

Financial Statements

For the Year Ended June 30, 2022

County of Sonoma, California

Health Services Department

Measure O Fund

County of Sonoma Health Services Department

Measure O Fund

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June 30, 2022

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Independent Auditor's Report

County of Sonoma Health Services Department
1450 Neotomas Ave., Suite 200
Santa Rosa, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the County of Sonoma Health Services Department Measure O Fund (Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2022, and the changes in its financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Sonoma Health Services Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of the County of Sonoma Health Services Department as of June 30, 2022, the changes in its financial position for the year 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 basic financial statements. Such information is the responsibility of management and 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund of the County of Sonoma Health Services Department. The supplementary information on pages 11 through 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of the Fund’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 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 Fund’s 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 the Fund’s internal control over financial reporting and compliance.



Rancho Cucamonga, California
January 20, 2023

County of Sonoma Health Services Department
Measure O Fund
Balance Sheet
June 30, 2022

Assets	
Cash and investments	\$ 15,389,981
Taxes receivable	5,781,672
	<hr/>
Total Assets	\$ 21,171,653
	<hr/> <hr/>
Fund Balance	
Restricted	\$ 21,171,653
	<hr/>
Fund Balance	\$ 21,171,653
	<hr/> <hr/>

County of Sonoma Health Services Department
Measure O Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

Revenues	
Measure O Sales Tax	\$ 31,392,245
Interest Income	82,589
Unrealized Loss on investments	<u>(823,168)</u>
Total Revenues	<u>30,651,666</u>
Expenditures	
Mental Health, Addiction and Homeless Services	<u>16,527,578</u>
Total Expenditures	<u>16,527,578</u>
Net Change in Fund Balance	14,124,088
Fund Balance, Beginning of Year	<u>7,047,565</u>
Fund Balance, End of Year	<u><u>\$ 21,171,653</u></u>

Note 1 - General Information

A. Reporting Entity

The financial statements are intended to reflect the financial position and changes in financial position of the Measure O Fund of the County of Sonoma, California (County) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the County of Sonoma Health Services Department, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

B. Measure O

During the November 2020 election, voters in Sonoma County approved Measure O, ensuring a steady and reliable source of funding to address Mental Health and Homelessness that will expand needed services for the County's citizens for the next 10 years.

The Measure O Sales Tax Ordinance identified five categories of services to be funded with the revenue: (1) Behavioral Health Facilities, (2) Emergency Psychiatric and Crisis Services, (3) Mental Health and Substance Use Disorder Outpatient Services, (4) Behavioral Health Homeless and Care Coordination, and (5) Transitional and Permanent Supportive Housing. The Expenditure Plan designates a set percentage of funding for each of the categories.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

Fund Accounting

The accounts of the County are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The County accounts for the Measure O activities within its Measure O Special Revenue Fund. Special revenue funds are used to account for the proceeds of revenue sources that are restricted or committed to expenditure for specified purposes.

Measurement Focus and Basis of Accounting

The special revenue funds of the County are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 365 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources.

B. Fund Balance

Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first.

C. Cash and Investments

The County of Sonoma Treasurer maintains a cash and investment pool that is available for use by all funds. Cash and investments are pooled by the County to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the Measure O Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Measure O Fund, are those of the County and are disclosed in the County's basic financial statements.

The Measure O Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; Level 3 inputs are significant unobservable inputs. The Measure O Fund's deposits and withdrawals in the County Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the Measure O Fund's investment in the County Investment Pool is measured based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

D. Risk Management

The Fund's administrative staff are County employees and as such are covered by the County of Sonoma's self-insurance program for general liability coverage. The County of Sonoma maintains self-insurance retention of \$1,000,000 per occurrence for automobile and general liability claims. Additional coverage for \$1,000,000 to \$25,000,000 per occurrence for liability claims is provided through the CSAC Excess Insurance Authority Liability Program. The County of Sonoma is also self-insured for workers' compensation coverage and maintains self-insurance retention of \$300,000 per occurrence, with amounts in excess of \$300,000 per occurrence for workers' compensation claims with statutory limits covered through participation in the CSAC Excess Insurance Authority, Excess Worker's Compensation Program.

E. Taxes Receivable

Taxes receivable represents the Measure O sales tax revenues for the fiscal year received from California Department of Tax and Fee Administration after June 30, 2022.

F. 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 and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Litigation

The County is not currently a party to any legal proceedings related to the Measure O Fund as of June 30, 2022.

County of Sonoma Health Services Department
Measure O Fund
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget to Actual
Year Ended June 30, 2022

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
Revenues				
Measure O Sales Tax	\$ 25,000,000	\$ 25,000,000	\$ 31,392,245	\$ 6,392,245
Interest Income	-	-	82,589	82,589
Unrealized Loss on investments	-	-	(823,168)	(823,168)
Total Revenues	<u>25,000,000</u>	<u>25,000,000</u>	<u>30,651,666</u>	<u>5,651,666</u>
Expenditures				
Mental Health, Addiction and Homeless Services	<u>13,196,730</u>	<u>18,946,156</u>	<u>16,527,578</u>	<u>(2,418,578)</u>
Total Expenditures	<u>13,196,730</u>	<u>18,946,156</u>	<u>16,527,578</u>	<u>(2,418,578)</u>
Revenues over/(Under) Expenditures	<u>11,803,270</u>	<u>6,053,844</u>	<u>14,124,088</u>	<u>8,070,244</u>
Net Change in Fund Balance	11,803,270	6,053,844	14,124,088	8,070,244
Fund Balance, Beginning of Year	<u>-</u>	<u>(271,245)</u>	<u>7,047,565</u>	<u>7,318,810</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 5,782,599</u>	<u>\$ 21,171,653</u>	<u>\$ 15,389,054</u>

Supplementary Information
June 30, 2022

**County of Sonoma Health Services
Department
Measure O Fund**

County of Sonoma Health Services Department
 Measure O Fund
 Combining Balance Sheet – By Category
 June 30, 2022

	Behavioral Health Facilities	Emergency Psychiatric and Crisis Services	Mental Health & Substance Use Disorder Outpatient Services	Behavioral Health Homeless and Care Coordination	CDC Transitional PSH	Total
Assets						
Cash and investments	\$ 2,134,978	\$ 5,382,441	\$ 4,354,806	\$ 3,462,617	\$ 55,139	\$ 15,389,981
Taxes receivable	<u>1,271,968</u>	<u>2,543,936</u>	<u>1,040,701</u>	<u>809,434</u>	<u>115,633</u>	<u>5,781,672</u>
Total Assets	<u>\$ 3,406,946</u>	<u>\$ 7,926,377</u>	<u>\$ 5,395,507</u>	<u>\$ 4,272,051</u>	<u>\$ 170,772</u>	<u>\$ 21,171,653</u>
Fund Balance						
Restricted	<u>\$ 3,406,946</u>	<u>\$ 7,926,377</u>	<u>\$ 5,395,507</u>	<u>\$ 4,272,051</u>	<u>\$ 170,772</u>	<u>\$ 21,171,653</u>
Fund Balance	<u>\$ 3,406,946</u>	<u>\$ 7,926,377</u>	<u>\$ 5,395,507</u>	<u>\$ 4,272,051</u>	<u>\$ 170,772</u>	<u>\$ 21,171,653</u>

County of Sonoma Health Services Department
Measure O Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – By Category
Year Ended June 30, 2022

	Behavioral Health Facilities	Emergency Psychiatric and Crisis Services	Mental Health & Substance Use Disorder Outpatient Services	Behavioral Health Homeless and Care Coordination	CDC Transitional PSH	Total
Revenues						
Measure O Sales Tax	\$ 6,906,294	\$ 13,812,588	\$ 5,650,604	\$ 4,394,914	\$ 627,845	\$ 31,392,245
Interest Income	16,040	33,340	17,426	13,810	1,973	82,589
Unrealized Losses	<u>(147,926)</u>	<u>(318,430)</u>	<u>(198,119)</u>	<u>(158,693)</u>	<u>-</u>	<u>(823,168)</u>
Total Revenues	<u>6,774,408</u>	<u>13,527,498</u>	<u>5,469,911</u>	<u>4,250,031</u>	<u>629,818</u>	<u>30,651,666</u>
Expenditures						
Mental Health, Addiction and Homeless Services	<u>4,917,926</u>	<u>8,702,048</u>	<u>1,342,965</u>	<u>964,639</u>	<u>600,000</u>	<u>16,527,578</u>
Total Expenditures	<u>4,917,926</u>	<u>8,702,048</u>	<u>1,342,965</u>	<u>964,639</u>	<u>600,000</u>	<u>16,527,578</u>
Net Change in Fund Balance	1,856,482	4,825,450	4,126,946	3,285,392	29,818	14,124,088
Fund Balance, Beginning of Year	<u>1,550,464</u>	<u>3,100,927</u>	<u>1,268,561</u>	<u>986,659</u>	<u>140,954</u>	<u>7,047,565</u>
Fund Balance, End of Year	<u>\$ 3,406,946</u>	<u>\$ 7,926,377</u>	<u>\$ 5,395,507</u>	<u>\$ 4,272,051</u>	<u>\$ 170,772</u>	<u>\$ 21,171,653</u>



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 Measure O Compliance Requirements

County of Sonoma Health Services Department
1450 Neotomas Ave., Suite 200
Santa Rosa, 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 County of Sonoma Health Services Department Measure O Fund (Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements and have issued our report thereon dated January 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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.

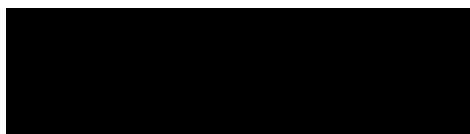
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of Measure O, noncompliance with which could have a direct and material effect on the financial statements. 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.



Rancho Cucamonga, California
January 20, 2023