



Legislation Text

File #: 2022-0460, **Version:** 1

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: Levi Ehrlich 707-565-3289, Peter Bruland 707-565-3086

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

County of Sonoma's Annual Audited Financial Reports and Post Audit Budget Adjustments for the Fiscal Year Ended June 30, 2021

Recommended Action:

- A) Accept the County of Sonoma Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2021. The ACFR presents the County's financial activities and balances for the year, and includes an opinion from the County's independent auditor stating internal controls were considered in the audit and the financial statements are fairly presented.
- B) Accept the Single Audit Reports for the year ended June 30, 2021 for the County of Sonoma, Sonoma County Water Agency, Sonoma County Transit, and Sonoma County Community Development Commission (aka Federal Awards Reports or Schedule of Expenditures of Federal Awards). The objective of a single audit is to determine compliance with the requirements of federal grants received.
- 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, 2021.
- 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, 2021.
- E) Ratify the Fiscal Year 2020-21 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. As well, they 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 2020-21 Post Audit Budget Adjustments, which were 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, 2021. The ACFR is a broad context report of the County's financial activities and condition. It was prepared by the Auditor-Controller-Treasurer-Tax Collector and audited by Eide Bailly, LLP (an Independent Audit firm).

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 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, receivables, interfund transactions, capital assets, payables and 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 County, as of June 30, 2021".

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, 2021, 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/ACTTC/General-Accounting/Financial-Reports>.

Financial Highlights from ACFR

Government-wide highlights:

- The County's government-wide net position was \$1.7 billion at June 30, 2021, an increase of \$446.1 million from prior year.
- The County's government-wide net position included \$1.5 billion in net investment in capital assets, \$372.5 million in restricted net position and a \$206.5 million deficit in unrestricted net position. The unrestricted net position deficit is primarily the result of the County's unfunded pension and other postemployment benefits (OPEB) liabilities.

Governmental fund highlights:

- The County's governmental funds reported combined ending fund balance of \$784.8 million, an increase of \$250.6 million over the prior year. Amounts available for spending include restricted, committed, assigned, and unassigned fund balances and total 98.4% of ending fund balance. Of the total ending fund balance, \$364.4 million is restricted by law or externally imposed requirements, \$13.5 million is committed for specific purposes, \$303.6 million is assigned to specific purposes determined by the Board of Supervisors, \$91.1 million is unassigned, and \$12.2 million is not spendable by the County.
- The General Fund unassigned June 30, 2021 fund balance was \$91.1 million, or 17.5% of total General Fund expenditures and includes the General Fund reserve of \$57.1 million. During the June 2021 budget hearings, the Board's FY 21/22 adopted resolution directed the allocation of the fund balance as follows: the first \$5 million for Strategic Plan investments; 50% of the remainder for pre-payment of unfunded pension liabilities; and the remaining 50% to fund the County Center project/Deferred Maintenance.

Additional information and analysis on the financial highlights is available within the ACFR for the fiscal year ended June 30, 2021 on file with the Clerk of the Board.

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 Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.
- Audited County of Sonoma Other Postemployment Benefit Plan Schedule of Employer Allocations and Schedule of Other Postemployment Benefit Plan Amounts by Employer.
- Independent Accountant's Report on Applying Agreed-Upon Procedures For the Year Ended June 30, 2021 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 ACFR, as the ACFR presents financial information for the entire County.

Single Audit Reports:

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 Reports are compiled annually by County/entity staff and audited by independent auditors.

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

[<http://sonomacounty.ca.gov/ACTTC/General-Accounting/Financial-Reports/>](http://sonomacounty.ca.gov/ACTTC/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, Refuse 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

Comment. The delay in submitting the FY 2020-21 Annual Audited Financial Statements results from the COVID-extended deadline for the June 31, 2021 County of Sonoma Single Audit Report.

Findings

2021-001. The Independent Auditor noted the County did not establish and implement policies and procedures in accordance with 2 CFR section 200.332(b) relating to risk assessment for the Emergency Rental Assistance program when a subrecipient contract is awarded.

Management agrees and will review its policies and procedures to ensure compliance with 2 CFR section 200.332(b) and will implement procedures to document and maintain risk assessment records used for the purpose of determining the appropriate level of subrecipient monitoring.

2021-002. The Independent Auditor noted one Emergency Rental Assistance Program quarterly report was not finalized and submitted by the County at the time of the audit in accordance with Division N, Title V, Section 501(g) of the Consolidated Appropriations Act, 1021, Pub. L. No. 116-260, (December 27, 2020) and Reporting

Guidance: Emergency Rental Assistance Programs. The report was not timely submitted due to technical issues in attempting to submit the report through the U.S. Treasury's online Portal.

Management agrees and is working internally and with technical support at the U.S. Treasury to resolve all issues that delay or prevent timely and complete reporting submittals. The report not submitted at the time of the audit has now been successfully submitted to the U.S. Treasury. Moving forward reporting will be completed and submitted by the deadlines as set forth by the Treasury.

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

Sonoma County Community Development Commission Financial Statements

2021-001. External auditors noted the revolving fund for facilitating payments from multiple funds, grants and funding streams were not reconciled completely in accordance with 2 CFR 200.516(a).

Management agrees. The Sonoma County Community Development Commission will develop and implement a policy and procedure to reconcile the revolving fund on a monthly basis and provide appropriate training to staff and implement managerial oversight of the revolving fund reconciliation process.

Fiscal Year 2020-21 Post Audit Budget Adjustments:

Fiscal Year 2020-21 Post Audit Budget Adjustments enclosed as Attachment A:

- SCERA Internal Service Fund (ISF) Operating Transfer to the Debt Service Rate Normalization Fund to replenish cash related to prior year operating transfer to SCERA ISF.
- General Fund - various departments - transfer of budgeted expenditures within departments resulting with no effect on General Fund net cost.
- Tobacco Settlement Bonds 2005/2020 Fund increased appropriations for unanticipated revenue and expense related to Tobacco settlement and Turbo Redemption bond payment, with no net cost effect.
- Unemployment Insurance ISF increased expenses and unanticipated revenue by \$239,916, with no net cost effect.

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 2020-21 Board Resolution Adopting the Budget.

Strategic Plan:

N/A

Prior Board Actions:

05/25/2021: Board accepted the Sonoma Annual Audit Reports and Fiscal Year budgetary adjustments for Fiscal Year 2019-20.

FISCAL SUMMARY

| Expenditures | FY 21-22 Adopted | FY22-23 Projected | FY 23-24 Projected |
|------------------------------------|---------------------|----------------------|-----------------------|
| Budgeted Expenses | | | |
| Additional Appropriation Requested | | | |
| Total Expenditures | | | |
| Funding Sources | | | |
| General Fund/WA GF | | | |
| State/Federal | | | |
| Fees/Other | | | |
| Use of Fund Balance | | | |
| Contingencies | | | |
| Total Sources | | | |

Narrative Explanation of Fiscal Impacts:

N/A

| 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 2020-21 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, 2021 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
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) including as a separate attachment:
 - Village Green II (A Project of Sonoma County Community Development Commission)
10. Sonoma County Energy Independence Program Enterprise Fund
11. Sonoma County Fair and Exposition, Inc. (for year ended December 31, 2020)
12. Sonoma County Refuse 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, 2021 Measure M County of Sonoma, California