

**CITY OF SONORA
TRANSPORTATION DEVELOPMENT ACT
FUND**

Independent Auditor's Reports,
Financial Statements, and
Required Supplementary Information

For the Years Ended June 30, 2018 and 2017



Certified
Public
Accountants

CITY OF SONORA
TRANSPORTATION DEVELOPMENT ACT FUND
For the Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Tuolumne County
Transportation Council and the
City Council of the City of Sonora
Sonora, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Fund of the City of Sonora (City), California, as of and for the years ended June 30, 2018 and 2017, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2018 and 2017, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the TDA Fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2018 and 2017, and the changes in its financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards* and the California Transportation Development Act

In accordance with *Government Auditing Standards* and the California Transportation Development Act, we have also issued our report dated October 26, 2018, 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, as it relates to the TDA Fund. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance, as it relates to the TDA Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the California Transportation Development Act in considering the City's internal control over financial reporting and compliance, as it relates to the TDA Fund.



Sacramento, California
October 26, 2018

CITY OF SONORA
Transportation Development Act Fund
Balance Sheets
June 30, 2018 and 2017

| | 2018 | 2017 |
|----------------------------------------|------------------|------------------|
| Assets | | |
| Pooled cash and investments | \$ 36,357 | \$ 18,707 |
| Due from other governments: | | |
| Tuolumne County Transportation Council | 27,450 | 17,296 |
| Interest receivable | 299 | 35 |
| Total assets | \$ 64,106 | \$ 36,038 |
| Fund Balance | | |
| Restricted | \$ 64,106 | \$ 36,038 |

See accompanying notes to the financial statements.

CITY OF SONORA
 Transportation Development Act Fund
 Statements of Revenues, Expenditures and
 Changes in Fund Balance
 For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|------------------------------------------------|-------------|-------------|
| Revenues | | |
| Intergovernmental: | | |
| Tuolumne County Transportation Council: | | |
| Local Transportation Funds - streets and roads | \$ 27,450 | \$ 17,296 |
| Regional Surface Transportation Program | 40,000 | - |
| Investment earnings | 618 | 129 |
| Total revenues | 68,068 | 17,425 |
| Expenditures | | |
| Miscellaneous projects | 40,000 | 13,949 |
| Changes in fund balance | 28,068 | 3,476 |
| Fund balance - beginning of year | 36,038 | 32,562 |
| Fund balance - end of year | \$ 64,106 | \$ 36,038 |

See accompanying notes to the financial statements.

CITY OF SONORA
Transportation Development Act Fund
Notes to the Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Transportation Development Act (TDA) Fund is a special revenue fund of the City of Sonora (City) and is included in the basic financial statements of the City. These financial statements are intended to present only the financial position, changes in financial position, and budgetary comparison of the TDA Fund of the City. They do not present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

The Tuolumne County Transportation Council (Council), the designated Regional Transportation Planning Agency (RTPA) for the City, allocates Local Transportation Funds (LTF) and Regional Surface Transportation Program (RSTP) funds to the City for local streets and roads purposes. These funds must be expended according to the Council's instructions. These financial statements report only the activity of the City's TDA Fund which is directly related to the Council's allocation instructions.

Basis of Presentation and Accounting/Measurement Focus

The TDA Fund is a special revenue fund of the City. Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Governmental fund types use the flow of financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Measurable means the amount of the transaction can be determined and available means collectible within 60-days subsequent to year-end to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Pooled Cash and Investments

The City follows the practice of pooling cash and investments for all funds (including the TDA Fund) under its direct daily control. Investment earnings on pooled cash and investments are allocated periodically to the various funds based on average daily cash balances. Detailed disclosures, including investment policies and associated risk policies, regarding the City's cash and investments are included in the notes to the City's basic financial statements.

CITY OF SONORA
Transportation Development Act Fund
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent as follows:

Restricted – to reflect amounts that can only be used for specific purposes pursuant to constraints externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2018 and 2017, the City's TDA Fund fund balance of \$64,106 and \$36,038, respectively, is restricted by laws and regulations imposed by the State of California for transportation-related activities.

NOTE B – COMPLIANCE REQUIREMENTS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT

The California Transportation Development Act (TDA) is defined at Chapter 4 of the California Public Utilities Code commencing with Section 99200. Funds received pursuant to Section 99400(a) may only be used for local streets and roads projects. Funds received pursuant to Section 99402 (Article 8) may only be used for the development, construction, and maintenance of City streets and highways network, including planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. TDA funds are apportioned, allocated and paid in accordance with allocation instructions from the Council.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SONORA
Transportation Development Act Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------------|-------------------------|---------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Tuolumne County | | | | |
| Transportation Council: | | | | |
| Local transportation funds | | | | |
| - streets and roads | \$ 40,974 | \$ 40,974 | \$ 27,450 | \$ (13,524) |
| Regional Surface Transportation Program | - | - | 40,000 | 40,000 |
| Investment earnings | - | - | 618 | 618 |
| | <u>40,974</u> | <u>40,974</u> | <u>68,068</u> | <u>27,094</u> |
| | 40,974 | 40,974 | 68,068 | 27,094 |
| Expenditures: | | | | |
| Miscellaneous projects | <u>40,974</u> | <u>40,974</u> | <u>40,000</u> | <u>974</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>28,068</u> | <u>\$ 28,068</u> |
| Changes in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>28,068</u> | <u>\$ 28,068</u> |
| Fund balance - beginning of year | | | <u>36,038</u> | |
| Fund balance - end of year | | | <u>\$ 64,106</u> | |

See accompanying note to the required supplementary information.

CITY OF SONORA
Transportation Development Act Fund
Note to the Required Supplementary Information
For the Year Ended June 30, 2018

Budgetary Control

The City operates under the general laws of the State of California and annually adopts a budget for its special revenue funds to be effective July 1, for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Any budget adjustments are presented by City staff to the City Council for approval. Department heads may, upon approval from the City administrator, make transfers from one object to another within the same budget unit. All appropriations lapse at year-end. The City adopted a budget for its TDA Fund on a basis consistent with accounting principles generally accepted in the United States of America.

OTHER REPORT



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*
and the California Transportation Development Act**

To the Tuolumne County
Transportation Council and the
City Council of the City of Sonora
Sonora, California

We have audited, 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, the financial statements of the Transportation Development Act (TDA) Fund of the City of Sonora (City), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2018.

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 as it relates to the TDA Fund (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 of its TDA Fund are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules, and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Tuolumne County Transportation Council as required by Section 6666 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, 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* or the California Transportation Development Act.

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* and the California Transportation Development Act in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California

October 26, 2018