	1,775,514	1,755,180	1,955,458	2,289,023	1,906,605	2,092,103
-	-	-	-	-	23,494	82,504
-	-	-	-	-	-	-
228,836	145,728	1,908,656	312,030	135,767	209,939	14,704
17,715,087	18,054,596	18,995,350	17,517,471	13,846,649	15,238,783	16,408,952
1,763,696	1,427,859	1,373,732	1,607,249	2,253,139	2,806,182	1,697,946
8,331,541	8,604,796	8,443,394	8,780,054	11,306,638	9,293,207	9,342,063
1,727,394	2,224,132	2,331,859	2,136,544	2,556,846	1,607,707	1,723,031
635,162	3,729,242	4,973,078	3,435,716	218,809	16,609	1,149,960
268,921	170,588	201,033	169,432	184,693	309,418	231,941
3,570,252	2,771,516	3,136,331	2,835,022	297,342	1,082,417	781,751
849,684	895,483	10,465,665	1,525,572	277,839	351,749	506,249
1,454,395	1,450,232	1,530,740	1,433,188	48,707	98,008	92,550
-	-	837,960	-	114,018	-	-
18,601,045	21,273,848	33,293,792	21,922,777	17,258,031	15,565,297	15,525,491
\$ (885,958)	\$ (3,219,252)	\$ (14,298,442)	\$ (4,405,306)	\$ (3,411,382)	\$ (326,514)	\$ 883,461
-	-	-	-	-	-	-
-	-	25,730,650	-	2,925,000	-	25,000
-	-	66,131	-	117,206	168,472	(238,823)
4,190,408	3,483,235	15,262,994	4,371,970	1,107,018	2,214,279	2,590,219
(3,428,938)	(3,491,810)	(14,559,369)	(3,727,520)	(723,596)	(722,196)	(2,431,142)
761,470	(8,575)	26,500,406	644,450	3,425,628	1,660,555	(54,746)
\$ -	\$ -	\$ -	\$ (21,183,407)	\$ 908,630	\$ -	\$ -
\$ (124,488)	\$ (3,227,827)	\$ 12,201,964	\$ (24,944,263)	\$ 922,876	\$ 1,334,041	\$ 828,715
7%	6%	65%	9%	2%	3%	4%

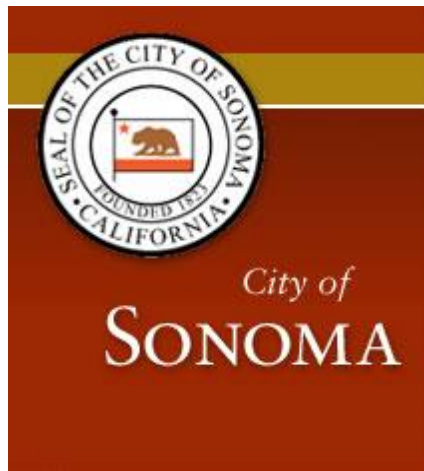
City of Sonoma, California
Assessed Value and Actual Value of Taxable Property
For the last ten fiscal years

	City			Taxable Assessed Value	Sonoma Community Development Agency			Total Direct Tax Rate
	Secured	Unsecured	SBE Nonunitary		Secured	Unsecured	Taxable Assessed Value	
FY 05-06	1,608,621,852	47,039,824	50,528	1,655,712,204	Not Available	Not Available	Not Available	1.000%
FY 06-07	1,806,134,975	49,963,802	50,528	1,856,149,305	543,717,415	27,040,106	570,757,521	1.000%
FY 07-08	1,976,090,759	48,116,115	50,528	2,024,257,402	585,257,925	25,325,439	610,583,364	1.000%
FY 08-09	2,059,161,863	54,930,102	50,528	2,114,142,493	610,543,622	30,405,722	640,949,344	1.000%
FY 09-10	2,043,669,585	56,968,329	50,528	2,100,688,442	622,898,977	29,886,794	652,785,771	1.000%
FY 10-11	1,997,965,325	56,788,225	55,493	2,054,809,043	601,455,951	28,994,411	630,450,362	1.000%
FY 11-12	1,968,186,106	65,149,641	55,493	2,033,391,240	589,071,492	26,833,565	615,905,057	1.000%
FY 12-13	1,971,795,133	65,967,784	55,493	2,037,818,410	588,928,847	28,846,946	617,775,793	1.000%
FY 13-14	2,077,088,935	61,456,939	55,493	2,138,601,367	620,483,151	26,899,661	647,382,812	1.000%
FY 14-15	2,222,191,056	65,887,123	32,669	2,288,110,848	653,298,838	28,776,617	682,075,455	1.000%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Sonoma County Auditor-Controller & HdL

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City of Sonoma, California
Direct and Overlapping Tax Rates
For the last ten fiscal years
(Rate per \$1,000 of assessed value)

	Direct Rates		West Dam
	Basic Rate	Total Direct	Russian River Project
FY 05-06	1.0000	1.0000	0.00700
FY 06-07	1.0000	1.0000	0.00700
FY 07-08	1.0000	1.0000	0.00700
FY 08-09	1.0000	1.0000	0.00700
FY 09-10	1.0000	1.0000	0.00700
FY 10-11	1.0000	1.0000	0.00700
FY 11-12	1.0000	1.0000	0.00700
FY 12-13	1.0000	1.0000	0.00700
FY 13-14	1.0000	1.0000	0.00700
FY 14-15	1.0000	1.0000	0.00700

Note: In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies whose boundaries include the subject property. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of School District Bonds, Healthcare District General Obligation Bonds, and the West Sonoma Russian River Project.

Source: Sonoma County Auditor-Controller & HdL

Overlapping Rates			
Sonoma County Healthcare District G.O. Bonds	Sonoma Valley Unified Bond	Sonoma County Junior College Bond	Total Tax Rate
0.00000	0.05500	0.02500	1.08700
0.00000	0.05250	0.02500	1.08450
0.00000	0.05000	0.02500	1.08200
0.00000	0.05840	0.02500	1.09040
0.02700	0.04800	0.02100	1.10300
0.02710	0.04800	0.02100	1.10310
0.02730	0.05350	0.02100	1.10880
0.02710	0.05200	0.01880	1.10490
0.03700	0.04850	0.01800	1.11050
0.03700	0.04850	0.01800	1.11050

(concluded)

City of Sonoma, California
Principal Property Tax Payers
Current Year and Ten Years Ago

Property Owner	2014 - 2015			2005 - 2006		
	Assessed Valuation	Rank	% of Total	Assessed Valuation	Rank	% of Total
Diamond Rock Sonoma	\$ 33,863,362	1	1.47%	\$ 33,082,744	1	1.98%
Foley Family Wines	30,400,840	2	1.32%	-	-	-
S And N Company Sonoma Limited	22,066,036	3	0.96%	16,854,916	2	1.01%
800 Oregon Street LLC	20,846,688	4	0.90%	-	-	-
Comcast of East San Fernando Valley LI	17,343,523	5	0.75%	11,631,955	5	0.70%
Richard and Mary Ann Sebastiani Cunec	14,190,413	6	0.61%	9,068,978	7	0.54%
Maria J and Michael T Lounibos	11,905,870	7	0.52%	-	-	-
N William Jasper Jr Trust	10,956,552	8	0.47%	-	-	-
29 East MacArthur Trust	10,842,386	9	0.47%	9,621,440	6	0.58%
Avalon At Sonoma LLC	10,579,260	10	0.46%	-	-	-
Sebastiani Vineyards	-	-	-	16,718,357	3	1.00%
Westlake Development Company	-	-	-	11,758,521	4	0.70%
Auburn Manor Holding Corporation	-	-	-	7,896,975	8	0.47%
Sonoma Court Shops	-	-	-	7,526,322	9	0.45%
Tim Gamber	-	-	-	6,879,392	10	0.41%
	<u>\$ 182,994,930</u>		<u>7.93%</u>	<u>\$ 131,039,600</u>		<u>7.84%</u>

Source: County of Sonoma and HdL

City of Sonoma, California

Schedule of Top 25 Principal Sales Tax Remitters (listed in alphabetical order)

Current Year and Nine Years Ago

Fiscal Year Ended June 30

2015	2006
Chevron Service Stations	Albertson's Food Centers
CVS Pharmacy	Chevron Service Stations
Decon Construction System	CVS Pharmacy
Della Santina's Restaurant	Della Santina'S Restaurant
El Dorado Kitchen	Diageo North America
Friedman Brothers Hardware	El Dorado Kitchen
Girl and the Fig Restaurant	Elaine Bell Catering
Hopmonk Tavern	Esposti Chevrolet
Lucky Market	Friedman Brothers Hardware
MacArthur Place Hotel & Spa	Girl & The Fig Restaurant
Mary's Pizza Shack	Holder Ford Lincoln Mercury
McCaulou's Department Store	Jolly Washer Service Station
Ramekins Culinary School and Catering	Macarthur Place Hotel & Spa
Red Grape Pizzeria	Mary's Pizza Shack
Rite Aid Drug Stores	McCaulou'S Department Store
Safeway Stores	Rite Aid Drug Stores
Sebastiani Vineyards and Winery	Safeway Stores
Shell Service Stations	Sebastiani Vineyards & Winery
Sonoma Chevrolet	Shell Service Stations
Sonoma Market	Sonoma Market
Staples Office Superstores	Sonoma Truck & Auto Center
Swiss Hotel and Resorts	Swiss Hotel & Resorts
The Lodge At Sonoma	The Lodge At Sonoma
Union 76 Service Stations	Union 76 Service Stations
Whole Foods Market	Whole Foods Market

Note: The lists above includes both public and private entities and therefore the dollar values have been omitted because the information is not public information. Rankings are determined by the sales dollar volume.

City of Sonoma, California
Property Tax Levies and Collections
For the last ten fiscal years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	2,521,965	2,521,965	100%	-	2,521,965	100%
2007	2,887,073	2,887,073	100%	-	2,887,073	100%
2008	3,019,199	3,019,199	100%	-	3,019,199	100%
2009	2,935,212	2,935,212	100%	-	2,935,212	100%
2010	2,664,676	2,664,676	100%	-	2,664,676	100%
2011	2,757,912	2,757,912	100%	-	2,757,912	100%
2012	2,884,143	2,884,143	100%	-	2,884,143	100%
2013	4,172,979	4,172,979	100%	-	4,172,979	100%
2014	3,497,523	3,497,523	100%	-	3,497,523	100%
2015	3,623,939	3,623,939	100%	-	3,623,939	100%

City in the year of the levy with the County retaining any interest or penalties on uncollected balances.

Source: Sonoma County Auditor-Controller's Office

City of Sonoma, California
Direct and Overlapping Debt
Current Year
June 30, 2015

2014-2015 Assessed Valuation:	\$ 2,288,110,848		
	Total Debt		City's Share of
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>6/30/2015</u>	<u>(1)</u>	<u>Debt 6/30/2015</u>
Sonoma County Joint Community College District	\$ 169,770,000	3.138%	\$ 5,327,383
Sonoma Valley Unified School District	65,718,881	28.315%	18,608,301
Sonoma Valley HealthCare District	35,437,000	28.826%	10,215,070
Schell-Vista Fire Protection District Community Facilities District	1,659,351	5.860%	97,238
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 34,247,992
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Sonoma County Certificates of Participation	\$ 25,272,861	3.168%	\$ 800,644
Sonoma County Pension Obligation Bonds	443,565,000	3.168%	14,052,139
Sonoma County Office of Education of Certificates of Participation	4,500,000	3.168%	47,520
Sonoma County Joint Community College District General Fund Obligation	1,575,000	3.138%	49,424
City of Sonoma General Fund Obligation	417,490	100%	417,490
City of Sonoma Pension Obligation Bonds	2,160,000	100%	2,160,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 17,527,217.00
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	\$ 38,960,000	97.714%	\$ 38,069,374
TOTAL DIRECT DEBT			\$ 2,577,490
TOTAL OVERLAPPING DEBT			\$ 87,267,093
COMBINED TOTAL DEBT			\$ 89,844,583.00 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.50%
Total Direct Debt (\$2,577,490)	0.11%
Combined Total Debt	3.93%

Ratio to Redevelopment Successor Agency Incremental Valuation (\$819,396,241):

Total Overlapping Tax Increment Debt	4.65%
--------------------------------------	-------

Source: California Municipal Statistics

City of Sonoma, California
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in thousands)

	2006	2007	2008	2009
Assessed Value	\$ 1,608,621,852	\$ 1,806,134,975	\$ 1,976,090,759	\$ 2,059,161,863
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Value	402,155,463	451,533,744	494,022,690	514,790,466
Debt Limit Percentage	15%	15%	15%	15%
Debt limit	60,323,319	67,730,062	74,103,403	77,218,570
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 60,323,319	\$ 67,730,062	\$ 74,103,403	\$ 77,218,570
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Notes: The Government Code of the State of California provides for a legal debt limit of 15% of grossed assessed secured tax valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of the assessed value for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

The City does not have any outstanding general obligation debt subject to the limit.

Source: California Municipal Statistics

2010	2011	2012	2013	2014	2015
\$ 2,043,669,585	\$ 1,997,965,325	\$ 1,968,186,106	\$ 1,971,795,133	\$ 2,077,088,935	\$ 2,222,191,056
25%	25%	25%	25%	25%	25%
510,917,396	499,491,331	492,046,527	492,948,783	519,272,234	555,547,764
15%	15%	15%	15%	15%	15%
76,637,609	74,923,700	73,806,979	73,942,317	77,890,835	83,332,165
-	-	-	-	-	-
\$ 76,637,609	\$ 74,923,700	\$ 73,806,979	\$ 73,942,317	\$ 77,890,835	\$ 83,332,165
0%	0%	0%	0%	0%	0%

City of Sonoma, California
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income City of Sonoma (in thousands)</u>	<u>Per Capita Personal Income City of Sonoma</u>	<u>Unemployment Rate City of Sonoma</u>
2005	9,792	\$366,847	\$37,464	3.6
2006	9,847	\$401,973	\$40,822	3.2
2007	9,887	\$425,670	\$43,053	3.5
2008	9,911	\$431,815	\$43,569	4.6
2009	9,984	\$418,863	\$41,953	7.9
2010	10,078	\$410,366	\$40,719	8.6
2011	10,665	\$408,896	\$38,340	8.0
2012	10,731	\$440,776	\$41,075	5.3
2013	10,801	\$463,460	\$42,909	4.2
2014	10,821	\$488,319	\$45,127	5.0

Sources

Population: California Department of Finance; Unemployment: California Employment Development Department

2000-2009 Income, Age, and Education Data: ESRI-Demographic estimates are based on last Census data. Projections are developed by incorporating all the prior census data released to date. Demographic data is totaled from Census Block Groups that overlap the City's boundaries. 2010 and later- Income, Age, and Education Data-US Census Bureau, most recent American Community Survey

City of Sonoma, California
Principal Employers
Current Year

Employer	2014 - 2015		
	Employees	Rank	Percentage of Top 10 Employment
Sonoma Valley Hospital	400	1	22.86%
Sonoma Valley Unified School District	280	2	16.00%
The Lodge at Sonoma	240	3	13.71%
Sonoma Market	200	4	11.43%
MacArthur Place	130	5	7.43%
Gloria Ferrer Winery	100	6	5.71%
Whole Foods	100	6	5.71%
Safeway	100	6	5.71%
Sebastiani Winery	100	6	5.71%
The Girl and The Fig	100	6	5.71%
Total	1,750		

Source: City of Sonoma

City of Sonoma, California
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years
(Fiscal year ended June 30)

Function	2006	2007	2008	2009	2010	2011	2012
General government	8	8	7	7	9	7	6
Public safety*	80	80	70	70	26	25	1
Public works	11	11	13	13	10	7	5
Water	8	8	8	8	10	9	8
Cemetery	3	3	3	3	3	1	1
Community development	7	7	7	7	6	3	4
Community Center							
Total	116	116	108	108	64	52	25

* Police Services are provided by the County of Sonoma. Other than a single part time employee, all police employees are employees of the County and, therefore are not included in this count. Beginning in 2012, Fire Services were transferred to the Valley of the Moon Fire Protection District. All Fire and EMS employees were transferred to the Valley of the Moon Fire Protection District.

Source: City Finance Department

<u>2013</u>	<u>2014</u>	<u>2015</u>
6	6	6
1	1	1
11	11	12
12	11	12
2	2	2
6	7	7
<u>38</u>	<u>38</u>	<u>40</u>

City of Sonoma, California
Operating Indicators by Function
Last Six Fiscal Years
(Fiscal year ended June 30)

Function	2006	2007	2008	2009
Police¹				
Median Response Time to Priority Calls ¹	5 min 13 sec	4 min 38 sec	4 min 43 sec	4 min 34 sec
Arrests	782	719	814	760
DUI Arrests	59	71	80	147
Parking citations issued	1,829	1,436	1,681	3,043
Fire²				
Calls for Service (Fire)	34	29	32	40
Calls for Service (Medical)	997	1,317	1,396	1,298
Calls for Service (All Other)	405	311	332	327
Public works				
Pavement Condition Index (PCI) ³	80	79	79	79
Water⁴				
Water Service Line Breaks / Leaks	26	33	18	19
Water Main Breaks / Leaks	2	4	0	1
Complaints Reported	5	5	5	4
Building:				
Permits Issued	572	512	401	357
Building Inspections	3,331	2,838	1,856	1,362
Plan Checks	492	593 #	472	344
Residential Unit Finals	63	116	20	18
Valuation	31,382,041	25,141,940	16,492,938	7,488,818

¹. Police Data is issued on a calendar year basis.

². Fire Department Data is issued on a calendar year basis

³. Pavement Condition Index as reported to Metropolitan Transportation Commission.

⁴. From Division of Drinking Water Annual Reports

Source: City Finance Department

2010	2011	2012	2013	2014	2015
5 min 0 sec	4 min 55 sec	4 min 52 sec	4 min 37 sec	5 min 31 sec	N/A
759	715	637	556	551	N/A
62	77	70	72	82	N/A
2,639	2,703	2,726	1,474	1,547	N/A
32	27	18	32	11	17
1,361	1,402	1,458	1,431	1,521	1,607
390	394	419	449	498	492
77	74	71	72	72	75
23	28	15	15	20	N/A
0	0	1	0	0	N/A
5	4	2	12	5	N/A
352	410	455	521	605	585
915	1,054	1,203	1,590	1,815	1,885
419	526	587	786	840	883
2	7	5	18	48	32
10,463,686	10,619,235	19,241,877	11,446,124	21,489,378	18,294,290

City of Sonoma, California
Capital Asset Statistics by Function
Last Six Fiscal Years
(Fiscal year ended June 30)

Function	2006	2007	2008	2009	2010
Police ¹					
Stations	1	1	1	1	1
Fire ²					
Fire stations	1	1	1	1	1
Public works					
Streets (miles)	N/A	N/A	N/A	N/A	N/A
Bridges	N/A	N/A	N/A	N/A	N/A
Catch Basins	N/A	N/A	N/A	N/A	N/A
Parks	N/A	N/A	N/A	N/A	N/A
Cemetery:					
# of Cemeteries	3	3	3	3	3
Water:					
Service Connections / Customers	N/A	N/A	N/A	3900	3900
Valves	N/A	N/A	N/A	N/A	N/A
Fire Hydrants	N/A	N/A	N/A	476	476
Water Tanks	N/A	N/A	N/A	6	6
Wells	N/A	N/A	N/A	7	7
Booster Pump Stations	N/A	N/A	N/A	2	2
Water Main (miles)	N/A	N/A	N/A	49	49

1. Police Services are provided by the County of Sonoma. The City owns assets such as the Police Station and some equipment. Other equipment such as vehicles is owned by the County and leased to the City.

2. Beginning in 2012, Fire Services were transferred to the Valley of the Moon Fire Protection District. The City owns all assets associated with providing fire and EMS services within City limits.

Source: City Finance Department

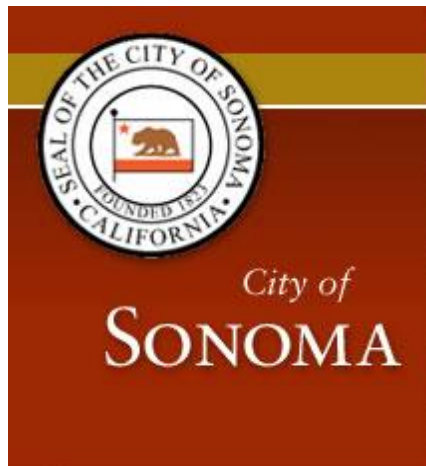
2011	2012	2013	2014	2015
1	1	1	1	1
1	1	1	1	1
N/A	N/A	33.8	33.8	33.8
N/A	N/A	11	11	11
N/A	N/A	485	485	485
N/A	17	17	17	17
3	3	3	3	3
3900	4300	N/A	4383	4367
N/A	N/A	N/A	1437	1437
476	476	N/A	476	476
6	6	N/A	6	6
7	7	N/A	7	7
2	2	N/A	2	2
49	49	N/A	49	49

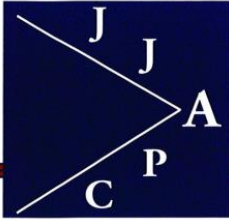
City of Sonoma, California
Capital Asset Statistics by Funds
Last Six Fiscal Years
(Fiscal year ended June 30)

	2010	2011	2012	2013
Governmental-type				
Land	\$15,308,268	\$ 13,858,268	\$ 2,901,725	\$ 2,901,724
Construction-in-progress	1,288,119	1,029,988	-	75,667
Buildings & Improvements	20,944,077	21,183,915	7,963,822	7,777,032
Infrastructure	21,220,898	22,676,786	6,042,115	6,422,255
Equipment & Vehicles	5,404,995	5,629,140	5,317,195	5,493,506
Total	<u>64,166,357</u>	<u>64,378,097</u>	<u>22,224,857</u>	<u>22,670,184</u>
Accumulated depreciation				
Land	-	-	-	-
Buildings & Improvements	6,796,804	4,747,978	4,851,206	4,996,824
Infrastructure	1,754,328	682,747	800,753	922,626
Equipment & Vehicles	2,934,927	2,988,537	3,385,702	3,593,904
Total Accumulated depreciation	<u>-</u>	<u>8,419,262</u>	<u>9,037,661</u>	<u>9,513,354</u>
Total Governmental net capital assets	<u>64,166,357</u>	<u>55,958,835</u>	<u>13,187,196</u>	<u>13,156,830</u>
Business-type Activities				
Land	960,472	960,472	960,472	960,472
Construction in Progress	-	60,504	-	83,735
Buildings & Improvements	21,015,514	21,143,368	21,203,872	21,566,493
Infrastructure	25,572	25,572	25,572	25,572
Equipment & Vehicles	911,680	911,680	942,455	942,455
Total	<u>22,913,238</u>	<u>23,101,596</u>	<u>23,132,371</u>	<u>23,578,727</u>
Accumulated depreciation				
Land	-	-	-	-
Construction in Progress	-	-	-	-
Buildings & Improvements	8,554,104	8,809,501	8,813,736	9,148,366
Infrastructure	1,046,877	1,222,982	1,224,192	1,578,822
Equipment & Vehicles	745,795	783,859	783,859	818,578
Total accumulated depreciation	<u>10,346,776</u>	<u>10,816,342</u>	<u>10,821,787</u>	<u>11,545,766</u>
Total Business-type net capital assets	<u>\$12,566,462</u>	<u>\$ 12,285,254</u>	<u>\$ 12,310,584</u>	<u>\$ 12,032,961</u>

2014	2015
\$ 4,868,520	\$ 5,141,367
858,520	594,952
18,598,131	24,086,575
22,858,229	19,849,532
5,166,119	4,867,626
<u>52,349,519</u>	<u>54,540,052</u>
-	-
9,523,842	7,715,259
5,972,046	2,402,620
3,322,592	2,750,504
<u>18,818,480</u>	<u>12,868,383</u>
<u>33,531,039</u>	<u>41,671,669</u>
960,472	960,472
981,294	458,469
16,876,552	3,136,523
4,715,513	20,850,377
942,455	1,297,993
<u>24,476,286</u>	<u>26,703,834</u>
-	-
-	-
10,467,362	1,005,371
671,935	9,141,897
872,114	865,058
<u>12,011,411</u>	<u>11,012,326</u>
<u>\$ 12,464,875</u>	<u>\$ 15,691,508</u>

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JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

Independent Auditor's Report

To the Honorable Mayor and City Council
of the City of Sonoma
Sonoma, 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 business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Sonoma (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

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

June 28, 2016

JJACPA, Inc.
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Dublin, CA