



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 5/21/2024

To: Sonoma County Board of Supervisors, Board of Directors of the Sonoma County Water Agency, Board of Commissioners of the Community Development Commission
Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector and County Administrator's Office
Staff Name and Phone Number: Jennifer Calderon 707-565-3289, Peter Bruland 707-565-3086
Vote Requirement: Majority
Supervisorial District(s): Countywide

Title:

County of Sonoma's Annual Audited Financial Reports and Post Audit Budget Adjustments for the Fiscal Year Ended June 30, 2023

Recommended Action:

- A) Accept the County of Sonoma Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023.
- B) Accept the Single Audit Reports for the year ended June 30, 2023, for the County of Sonoma, Sonoma County Water Agency, Sonoma County Transit, Sonoma County Community Development Commission, and the Russian River County Sanitation District.
- C) Accept the Sonoma County Employees' Retirement Association Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for Employer Reporting as of June 30, 2023.
- D) Accept the County of Sonoma Other Postemployment Benefit Plan Schedule of Employer Allocations and Schedule of Other Postemployment Benefit Plan Amounts by Employer for Employer Reporting as of June 30, 2023.
- E) Accept the Independent Accountant's Report on Applying Agreed-Upon Procedures for the Year Ended June 30, 2023 Measure M County of Sonoma, California.
- F) Ratify the Fiscal Year 2022-23 Post Audit Budget Adjustments required to close books in compliance with Generally Accepted Accounting Principles.

Executive Summary:

Each year, County and local entity staff compile financial reports that are then audited by external independent auditors. Together, these reports provide detailed information about the financial condition of the County and component units including Sonoma County Water Agency and Sonoma County Community Development Commission. Additionally, the reports confirm compliance with federal grant requirements and that internal control over compliance and financial reporting is effectively maintained.

With this item, staff recommends the Board accept the completed financial reports, which for transparency purposes, identifies a summary of the Fiscal Year 2022-23 Post Audit Budget Adjustments required for financial statement compliance with Generally Accepted Accounting Principles.

Discussion:

This item presents summary information and highlights of the County of Sonoma's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2023. The ACFR was prepared by the Auditor-Controller-Treasurer-Tax Collector (ACTTC) and presents the County's financial activities and balances for the year. The ACFR was audited by Eide Bailly, LLP, an independent auditor, and includes an opinion stating internal controls were considered in the audit and the financial statements are fairly presented.

Additionally, the ACFR provides information useful to County management and the public about the overall financial health of the County. This information includes:

- Introductory information that offers a background on the structure of the County, the environment in which the County operates, and the types of services it provides;
- Directory of elected and appointed County officials as well as an organizational chart outlining reporting relationships;
- Management's discussion and analysis which provides an objective and easily readable analysis of the County's financial activities;
- Consolidated financial statements showing the financial condition and activities of the County;
- Financial information on individual major and non-major funds of the County;
- Summary of significant accounting policies;
- Detailed notes that present information on the County's cash and investments, interfund transactions, capital assets, leases, subscription-based IT arrangements, long-term liabilities, fund balance, employee retirement plans, other postemployment benefits (OPEB), risk management, commitments, and contingencies; and
- Statistical data that offers multi-year trend information along with relevant economic and demographic information.

The Independent Auditor's Report expresses an unmodified opinion indicating the County's financial statements in the ACFR "present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2023."

The County has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting award continuously since 1992 and the ACFR for the Fiscal Year Ended June 30, 2023, has been submitted to the GFOA award program. The ACFR can be accessed on the Sonoma County Auditor-Controller-Treasurer-Tax Collector website at:

<https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/auditor-controller-treasurer-tax-collector/divisions/general-accounting/financial-reports>. □

Financial Highlights from ACFR

Government-wide highlights:

- The County's government-wide net position was \$2.2 billion on June 30, 2023, an increase of \$215.0 million from prior year. The change is primarily due to an increase in net investment in capital assets, increased fund positions in Health, Public Protection, Public Assistance, and Open Space areas, and changes in OPEB and pension liabilities from investment performance.
- The County's government-wide net position included \$1.6 billion in net investment in capital assets, \$523.4 million in restricted net position and \$9.7 million in unrestricted net position.

Governmental fund highlights:

- The County's governmental funds reported combined ending fund balance of \$996.7 million, an increase of \$127.0 million over the prior year. Spendable (available for budgeting) amounts include restricted, committed, assigned, and unassigned fund balances and total 98.1% of ending fund balance. Of the total ending fund balance, \$507.8 million is restricted by law or externally imposed requirements, \$30.4 million is committed for specific purposes, \$384.5 million is assigned to specific purposes determined by the Board of Supervisors, \$55.0 million is unassigned, and \$19 million is non-spendable in form (includes balances such as inventory, prepaid assets, long-term receivables).
- The General Fund unassigned June 30, 2023 fund balance was \$55.0 million, or 11.6% of total General Fund expenditures, and includes \$48.5 million in Reserves. The General Fund as described by the ACFR is broader than is generally described in budgeting and includes funds that are limited primarily by Board policy rather than external constraints, such as the PG&E settlement fund related to the 2017 Wildfires. In some cases, funds that have been earmarked by the Board will appear as unassigned. The unassigned fund balance in Fund 10005, which is considered the General Fund for budgeting purposes, was \$10.6 million as of June 30, 2023.

Additional information and analysis on the financial highlights are available within the ACFR for the fiscal year ended June 30, 2023, which is on file with the Clerk of the Board and also available online at the County of Sonoma website.

In addition to the County's ACFR, the ACTTC has placed on file with the Clerk of the Board:

- Audited financial statements for 15 entities which represent individual funds or component units of the County
- Audited Sonoma County Employees' Retirement Association (SCERA) Schedule of Employer Allocations and Schedule of Pension Amounts by Employer
- Audited County of Sonoma Other Postemployment Benefit Plan (OPEB) Schedule of Employer Allocations and Schedule of Other Postemployment Benefit Plan Amounts by Employer
- Independent Accountant's Report on Applying Agreed-Upon Procedures For Measure M County of

Sonoma, California

These separate financial statements are compiled by County/entity staff and audited by independent auditors separate from the County's ACFR audit. Relevant information contained in these separate audited financial statements is included in the County's ACFR, as the ACFR presents financial information for the entire County.

Single Audit Reports:

The objective of a Single Audit, also known as a Federal Awards Report or Schedule of Expenditures of Federal Awards, is to determine compliance with the requirements of federal grants received. The County receives a significant amount of assistance from the federal government. Entities that expend \$750,000 or more of federal assistance are required to undergo a Single Audit in accordance with federal award audit requirements. The Single Audit Report is compiled annually by County/entity staff and audited by an independent auditor.

The County's ACFR and Single Audit Report can be accessed on the Sonoma County Auditor-Controller-Treasurer-Tax Collector website at:

<https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/auditor-controller-treasurer-tax-collector/divisions/general-accounting/financial-reports>

Other Audited Financial Statements for County Entities:

Several County entities issue annual financial statements that are independently audited and separate from the ACFR. These entities are either classified as component units of the County, major funds, or separately audited funds of the County, and include but are not limited to the Sonoma County Water Agency, Community Development Commission, Agricultural and Open Space District, Integrated Waste Enterprise Fund, Sonoma County Transit, Salmon Creek Water County Service Area and several sanitation districts.

Sonoma County ACFR and Single Audit - Audit Recommendations and Findings:

Sonoma County ACFR - Recommendations

None

Sonoma County Single Audit - Comment and Findings

None

Other Entity Audited Financial Statements and Single Audits - Audit Recommendations and Findings:

Other Entity Audited Financial Statements - Recommendations

None

Other Entity Audited Financial Statements - Comment and Findings

None

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Fiscal Year 2022-23 Post Audit Budget Adjustments:

Fiscal Year 2022-23 Post Audit Budget Adjustments enclosed as Attachment A represent \$7.7 million in adjustment to uses and \$7.4 million in adjustments to sources resulting in \$223,245 net cost. Notable adjustments are:

- Transfer appropriations between various expenditures and revenue accounts among different funds for lease accounting standard GASB 87. Net revenue impact \$196,225.
- Transfer appropriations between various expenditures and revenue accounts among different funds for implementing new lease accounting standard GASB 96. Net revenue impact \$52,439.
- Increase unanticipated expenditure budget for Human Resource Management System and Enterprise Financial System internal service funds related to GASB 68 pension expense entries, net cost impact \$50,250.
- Transfer appropriations between expenditure accounts under CDC funds for GASB 68 pension expense entries, with no net cost effect.
- Increase unanticipated maintenance expenditure budget for an Open Space District fund, net cost impact \$61,000.
- Increase unanticipated professional services expenditure budget for an Airport Enterprise fund, net cost impact \$206,905.
- Increase unanticipated asset impairment expenditure budget for Sonoma County Water Agency funds, net cost impact \$26,713.
- Increase unanticipated utilities expenditure budget for a Sonoma County Water Agency fund, net cost impact \$127,041.

These adjustments were necessary to report financial information in accordance with Generally Accepted Accounting Principles (GAAP) and recorded under authority delegated to the County Administrator and ACTTC to close the County's books in accordance with GAAP and as authorized by the FY 2022-23 Board Resolution Adopting the Budget.

Post Audit Budget Adjustments for the prior fiscal year ending on June 30, 2023, were completed under the Board's FY 2023-24 Budget Adoption resolution authority. Staff is presenting them in this item for ratification.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

07/11/2023: the Board accepted the Sonoma Annual Audit Reports and Fiscal Year budgetary adjustments for Fiscal Year 2021-22.

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6/16/2023: FY 2023-24 Budget Adoption Resolution 23-0312

FISCAL SUMMARY

Expenditures	FY23-24 Adopted	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

No fiscal impacts for the current and/or future fiscal years. Impacts are associated with FY 2022-23.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

Attachment A: Fiscal Year 2022-23 Post Audit Budget Adjustments

Attachment B: List of External Auditors by Entity

Related Items “On File” with the Clerk of the Board:

Fiscal Year Ended June 30, 2023 Annual Audited Financial Reports for:

1. County of Sonoma ACFR
2. County of Sonoma, Human Services Department California Department of Education Child

Development Program

3. County of Sonoma Local Transportation Fund
4. Occidental County Sanitation District
5. Russian River County Sanitation District (includes Single Audit Report)
6. Salmon Creek Water County Service Area
7. Sonoma County Agricultural and Open Space District including as separate attachments:
 - Sonoma County Agricultural and Open Space District Memorandum on Internal Control and Required Communications
 - Sonoma County Open Space Fiscal Oversight Commission Eighth Annual Report
 - Sonoma County Measure F Government Code Section 50075.3 Reporting
8. Sonoma County Airport Enterprise Fund (Includes Schedule of Passenger Facility Charges)
9. Sonoma County Community Development Commission (includes Single Audit Report)
10. Sonoma County Energy Independence Program Enterprise Fund
11. Sonoma County Fair and Exposition, Inc. (for year ended December 31, 2022)
12. Sonoma County Integrated Waste Enterprise Fund
13. Sonoma County Transit (includes Single Audit Report)
14. Sonoma County Water Agency ACFR
15. Sonoma Valley County Sanitation District
16. South Park County Sanitation District

Other Documents:

17. County of Sonoma Single Audit Report
18. Sonoma County Water Agency Schedule of Expenditures of Federal Awards and Auditor's Report
19. Sonoma County Employees' Retirement Association Employer Allocations and Schedule of Pension Amounts by Employer
20. County of Sonoma Other Postemployment Benefit Plan Schedule of Employer Allocations and Schedule of Other Postemployment Benefit Plan Amounts by Employer
21. Applying Agreed-Upon Procedures For the Year Ended June 30, 2023 Measure M County of Sonoma,

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