

**Sonoma Valley County  
Sanitation District  
(A Component Unit of the County of Sonoma)**

Independent Auditor's Reports, Management's  
Discussion and Analysis and Basic  
Financial Statements

For the Fiscal Year Ended June 30, 2024

**Sonoma Valley County Sanitation District  
For the Fiscal Year Ended June 30, 2024**

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## **Independent Auditor's Report**

Board of Directors  
Sonoma Valley County Sanitation District

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Sonoma Valley County Sanitation District (the District), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic 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 respective financial position of the District as of June 30, 2024, and the changes in financial position and cash flows 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. 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 District 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.

#### ***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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Independent Auditor's Report** (continued)

### ***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 District'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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 management's discussion and analysis 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.

## **Independent Auditor's Report (continued)**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards 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 schedule of expenditures of federal awards and the related notes 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 September 30, 2024, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.



Santa Rosa, California  
September 30, 2024

## **Management's Discussion and Analysis**

**Sonoma Valley County Sanitation District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

As management of the Sonoma Valley County Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the basic financial statements.

**Reporting Entity**

The District is managed by the Sonoma County Water Agency (Sonoma Water), which provides administration, engineering, operational and maintenance services. The District is governed by a three-member board (the Board), including two members of the County of Sonoma (the County) Board of Supervisors. The District is considered an integral part of the County's reporting entity, resulting in the District's financial statements being included in the County's Annual Comprehensive Financial Report.

Please refer to the definition of the reporting entity within the notes to the basic financial statements for additional detail.

**Financial Highlights**

*Net Position*

The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$100,168,534 (*net position*). Of this amount, \$32,542,684 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.

*Revenues and Capital Contributions*

The District recognized total revenues and capital contributions of \$26,706,483 during the fiscal year ended June 30, 2024. Of this amount, \$20,208,872 represents operating revenues including flat charges and charges for services, and \$2,069,448 represents nonoperating revenues consisting of intergovernmental revenue, investment earnings and conservation program revenue. The District also recognized capital contributions of \$1,790,659 from connection fees and \$2,637,504 from Federal and State grants.

*Expenses*

The District incurred expenses totaling \$17,735,470 during the fiscal year ended June 30, 2024. Of this amount, \$16,962,946 represents operating expenses related to the collection, treatment, disposal, and reclamation of effluent, as well as administrative and general expenses. Nonoperating expenses total \$772,524, which includes conservation program expenses of \$20,294, interest expense of \$732,966, and loss on impairment of capital assets of \$19,264.

*Increase in Net Position*

The District recognized an overall increase in net position of \$8,971,013 for the fiscal year ended June 30, 2024.

**Sonoma Valley County Sanitation District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of three components: (1) management's discussion and analysis, (2) financial statements, and (3) notes to the basic financial statements.

*Management's Discussion and Analysis*

This section is intended to provide a narrative overview that users need to interpret the financial statements. Management's discussion and analysis also provides analysis of key data presented in the financial statements.

*Financial Statements*

The District is engaged only in business-type activities. The District accounts for its financial activity utilizing fund accounting, specifically enterprise fund accounting, to ensure and demonstrate compliance with finance-related legal requirements. An enterprise fund is a proprietary fund type used to report activities for which a fee is charged to external customers for goods or services provided. The focus of an enterprise fund is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. The financial statements presented are the *statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows*.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$100,168,534 at the close of the most recent fiscal year compared to net position of \$91,197,521 as of June 30, 2023. The increase in net position of \$8,971,013 is due to income from ongoing operations of \$3,245,926, capital contributions from connection fees of \$1,790,659, capital contributions from Federal and State grants of \$2,637,504, and net nonoperating revenues of \$1,296,924.

The largest portion of the District's net position (65.1% as of June 30, 2024 compared to 72.2% at June 30, 2023) reflects its investment in capital assets, net of related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.



**Sonoma Valley County Sanitation District  
Management’s Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Financial Analysis (continued)**

*Condensed Statements of Net Position*

	June 30, 2023	June 30, 2024	Percentage Change
Current and other assets	\$ 36,663,071	\$ 39,295,564	7.2%
Capital assets	83,356,798	87,888,497	5.4%
<b>Total assets</b>	<b>120,019,869</b>	<b>127,184,061</b>	<b>6.0%</b>
Current liabilities	4,164,946	4,084,436	-1.9%
Noncurrent liabilities	23,788,680	22,120,284	-7.0%
<b>Total liabilities</b>	<b>27,953,626</b>	<b>26,204,720</b>	<b>-6.3%</b>
<b>Total deferred inflows of resources</b>	<b>868,722</b>	<b>810,807</b>	<b>-6.7%</b>
Net investment in capital assets	65,799,842	65,242,837	-0.8%
Restricted for conservation	313,400	359,001	14.6%
Restricted for debt service, capital projects, and reserve	2,118,103	1,690,853	-20.2%
Restricted for mitigation projects	316,375	333,159	5.3%
Unrestricted	22,649,801	32,542,684	43.7%
<b>Total net position</b>	<b>\$ 91,197,521</b>	<b>\$ 100,168,534</b>	<b>9.8%</b>

A portion of the District’s net position totaling \$2,383,013 (2.4% as of June 30, 2024) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$32,542,684 as of June 30, 2024, may be used to meet the District’s ongoing obligations to citizens and creditors. As of June 30, 2024, the District reports positive balances in all categories of net position.

**Sonoma Valley County Sanitation District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Financial Analysis (continued)**

*Condensed Statements of Changes in Net Position*

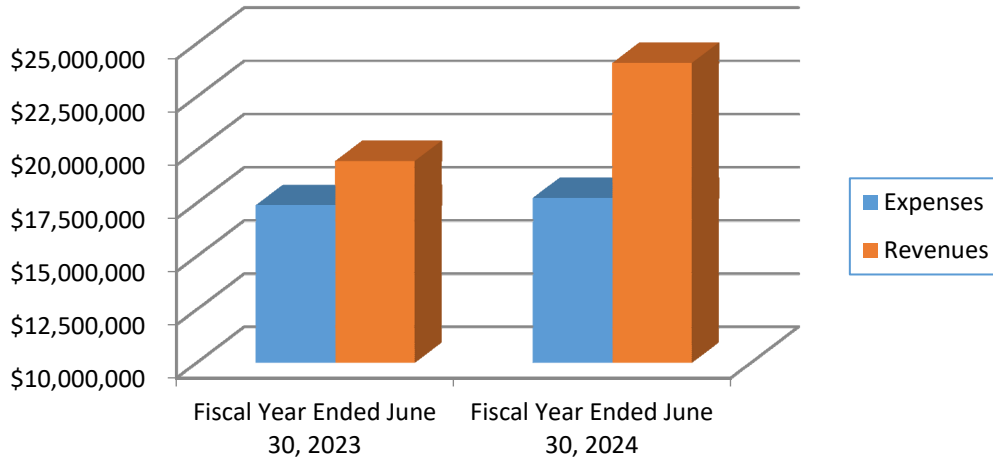
	<b>Fiscal Year Ended</b>		<b>Percentage Change</b>
	<b>June 30, 2023</b>	<b>June 30, 2024</b>	
<b>Revenues</b>			
Operating revenues	\$ 18,891,107	\$ 20,208,872	7.0%
Nonoperating revenues	242,255	2,069,448	754.2%
<b>Total revenues</b>	<b>19,133,362</b>	<b>22,278,320</b>	<b>16.4%</b>
<b>Expenses</b>			
Services and supplies	12,227,517	13,566,792	11.0%
Depreciation and amortization	4,042,829	3,396,154	-16.0%
Interest expense	727,690	732,966	0.7%
Conservation program	40,270	20,294	-49.6%
Loss on impairment of capital assets	-	19,264	100.0%
Debt issuance cost	348,367	-	-100.0%
<b>Total expenses</b>	<b>17,386,673</b>	<b>17,735,470</b>	<b>2.0%</b>
Income before contributions	1,746,689	4,542,850	160.1%
<b>Capital contributions:</b>			
Federal and State grants	147,029	2,637,504	1693.9%
Connection fees	325,749	1,790,659	449.7%
Increase in net position	2,219,467	8,971,013	304.2%
<b>Net position, beginning of year</b>	<b>88,978,054</b>	<b>91,197,521</b>	<b>2.5%</b>
<b>Net position, end of year</b>	<b>\$ 91,197,521</b>	<b>\$ 100,168,534</b>	<b>9.8%</b>

The District's net position increased by \$8,971,013 during the fiscal year ended June 30, 2024, compared to an increase of \$2,219,467 for the fiscal year ended June 30, 2023.

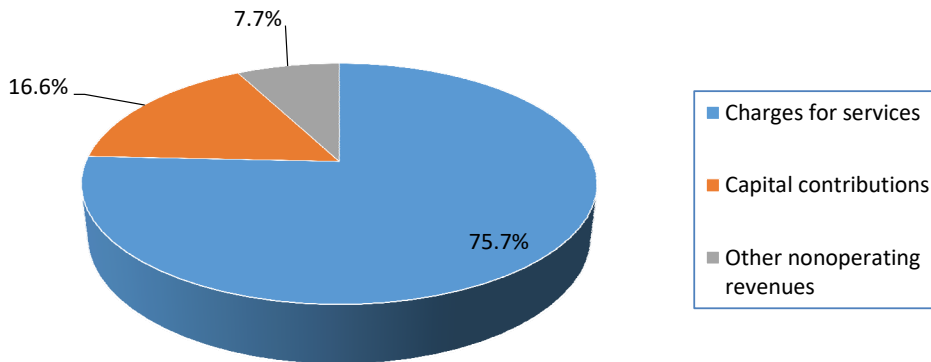
**Sonoma Valley County Sanitation District  
Management’s Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Financial Analysis (continued)**

*Expenses and Revenues*



*Revenues and Capital Contributions by Source*

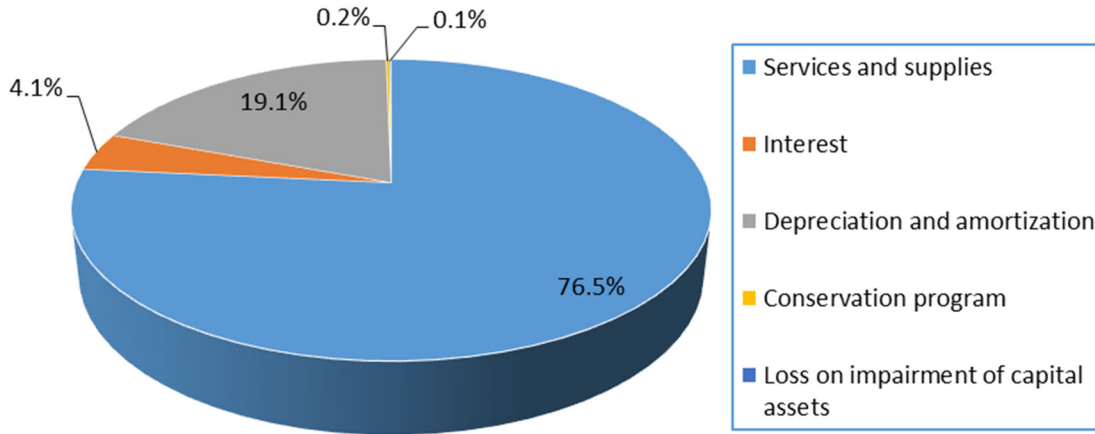


Total revenues and capital contributions of the District for the fiscal year ended June 30, 2024, totaled \$26,706,483 representing an increase of \$7,100,343 from the preceding fiscal year revenues and capital contributions of \$19,606,140. The rate-based operating charges, representing 75.7% of the District’s total revenue, increased by \$1,317,765 (7.0%) due to a Board approved increase in sewer service charges, increased discharge by commercial and industrial customers, and growth in total sewer service customers. Nonoperating revenues, which is made up of investment earnings, conservation program revenue, and intergovernmental revenue, increased by \$1,827,193 (754.2%) mainly due to an increase in investment earnings on pooled investments. In addition, the District received \$1,790,659 in capital contributions from connection fees and \$2,637,504 in Federal and State capital contributions, compared to \$325,749 and \$147,029 received, respectively, during the fiscal year ended June 30, 2023.

**Sonoma Valley County Sanitation District  
Management’s Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Financial Analysis (continued)**

*Expenses by Function*



Total expenses for the District increased by \$348,797 to \$17,735,470 for the fiscal year ended June 30, 2024, due primarily to increases in operations and maintenance related expenses during the fiscal year. The overall effect was an increase in expenses of 2.0%.

Costs associated with the collection, treatment, and disposal of effluent represent 76.5% of the District’s costs. Annual depreciation and amortization expense on capital assets of \$3,396,154 represents 19.1% of total expenses. Interest expense totaling \$732,966, 4.1% of total expenses, represents the cost of meeting current debt service obligations. Conservation program expense of \$20,294 represents 0.2% of total expenses. Loss on impairment of capital assets cost of \$19,264 represents 0.1% of total expenses.

**Capital Asset and Debt Administration**

*Capital Assets*

The District’s investment in capital assets as of June 30, 2024, amounts to \$87,888,497 (net of accumulated depreciation and amortization). In addition to reporting the District’s investment in capital assets including land, infrastructure, machinery and equipment, and construction in progress, the District reports its investment in intangible assets as required by Governmental Accounting Standards Board Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*. Intangible assets for the District include easements (both temporary and permanent).

**Sonoma Valley County Sanitation District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Capital Assets and Debt Administration (continued)**

*Capital Assets (continued)*

	June 30, 2023	June 30, 2024	Percentage Change
Infrastructure	\$ 149,265,989	\$ 160,580,250	7.6%
Construction in progress	13,352,571	9,190,988	-31.2%
Land	4,506,972	4,506,972	0.0%
Intangible assets:			
Permanent easements	1,779,983	2,424,210	36.2%
Temporary easements	335,422	335,422	0.0%
Machinery and equipment	592,065	723,013	22.1%
Accumulated depreciation/amortization	(86,476,204)	(89,872,358)	3.9%
<b>Total</b>	<b>\$ 83,356,798</b>	<b>\$ 87,888,497</b>	<b>5.4%</b>

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

*Long-term Obligations*

	June 30, 2023	June 30, 2024	Percentage Change
Advances from other governments	\$ 5,297,751	\$ 4,637,079	-12.5%
Revenue bonds payable	20,486,601	19,069,868	-6.9%
<b>Total long-term debt</b>	<b>\$ 25,784,352</b>	<b>\$ 23,706,947</b>	<b>-8.1%</b>

Advances from other governments decreased by \$660,672 as a result of scheduled principal payments to the State Water Resources Control Board. Revenue bonds decreased by \$1,416,733 as a result of principal payments totaling \$1,335,000 during the fiscal year ended June 30, 2024, and a decrease of \$81,733 due to amortization of bond premiums.

Additional information on the current and long-term obligations can be found in the notes to the basic financial statements.

**Sonoma Valley County Sanitation District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2024**

**Economic Factors and Next Year's Budget and Rates**

Budgeted gross expenditures, including expenditures for capital projects, for the District for fiscal year ending June 30, 2025, have decreased by \$34,988,530 (57.1%) for a total of \$26,256,317. The largest variances in year over year budget are decreases in capital spending related to the completion of two large capital projects, the headworks rehabilitation project and the sewer trunk replacement phase 4C project, and decreases in budgeted transfers from the revenue bonds fund to the construction fund.

The following is a comparison of final 2023/24 and proposed 2024/25 budgeted expenses for the District:

	<b>Fiscal Year Ended June 30, 2024</b>	<b>Fiscal Year Ending June 30, 2025</b>	<b>Increase / (Decrease)</b>	<b>Percentage Change</b>
Operations	\$ 26,890,357	\$ 22,618,803	\$ (4,271,554)	-15.9%
Construction	28,245,328	2,829,900	(25,415,428)	-90.0%
Debt service - Revenue bonds	6,019,554	727,100	(5,292,454)	-87.9%
State revolving fund loan	47,608	38,514	(9,094)	-19.1%
Wet weather mitigation	42,000	42,000	-	0.0%
<b>Total</b>	<b>\$ 61,244,847</b>	<b>\$ 26,256,317</b>	<b>\$ (34,988,530)</b>	<b>-57.1%</b>

Budgeted expenses for fiscal year ended June 30, 2024, differ in several instances from the budgeted expenses presented in the management's discussion and analysis for the period ended June 30, 2023. These variances are due to Board approved budgetary adjustments made subsequent to the publication of the audited basic financial statements for the fiscal year ended June 30, 2023.

The increase in budgeted sewer service fees revenue is 6.0% for the fiscal year ending June 30, 2025. The following table indicates the sanitation sewer service rates and equivalent single dwellings for the District:

	<b>Fiscal Year Ended June 30, 2024</b>	<b>Fiscal Year Ending June 30, 2025</b>	<b>Percentage Change</b>
Rate per Equivalent Single-Family Dwelling	\$ 1,272	\$ 1,348	6.0%
Number of Equivalent Single-Family Dwellings	17,789	17,820	0.2%

**Request for Additional Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller Treasurer Tax Collector's Office, ATTN: Client Accounting Division, 585 Fiscal Drive, Room 100, Santa Rosa, CA 95403.

**Sonoma Valley County Sanitation District**  
**Statement of Net Position**  
**June 30, 2024**

**Assets**

Current assets:

Cash and investments	\$	29,369,484
Accounts receivable		1,274,656
Prepaid expenses		18,211
Due from other governments		2,435,601
Restricted cash and investments:		
Conservation program		359,001
Revenue bond fund		1,633,600
Mitigation fund		333,159
Total current assets		35,423,712

Noncurrent assets:

Cash and investments restricted for debt service, capital projects, and reserve		3,590,006
Accounts receivable		281,846
Capital assets, net		
Infrastructure		71,477,661
Construction in progress		9,190,988
Land		4,506,972
Intangible assets		2,461,636
Machinery and equipment		251,240
Total capital assets, net		87,888,497
Total noncurrent assets		91,760,349
Total assets		127,184,061

The notes to the basic financial statements are an integral part of this statement.

**Sonoma Valley County Sanitation District**  
**Statement of Net Position (continued)**  
**June 30, 2024**

**Liabilities**

Current liabilities:

Accounts payable and accrued expenses	1,603,191
Advances from other governments	676,663
Unearned revenue	500,000
Accrued interest payable	58,490
<hr/>	
Total current liabilities	2,838,344

Current liabilities payable from restricted assets:

Revenue bonds payable	910,000
Accrued interest payable	336,092
<hr/>	
Total current liabilities payable from restricted assets	1,246,092

Noncurrent liabilities:

Advances from other governments	3,960,416
Revenue bonds payable	18,159,868
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Total noncurrent liabilities	22,120,284

Total liabilities	26,204,720
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**Deferred inflows of resources**

Deferred amounts related to charge on refunding	810,807
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**Net position**

Net investment in capital assets	65,242,837
Restricted for conservation	359,001
Restricted for debt service, capital projects, and reserve	1,690,853
Restricted for mitigation projects	333,159
Unrestricted	32,542,684
<hr/>	
Total net position	\$ 100,168,534

The notes to the basic financial statements are an integral part of this statement.



**Sonoma Valley County Sanitation District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2024**

<b>Operating revenues</b>	
Flat charges	\$ 18,842,738
Charges for services	1,351,159
Other	14,975
<hr/>	
Total operating revenues	20,208,872
<hr/>	
<b>Operating expenses</b>	
Services and supplies	13,566,792
Depreciation and amortization	3,396,154
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Total operating expenses	16,962,946
<hr/>	
<b>Operating income</b>	3,245,926
<hr/>	
<b>Nonoperating revenues (expenses)</b>	
Investment earnings	1,917,818
Intergovernmental - Federal	85,735
Conservation program revenue	65,895
Loss on impairment of capital assets	(19,264)
Conservation program expense	(20,294)
Interest expense	(732,966)
<hr/>	
Total nonoperating revenues, net	1,296,924
<hr/>	
<b>Income before capital contributions</b>	4,542,850
Capital contributions:	
Federal and State grants	2,637,504
Connection fees	1,790,659
<hr/>	
Total capital contributions	4,428,163
<hr/>	
<b>Increase in net position</b>	8,971,013
<hr/>	
<b>Net position - beginning of year</b>	91,197,521
<hr/>	
<b>Net position - end of year</b>	\$ 100,168,534
<hr/>	

The notes to the basic financial statements are an integral part of this statement.

**Sonoma Valley County Sanitation District**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2024**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 19,570,990
Payments to Sonoma Water - services and supplies	(8,893,086)
Payments to suppliers	(4,706,510)
<hr/>	
Net cash provided by operating activities	5,971,394
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Intergovernmental revenue received	98,235
Conservation program receipts	65,895
Conservation program outlays	(20,294)
<hr/>	
Net cash provided by noncapital financing activities	143,836
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(7,544,173)
Principal payments - advances from other governments	(660,672)
Principal payments - revenue bonds	(1,335,000)
Interest paid on long-term debt	(911,258)
Capital contributions from other governments	342,538
Connection fees received	1,790,659
<hr/>	
Net cash used in capital and related financing activities	(8,317,906)
<hr/>	
<b>Cash flows from investing activities</b>	
Investment earnings	1,917,818
<hr/>	
Net decrease in cash and cash equivalents	(284,858)
Cash and cash equivalents - beginning of year	35,570,108
Cash and cash equivalents - end of year	\$ 35,285,250
<hr/>	
<b>Reconciliation to the statement of net position</b>	
Cash and investments	\$ 29,369,484
Restricted cash and investments	5,915,766
Cash and cash equivalents	\$ 35,285,250
<hr/>	

The notes to the basic financial statements are an integral part of this statement.

**Sonoma Valley County Sanitation District**  
**Statement of Cash Flows (continued)**  
**For the Fiscal Year Ended June 30, 2024**

**Reconciliation of operating income to net cash  
provided by operating activities:**

Operating income	\$	3,245,926
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		3,396,154
Change in assets and liabilities:		
Increase in accounts and other receivables		(637,881)
Decrease in prepaid expenses		2,996
Decrease in accounts payable and accrued expenses		(35,801)
Net cash provided by operating activities	\$	5,971,394

**Noncash capital and related financing activities:**

Capital grants receivable	\$	2,294,966
Acquisition of capital assets through current liabilities		1,324,567
Loss on impairment of capital assets		19,264
Grants receivable		(12,500)

The notes to the basic financial statements are an integral part of this statement.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note A. Summary of Significant Accounting Policies**

The Sonoma Valley County Sanitation District (the District) conforms to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. A summary of significant accounting policies is included below.

*Defining the Financial Reporting Entity*

The District is managed by Sonoma County Water Agency (Sonoma Water), which provides engineering, administration, operational, and maintenance services. The District is a distinct legal entity from Sonoma Water and was formed by action of the County of Sonoma (the County) Board of Supervisors. The District is responsible for maintaining and operating the local sanitation collection systems, pump stations, and treatment plants in the Sonoma Valley area of Sonoma County. The District has an ordinance defining policies, including user fees.

*Component Unit Reporting*

The District is governed by a three member board (the Board), including two members of the County Board of Supervisors. The exercise of this oversight responsibility causes the District to be an integral part of the County's reporting entity. Therefore, the District's financial statements have also been included in the County's Annual Comprehensive Financial Report as a discretely presented component unit.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The District uses a proprietary (enterprise) fund to account for its activities. An enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal external revenue sources meet any of the following criteria: (1) issued debt is backed solely by fees and charges, (2) the cost of providing services for any activity (including capital costs such as depreciation or debt service) must be legally recovered through fees or charges, or (3) if the government's policy is to establish activity fees or charges designed to recover the cost of providing services.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets and liabilities associated with the operations of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Sonoma Valley County Sanitation District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**Note A. Summary of Significant Accounting Policies (continued)**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are flat charges and charges for services. Operating expenses for the District include expenses relating to the collection, treatment, disposal, and reclamation of effluent as well as administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

*Cash and Investments*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application", investments are stated at fair value in the statement of net position and the corresponding changes in the fair value of investments are recognized in the year in which the change occurred. The District follows the practice of pooling cash and investments of all funds with the Sonoma County Treasurer (the Treasurer) except for certain restricted funds held by outside custodians, funds held by a trustee or funds in dedicated investments for the benefit of an individual pool participant. The fair value of investments is determined annually. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter in the County Treasury Investment Pool (the Treasury Pool).

For purposes of the statement of cash flows, the District considers all pooled cash and investments as cash and cash equivalents because the Treasury Pool is used as a demand deposit account. Cash with trustee and restricted cash and investments with a maturity of three months or less when purchased are also considered cash and cash equivalents.

*Accounts Receivable*

Accounts receivable primarily consists of uncollected fees for sanitation services and flat charges. Flat charges are established annually by the Board and billed through the County's property tax system. Management has not recorded an allowance for uncollectible receivables as it deems all receivables fully collectible. However some receivables have been classified as noncurrent as they are not considered collectable in the subsequent period.

**Sonoma Valley County Sanitation District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**Note A. Summary of Significant Accounting Policies (continued)**

*Restricted Assets*

Restricted assets represent cash and investments maintained in accordance with bond resolutions or by agreement to fund certain mitigation projects.

*Capital Assets*

Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure, construction in progress and intangible assets. Assets that are purchased or constructed are reported at historical cost or at estimated historical cost if actual historical cost is not available. Capital projects spanning multiple years are recorded as construction in progress. Donated capital assets are valued at their estimated fair value on the date of donation.

Maintenance and repair costs are charged to operations when incurred. Improvements to existing assets that significantly increase performance, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Intangible assets are stated at cost or estimated historical cost (except for intangible right-to-use lease assets). Intangible right-to-use lease assets are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right-to-use lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Intangible assets for the District consist of permanent and temporary easements. Permanent easements, including dedicated easements, are stated at cost, estimated historical cost, or fair value and are not amortized.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note A. Summary of Significant Accounting Policies (continued)**

*Capital Assets (continued)*

The capitalization thresholds and estimated useful lives for capital assets are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Land improvements	100,000	15 to 50 years
Buildings and improvements:		
Buildings	100,000	50 years
Building improvements	100,000	15 to 20 years
Machinery and equipment	5,000	5 to 20 years
Infrastructure	100,000	25 to 75 years
Intangible assets:		
Computer software	100,000	3 to 10 years
Temporary easements	-	Life of easement
Permanent easements	-	N/A
Right-to-use leases	100,000	Shorter of the lease term or the useful life of the underlying asset
Right-to-use software assets (SBITAs)	100,000	Shorter of the subscription term or the useful life of the underlying IT assets
Construction in progress	Projects expected to exceed the capitalization threshold for the applicable asset class	N/A

*Bond Discounts and Premiums*

Revenue bond discounts and premiums are deferred and amortized using the straight-line method, which approximates the effective interest method, over the term of the outstanding bonds. Unamortized bond discounts reduce the carrying value of the related debt and unamortized premiums increase the carrying value of the related debt.

*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 future periods and so will not be recognized as an outflow of resources (expenses) until then. The District does not have any items that qualify for reporting in this category.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note A. Summary of Significant Accounting Policies (continued)**

*Deferred Outflows/Inflows of Resources (continued)*

In addition to liabilities, the statement of net 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 future periods and so will not be recognized as an inflow of resources (revenues) until that time. The District only has one item that qualifies for reporting in this category, the deferred amounts related to charge on refunding reported in the statement of net position. The deferred amounts related to charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Net Position*

Net position represents the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Connection Fees*

Sewer connection fees represent fees received from developers and residents to connect to, or extend, existing trunk sewer systems. These fees are required to be used for capital purposes. Sewer and water connection fees are recorded as capital contributions in the enterprise funds, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Certain Non-exchange Transactions*.

**Cash and Investments**

**Note B.**

*Investment Guidelines*

The District follows the practice of pooling cash and investments of all funds with the Treasurer except for funds required to be held by outside fiscal agents or trustees under the provisions of bond indentures and lease agreements. The Treasurer also acts as a disbursing agent for the District. The Investment Oversight Committee has regulatory oversight for all funds deposited into the Treasury Pool.



**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note B. Cash and Investments (continued)**

*Investment Guidelines (continued)*

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the Treasurer will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and Federal Agency securities
- Bonds and notes issued by local agencies
- Registered state warrants and municipal notes and bonds
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) deposits
- Repurchase agreements
- Reverse repurchase agreements
- Securities lending agreements
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint power agreements
- Investment Trust of California (CalTRUST)
- Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank

A copy of the County investment policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note B. Cash and Investments (continued)**

*Investment Guidelines (continued)*

Cash and investments included the following at June 30, 2024:

	<b>Fair Value</b>
Cash and investments in Treasury Pool	\$ 35,282,597
Cash and investments with trustee	2,653
<b>Total</b>	<b>\$ 35,285,250</b>

As of June 30, 2024, the fair value of the District's pooled cash and investments includes an unrealized loss fair value adjustment of \$514,545. Funds are held in the Treasury Pool managed by the Treasurer, which is not rated by credit rating agencies, and had a weighted average maturity of 664 days as of June 30, 2024. The credit rating and other information regarding specific investments maintained in the Treasury Pool as of June 30, 2024, are disclosed in the County's Annual Comprehensive Financial Report.

*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 its fair value is to changes in market interest rates. One of the ways that the District 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. The majority of the District's cash and investments are held in the Treasury Pool. As of June 30, 2024, \$2,653 of the District's investments were held by a trustee and invested in a money market mutual fund that provides daily liquidity and is not exposed to significant interest rate risk.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District follows the County's policy to purchase investments with the minimum ratings required by the California Government Code. Presented on the following page is the minimum rating required by (where applicable) the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of June 30, 2024, for each investment type.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note B. Cash and Investments (continued)**

*Credit Risk (continued)*

	<b>Fair Value</b>	<b>Minimum Legal Rating</b>
Held by trustee:		
Money market mutual funds	\$ 2,653	AAAm

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of June 30, 2024, the District’s investment held by trustee in money market accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation. Accordingly, none of the District’s investment in money market accounts is subject to custodial credit risk. Investments in external investment pools (such as the Treasury Pool) are not exposed to custodial credit risk.

*Fair Value Measurements*

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2024:

- Investment in money market mutual funds which are valued using quoted prices in active markets (Level 1).
- Investment in the Treasury Pool which is valued using significant other observable inputs (Level 2).

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	July 1, 2023	Increases	Decreases	Transfers & Reclassification	June 30, 2024
Capital assets, not being depreciated/amortized:					
Construction in progress	\$ 13,352,571	\$ 7,947,117	\$ (19,264)	\$ (12,089,436)	\$ 9,190,988
Land	4,506,972	-	-	-	4,506,972
Intangibles	1,779,983	-	-	644,227	2,424,210
Total capital assets, not being depreciated/amortized	19,639,526	7,947,117	(19,264)	(11,445,209)	16,122,170
Capital assets, being depreciated/amortized:					
Infrastructure	149,265,989	-	-	11,314,261	160,580,250
Machinery and equipment	592,065	-	-	130,948	723,013
Intangibles	335,422	-	-	-	335,422
Total capital assets being depreciated/amortized	150,193,476	-	-	11,445,209	161,638,685
Less accumulated depreciation/amortization for:					
Infrastructure	(85,764,526)	(3,338,063)	-	-	(89,102,589)
Machinery and equipment	(441,751)	(30,022)	-	-	(471,773)
Intangibles	(269,927)	(28,069)	-	-	(297,996)
Total accumulated depreciation/amortization	(86,476,204)	(3,396,154)	-	-	(89,872,358)
Total capital assets, being depreciated, net	63,717,272	(3,396,154)	-	11,445,209	71,766,327
Total capital assets, net	\$ 83,356,798	\$ 4,550,963	\$ (19,264)	\$ -	\$ 87,888,497

Depreciation and amortization expense related to capital assets amounted to \$3,396,154 for the fiscal year ended June 30, 2024.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note D. Long-Term Obligations**

*Advances from Other Governments*

The District received funding from the State Water Resources Control Board as a direct borrowing during the fiscal year ended June 30, 2008, and fiscal year ended June 30, 2009, for the Tertiary Treatment Plant Upgrade project totaling \$6,996,831. The loan is a State Revolving Loan with annual debt service payments of \$442,972. Payments are secured by a pledge of net revenues earned by the District. The total principal and interest outstanding on the advance from the State Water Resources Control Board secured by net revenues earned by the District as of June 30, 2024, is \$1,674,507 and \$97,379, respectively. The term of the loan is 20 years at an annual interest rate of 2.3% with the final payment currently scheduled for 2027.

The loan for the Tertiary Treatment Upgrade project has a provision that a penalty in the amount of 0.1% of the amount due will be due for each day of nonpayment following a 10-day grace period. The loan also contains a provision that if the District discontinues use, leases, or disposes of any significant part of the project before the end of its useful life, then the District may be required to repay all or a portion of the remaining funds covered by the loan agreement together with accrued interest.

Annual debt service requirements to maturity for the revolving loan are as follows:

<b>Fiscal Year Ending</b>					
<b>June 30,</b>		<b>Principal</b>		<b>Interest</b>	<b>Total</b>
2025	\$	404,458	\$	38,514	\$ 442,972
2026		413,760		29,211	442,971
2027		423,277		19,695	442,972
2028		433,012		9,959	442,971
<b>Total</b>	<b>\$</b>	<b>1,674,507</b>	<b>\$</b>	<b>97,379</b>	<b>\$ 1,771,886</b>

During the fiscal year ended June 30, 2013, the District received a loan of \$2,320,304 as a direct borrowing from the State Water Resources Control Board for the Watmaugh Main Sewer Trunk Replacement project. As of June 30, 2024, the outstanding balance is \$1,050,386. The loan is a State Revolving Loan with debt service payments of \$147,120, payable annually in November. The expected term is 20 years at an annual interest rate of 2.6% with the last payment scheduled for November 2031.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note D. Long-Term Obligations (continued)**

*Advances from Other Governments (continued)*

The loan for the Watmaugh Main Sewer Trunk Replacement project has a provision that a penalty in the amount of costs incurred to the State Water Board will be due for each day of nonpayment following a 10-day grace period. Costs may include lost interest earnings, staff time, bond debt service default penalties, and other costs incurred. The loan also contains a provision that if the District discontinues use, leases, or disposes of any significant part of the project before the end of its useful life, then the District may be required to repay all or a portion of the remaining funds covered by the loan agreement together with accrued interest.

Annual debt service requirements to maturity for the revolving loan are as follows:

<b>Fiscal Year Ending</b>					
<b>June 30,</b>		<b>Principal</b>		<b>Interest</b>	<b>Total</b>
2025	\$	119,810	\$	27,310	\$ 147,120
2026		122,925		24,195	147,120
2027		126,121		20,999	147,120
2028		129,400		17,720	147,120
2029		132,764		14,355	147,119
2030-2032		419,366		21,994	441,360
<b>Total</b>	<b>\$</b>	<b>1,050,386</b>	<b>\$</b>	<b>126,573</b>	<b>\$ 1,176,959</b>

During the fiscal years ended June 30, 2014 and 2015, the District received loan proceeds totaling \$3,136,024 as a direct borrowing from the State Water Resources Control Board for the District’s Biosolids Management Upgrade project. As of June 30, 2024, the outstanding balance is \$1,912,186. The loan is a State Revolving Loan with debt service payments of \$202,112, payable annually in August. The expected term is 20 years at an annual interest rate of 2.6% with the last payment scheduled for August 2034.

The loan for the Biosolids Management Upgrade project has a provision that a penalty in the amount of costs incurred to the State Water Board will be due for each day of nonpayment following a 10-day grace period. Costs may include lost interest earnings, staff time, bond debt service default penalties, and other costs incurred. The loan also contains a provision that if the District discontinues use, leases, or disposes of any significant part of the project before the end of its useful life, then the District may be required to repay all or a portion of the remaining funds covered by the loan agreement together with accrued interest.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note D. Long-Term Obligations (continued)**

*Advances from Other Governments (continued)*

Annual debt service requirements to maturity for the revolving loan are as follows:

<b>Fiscal Year Ending</b>		<b>Principal</b>		<b>Interest</b>		<b>Total</b>
<b>June 30,</b>						
2025	\$	152,395	\$	49,717	\$	202,112
2026		156,357		45,755		202,112
2027		160,423		41,689		202,112
2028		164,594		37,518		202,112
2029		168,873		33,239		202,112
2030-2034		912,554		98,006		1,010,560
2035		196,990		5,122		202,112
<b>Total</b>	<b>\$</b>	<b>1,912,186</b>	<b>\$</b>	<b>311,046</b>	<b>\$</b>	<b>2,223,232</b>

Principal and interest paid for the year ended June 30, 2024 on advances from other governments totaled \$792,204. Total net revenues for the year, per the State Water Resources Control Board, were \$12,977,552. Annual principal and interest payments on these advances are expected to require no more than 6.1% of net revenues.

*Revenue Bonds*

During the fiscal year ended June 30, 2023, the District issued Sonoma County Water and Wastewater Financing Authority 2022 Revenue Bonds (2022 Bonds). This issuance refunded the remaining principal (\$5,960,000) of the Sonoma County Water and Wastewater Financing Authority 2013 Revenue Bonds (2013 Bonds), as well as providing \$15,000,000 to finance the acquisition and construction of certain improvements to the District’s existing wastewater system.

The 2022 Bonds have interest rates ranging from 4.0% to 5.0% and are payable solely from sanitation customer net revenues through 2048. Annual principal and interest payments are expected to require no more than 24.7% of net revenues. The total principal and interest outstanding on the 2022 Bonds as of June 30, 2024 is \$17,190,000 and \$12,196,525, respectively, which equals the remaining income pledged by the District through the fiscal year ending June 30, 2048 towards debt service. Principal and interest paid for the year ended June 30, 2024, on the 2022 Bonds totaled \$1,335,000 and \$240,150, respectively. Total net revenues for the year, per the 2022 Bonds agreement, were \$8,549,389.

The 2022 Bonds have a provision that in the event of default the Trustee, as assignee of the Sonoma County Water and Wastewater Financing Authority, shall be entitled to declare the principal of all the bonds then outstanding and the interest accrued thereon at the Overdue Rate to be due and payable immediately. The Overdue Rate is defined as the highest rate of interest on any of the outstanding bonds as of the immediately preceding interest payment date on which payment was made.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note D. Long-Term Obligations (continued)**

*Revenue Bonds (continued)*

Debt service requirements to maturity for the 2022 Revenue Bonds are as follows:

<b>Fiscal Year Ending</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>				
2025	\$	910,000	\$ 723,600	\$ 1,633,600
2026		515,000	687,975	1,202,975
2027		545,000	661,475	1,206,475
2028		570,000	633,600	1,203,600
2029		600,000	604,350	1,204,350
2030-2034		3,505,000	2,530,225	6,035,225
2035-2039		3,715,000	1,713,500	5,428,500
2040-2044		3,490,000	1,028,000	4,518,000
2045-2048		3,340,000	3,613,800	6,953,800
<b>Total</b>	<b>\$</b>	<b>17,190,000</b>	<b>\$ 12,196,525</b>	<b>\$ 29,386,525</b>

*Changes in Long-Term Obligations*

Long-term obligations activity for the fiscal year ended June 30, 2024 was as follows:

	<b>July 1,</b>			<b>June 30,</b>	<b>Due Within</b>
	<b>2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>2024</b>	<b>One Year</b>
Advances from other governments					
- direct borrowings	\$ 5,297,751	\$ -	\$ (660,672)	\$ 4,637,079	\$ 676,663
2022 revenue bonds	18,525,000	-	(1,335,000)	17,190,000	910,000
Unamortized issuance premiums	1,961,601	-	(81,733)	1,879,868	-
<b>Total long-term obligations</b>	<b>\$ 25,784,352</b>	<b>\$ -</b>	<b>\$ (2,077,405)</b>	<b>\$ 23,706,947</b>	<b>\$ 1,586,663</b>



**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note E. Accrued Interest Payable**

Interest payable consists of interest accrued on the following obligations:

	<b>Amount</b>
Advances from other governments	\$ 83,603
Revenue bonds	310,979
Total	\$ 394,582

**Note F. Related Party Transactions**

The District is a special district under the Board of Supervisors, and as such, has similar board members as the County. Both the District and Sonoma Water are component units of the County, and therefore, are considered related parties.

The District is managed by Sonoma Water, which provides administration, engineering, operational, and maintenance services. The District does not incur any payroll expenses. Sonoma Water charges the District for services based on direct labor plus overhead for Sonoma Water labor applied to District activities. The overhead rate is reviewed periodically by management to determine its effectiveness. During the fiscal year ended June 30, 2024, the District paid \$8,893,086 to Sonoma Water for operational services, and \$1,741,016 for acquisition and construction of capital assets.

**Note G. Risk Management**

The District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District is covered by the County’s self-insurance program, which is accounted for in the County’s Risk Management Internal Service Fund. The District is covered under this program for general liability, auto liability, public employees’ performance/dishonesty and property insurance.

The County maintains a self-insured retention of \$1,000,000 per occurrence for general and automobile liability. Excess liability coverage is maintained through participation in the Public Risk Innovation, Solutions, and Management (PRISM) risk sharing pool. Limits of this coverage are \$35,000,000 per occurrence.

The County maintains property coverages ranging from "All Risk" of physical loss or damage including flood through participation in the PRISM Property Insurance Program with the following limits and deductibles: \$600,000,000 limit (shared) per occurrence and \$50,000 deductible for “All Risk”, and \$225,000,000 limit (shared) per occurrence and \$100,000 deductible for flood (limits vary depending on flood zones).

The County of Sonoma is permissibly self-insured for workers’ compensation for its employees and volunteers in the amount of \$300,000 per occurrence. Excess workers’ compensation coverage in excess of \$300,000 with statutory limits is obtained through participation in the PRISM Excess Workers’ Compensation Program.

**Sonoma Valley County Sanitation District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2024**

**Note G. Risk Management (continued)**

The District pays an annual premium to the County for this insurance coverage. Settled claims have not exceeded this coverage for any of the past three fiscal years.

**Note H. Commitments and Contingencies**

*Commitments*

The District has active construction projects as of June 30, 2024. The projects include expansion and/or improvements of wastewater treatment facilities. As of June 30, 2024, the District's costs incurred on construction projects in progress totaled \$9,190,988 with remaining commitments of \$13,985,839.

The construction project costs incurred include both internal expenses and expenses paid to outside contractors. The remaining commitment balances relate to commitments with outside contractors only.

The commitments for the wastewater treatment facilities are being financed by revenue bonds secured by wastewater revenues, and other current resources.

Contractual commitments related to District operations were \$1,092,451 as of June 30, 2024.

*Pending Litigation, Claims, and Assessments*

In June 2015, the San Francisco Bay Regional Water Quality Board (Regional Board) issued a final Administrative Liability Complaint and Cease and Desist Order settlement agreement to settle pending enforcement actions for alleged violations by the District during the previous five years. The settlement agreement required certain compliance actions, including Board consideration of an ordinance for the inspection and repair of private sewer laterals; implementation of two trunk main replacement projects by October 2022 and October 2024 respectively; and implementation by the District of two Supplemental Environmental Projects ("SEPs") for a maximum credit against the penalty of \$365,000. The Regional Board amended the due date for the second trunk main project to be October 31, 2029, in a letter dated February 18, 2022. One SEP became infeasible, and therefore funds associated with this project were paid to the Regional Board. The other SEP, a rebate program for sewer lateral repair, has been completed and approved by the Regional Board. One trunk main project is in progress.

*Other Regulatory Matters*

The District is subject to Section VII of the Endangered Species Act (the Act). Section VII requires that all affected agencies, including the District, consult with fish and wildlife officials before performing any work which might disrupt or harm any endangered or threatened species or their habitat. This Act increases the possibility of threatened litigation from various environmental groups and individuals. The District is also subject to Section X of the Act which deals with habitat conservation planning.

**Sonoma Valley County Sanitation District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**Note I. Future Governmental Accounting Standards**

GASB has released the following standards which will be implemented in future financial statements:

*GASB Statement No. 102 - Certain Risk Disclosures*

The requirements of this Statement are effective for the fiscal year ending June 30, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

*GASB Statement No. 103 - Financial Reporting Model Improvements*

The requirements of this Statement are effective for the fiscal year ending June 30, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

The impact on the basic financial statements of the District of these pronouncements, which have not yet been adopted, is unknown at this time.

**Sonoma Valley County Sanitation District**

**Schedule of Expenditures of Federal Awards**

**Fiscal Year Ended June 30, 2024**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>Department of Homeland Security Program</b>				
Federal Emergency Management Agency				
- California Office of Emergency Services				
Hazard Mitigation	97.039	HMGP#4344-121-036R	\$ -	\$ 2,974,007
<b>Total Department of Homeland Security Program</b>			-	2,974,007
<b>Department of the Treasury Program</b>				
Departmental Offices				
- California State Water Resources Control Board				
Coronavirus State and Local Fiscal Recovery Funds	21.027	3940-162-8506	-	85,735
<b>Total Department of the Treasury Program</b>			-	85,735
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 3,059,742

See accompanying Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

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Fiscal Year Ended June 30, 2024

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**Note A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Sonoma Valley County Sanitation District (the District) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Note B. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note C. Indirect Cost Rate**

The District has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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**

Board of Directors  
Sonoma Valley County Sanitation District

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 Sonoma Valley County Sanitation District (the District), a component unit of the County of Sonoma, California which comprise the statement of net position as of June 30, 2024, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the notes to the basic financial statements, and have issued our report thereon dated September 30, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

**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*** (continued)

**Independent Auditor's Report** (continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Perenti & Brinku LLP*

Santa Rosa, California  
September 30, 2024

**Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Independent Auditor's Report**

Board of Directors  
Sonoma Valley County Sanitation District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Sonoma Valley County Sanitation District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sonoma Valley County Sanitation District's major federal programs for the year ended June 30, 2024. The Sonoma Valley County Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Sonoma Valley County Sanitation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further describe in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sonoma Valley County Sanitation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sonoma Valley County Sanitation District's compliance with the compliance requirements referred to above.



**Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance (continued)**

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sonoma Valley County Sanitation District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sonoma Valley County Sanitation District's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sonoma Valley County Sanitation District's compliance with those requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgement and maintain professional skepticism throughout the audit,
- identify and assess the risks of material noncompliance, 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 Sonoma Valley County Sanitation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain and understanding of Sonoma Valley County Sanitation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sonoma Valley County Sanitation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

**Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance (continued)**

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Perenti & Brink LLP*

Santa Rosa, California  
September 30, 2024

**I. Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No  
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major federal programs:

Material weaknesses identified? No  
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
97.039	Hazard Mitigation Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**II. Financial Statement Findings**

*No matters are reportable*

**III. Findings and Questioned Costs for Federal Awards**

*No matters are reportable*

**No matters were reported in the prior year.**