

**South Park 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, 2019

**South Park County Sanitation District
For the Fiscal Year Ended June 30, 2019**

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Independent Auditor's Report

Board of Directors
South Park County Sanitation District
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Park County Sanitation District (the "District"), a component unit of the County of Sonoma, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

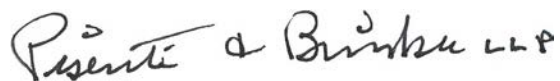
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 27, 2019

Management's Discussion and Analysis

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

As management of the South Park 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, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements and the accompanying notes to the financial statements.

Reporting Entity

The District is managed by Sonoma Water, which provides administration, engineering, operational and maintenance services. The District is governed by a Board of Directors, which is the County of Sonoma Board of Supervisors. The District is considered an integral part of the County of Sonoma's reporting entity, resulting in the District's financial statements being included in the County's Comprehensive Annual Financial Report.

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

Financial Highlights

Net Position

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,089,565 (*net position*). Of this amount, \$6,074,788 (*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, including capital contributions, of \$5,345,402 during the fiscal year ended June 30, 2019. Of this amount, \$4,099,347 consists of flat charges, charges for services and other operating revenues, \$1,170,475 of non-operating revenue comprised of \$326,947 of investment earnings and \$843,528 of intergovernmental revenue, and the remaining \$75,580 was for connection fees recognized during the fiscal year.

Expenses

The District incurred expenses totaling \$3,734,489 during the fiscal year ended June 30, 2019. Of this amount, \$2,886,122 represents operating expenses related to the collection, treatment, disposal, and reclamation of effluent, as well as administrative and general expenses. The remaining non-operating expense of \$848,367 consisted of interest expense (\$50,303) and contributions to other governments (\$798,064).

Increase in Net Position

The District recognized operating income of \$1,213,225 for the fiscal year ended June 30, 2019, while recognizing an overall increase in net position of \$1,610,913.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

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 activities 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 and deferred outflows of resources exceeded liabilities by \$25,089,565 at the close of the most recent fiscal year compared to net position of \$23,478,652 as of June 30, 2018. The \$1,610,913 increase in net position is due primarily to the District's continued focus on minimizing increases to its expenses combined with growing revenues from the collection, treatment and disposal of effluent (operating activities). Additionally, during the fiscal year ended June 30, 2019, intergovernmental revenue associated with the Blackwell Tract and East Robles Ave. Sewer Replacement capital improvements increased substantially, while being partially offset by capital contributions to other governments.

A portion of the District's net position (74.1% as of June 30, 2019 compared to 66.6% as of June 30, 2018) reflects its investment in capital assets (e.g., construction in progress and infrastructure), less any 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.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

Financial Analysis (continued)

Condensed Statements of Net Position

	June 30, 2018	June 30, 2019	Percentage Change
Current and other assets	\$ 11,206,368	\$ 8,773,782	-21.7%
Capital assets	17,296,861	20,077,574	16.1%
Total Assets	28,503,229	28,851,356	1.2%
Total Deferred Outflows of Resources	100,932	88,316	-12.5%
Current liabilities	1,909,049	762,821	-60.0%
Noncurrent liabilities	3,216,460	3,087,286	-4.0%
Total Liabilities	5,125,509	3,850,107	-24.9%
Net investment in capital assets	15,645,747	18,593,997	18.8%
Restricted for debt service	405,430	420,780	3.8%
Unrestricted	7,427,475	6,074,788	-18.2%
Total Net Position	\$ 23,478,652	\$ 25,089,565	6.9%

A portion of the District's net position, \$420,780 as of June 30, 2019, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$6,074,788 as of June 30, 2019, may be used to meet the District's ongoing obligations to citizens and creditors. The District reported positive balances in all categories of net position.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

Financial Analysis (continued)

Condensed Statements of Changes in Net Position

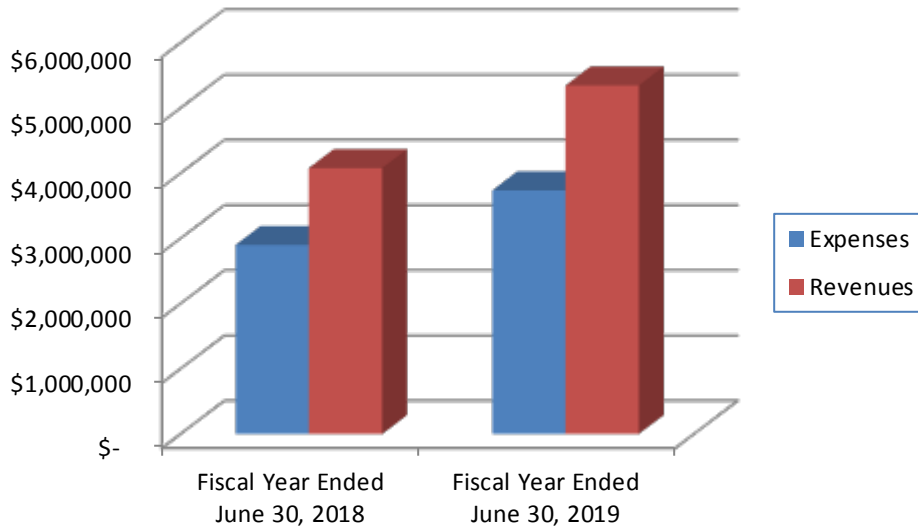
	Fiscal Year Ended		Percentage Change
	June 30, 2018	June 30, 2019	
Revenues			
Operating revenues	\$ 3,765,630	\$ 4,099,347	8.9%
Nonoperating revenues	184,595	1,170,475	534.1%
Total revenues	3,950,225	5,269,822	33.4%
Expenses			
Services and supplies	2,354,928	2,423,072	2.9%
Fiscal agent fees and legal services	11,957	878	-92.7%
Depreciation and amortization	433,512	462,172	6.6%
Interest expense and debt issuance costs	30,095	50,303	67.1%
Contributions to other governments	68,096	798,064	1072.0%
Total expenses	2,898,588	3,734,489	28.8%
Income before contributions	1,051,637	1,535,333	46.0%
Capital contributions - connection fees	127,300	75,580	-40.6%
Increase in net position	1,178,937	1,610,913	36.6%
Net position - beginning of year	22,299,715	23,478,652	5.3%
Net position - end of year	\$ 23,478,652	\$ 25,089,565	6.9%

The District's net position increased by \$1,610,913 during the fiscal year ended June 30, 2019 compared to an increase of \$1,178,937 during the fiscal year ended June 30, 2018. Overall total revenues (including capital contributions) recognized by the District increased 31.1% from the fiscal year ended June 30, 2018. Total expenses incurred during the fiscal year ended June 30, 2019 increased 28.8% primarily as a result of an increase in contributions to other governments related to the completion of the Blackwell Tract project.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

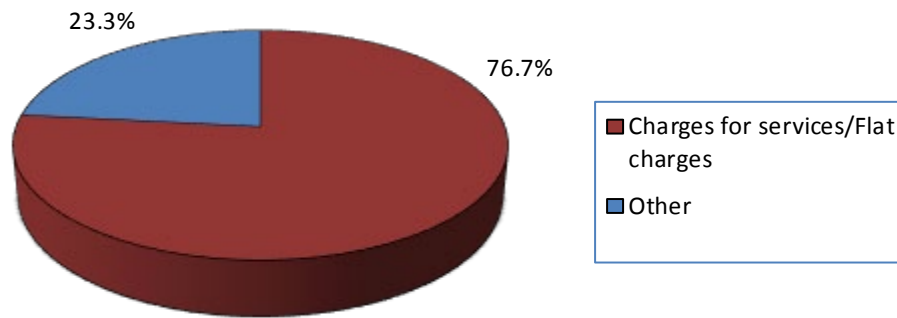
Financial Analysis (continued)

Expenses and Revenues



Total revenues, including capital contributions, of the District for the fiscal year ended June 30, 2019 totaled \$5,345,402 representing an increase of \$1,267,877 from the preceding fiscal year revenues of \$4,077,525. This increase is primarily the result of an increase in intergovernmental revenue related to the Blackwell Tract project, increased investment earnings, and increased operating revenue due to a 3.5% rate increase from the previous year.

Revenues by Source

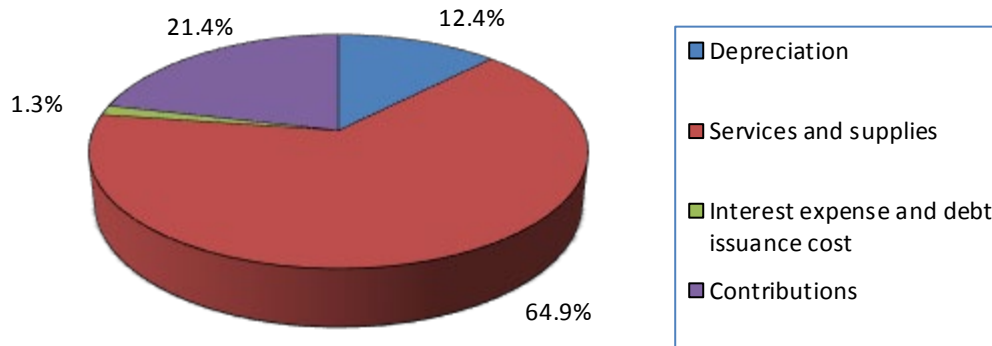


As previously mentioned, the District recognized \$5,345,402 of revenue and capital contributions during the fiscal year ended June 30, 2019. Of this amount \$4,099,347 or 76.7% was generated through flat charges and charges for services. These charges represent sewer services charges to cover operations and maintenance costs, which are initially collected through the permitting process, then subsequently through the tax rolls. The remaining 23.3% of revenue and capital contributions consisted of interest earnings of \$326,947, intergovernmental revenue of \$843,528, and connection fees of \$75,580.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

Financial Analysis (continued)

Expenses by Function



Expenses for the District for fiscal year ended June 30, 2019 totaled \$3,734,489. Costs associated with the collection, treatment, and disposal of effluent totaled \$2,423,950, and represent 64.9% of the District's costs. The next largest functional area of total expenses is contributions to other governments of \$798,064 (21.4%), followed by depreciation and amortization expense of \$462,172 (12.4%), and interest expense of \$50,303 (1.3%).

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets as of June 30, 2019, amounts to \$20,077,574 (net of accumulated depreciation). In addition to reporting the District's investment in capital assets including land, infrastructure, improvements, and construction in progress, the District reports its investment in intangible assets as required by Governmental Accounting Standards Board (GASB) Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*. Intangible assets for the District normally include easements (both permanent and temporary), and development, acquisition, and implementation costs related to computer software. Software is included only when the aggregate costs exceed, or are anticipated to exceed, a threshold of \$25,000.

South Park County Sanitation District's Capital Assets

	June 30, 2018	June 30, 2019	Percentage Change
Intangible assets	\$ 124,602	\$ 124,602	0.0%
Construction in progress	2,324,898	2,128,591	-8.4%
Infrastructure	21,553,424	24,992,616	16.0%
Accumulated depreciation	(6,706,063)	(7,168,235)	6.9%
Total	\$ 17,296,861	\$ 20,077,574	16.1%

Additional information on the District's capital assets can be found in Note C of this report.

**South Park County Sanitation District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

Capital Asset and Debt Administration (continued)

Long-term Obligations

As of June 30, 2019, the District had a total of \$1,571,893 in outstanding revenue bonds.

South Park County Sanitation District's Outstanding Long-Term debt

	June 30, 2018	June 30, 2019	Percentage Change
Revenue bonds	\$ 1,752,046	\$ 1,571,893	-10.3%

The District's total debt decreased by \$180,153 during the current fiscal year. The decrease in revenue bonds is due to scheduled payments on the Sonoma County Water and Wastewater Financing Authority 2017 Revenue Bonds (2017 Bonds). The 2017 bonds principal due at issuance totaled \$1,929,628 with an average coupon rate of 2.33%.

Additional information on the District's current and long-term obligations can be found in Note D of this report.

Next Year's Budget and Rates

Budgeted gross expenses, including expenditures for capital projects, for the District for the fiscal year ending June 30, 2020 have decreased by \$3,675,385 (45.2%) for a total of \$4,451,675. The major component of the change is from a decrease within the Construction fund of \$2,751,329 for several collection system replacement projects budgeted in the prior year. There is also a decrease in the Operations fund budget of \$920,854 for operations and maintenance costs. The decrease in both construction budget for the fiscal year ending June 30, 2020 is primarily due to the completion of the Blackwell Tract Collection System replacement, and the anticipation of the completion of the East Robles Ave Sewer Main replacement.

The following is a comparison of the final budget for the fiscal year ended June 30, 2019 and the proposed budgeted expenses for the District for the fiscal year ending June 30, 2020.

	Fiscal Year Ended June 30, 2019	Fiscal Year Ending June 30, 2020	Decrease
Operations	\$ 4,947,407	\$ 4,026,553	\$ (920,854)
Debt service - revenue bonds	53,324	50,122	(3,202)
Construction	3,126,329	375,000	(2,751,329)
Total	\$ 8,127,060	\$ 4,451,675	\$ (3,675,385)

**South Park County Sanitation District
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019**

Next Year's Budget and Rates (continued)

Budgeted expenses for the fiscal year ended June 30, 2019 differ in several instances from the budgeted expenses presented in the management discussion and analysis issued for the period ending June 30, 2018. 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, 2018.

On October 10, 2017, the District received Board approval to execute an amended agreement with the City of Santa Rosa to provide a framework for continued coordination and cooperation between the District and the City following the City's annexation of certain County islands in southwest Santa Rosa. The agreement addresses rate restructuring, transfer of operations to the City, and a new governance structure to allow for the eventual transfer of all District operation and function to the City.

During the transition, the District will be moving to a new rate structure designed first and foremost to recover the cost of providing District services while also providing customers greater control over their sewer bill with the phased introduction of volume-based rates and is similar to the City's rate structure. The District's current rate structure includes one component: fixed charges. The District's new proposed rate structure is designed to recover the costs of providing sewer services and would include two components (A) fixed charges; and (B) volumetric charges that are based on water used.

South Park County Sanitation District's proposed FY 2019/2020 wastewater rates will collect 60% of revenue from fixed charges and 40% of revenue from volumetric charges. The fixed charge recovers the District's costs to provide sewer services. The fixed charge for all customers is \$546 per equivalent single family dwelling.

The volume-based charge recovers the District's costs to provide sewer services, including the costs associated with the sewage treatment and collection system that vary with the amount of sewage conveyed and treated, and gives District ratepayers the opportunity to control a portion of their sewer bill. The District will use City of Santa Rosa water usage data to calculate the annual volumetric charge portion of the sewer fee. All District customers will pay an annual volumetric charge.

The following tables show the sanitation services rates and equivalent single family dwellings for the District.

	Fiscal Year Ended June 30, 2019	Fiscal Year Ending June 30, 2020
Fixed Rate per Equivalent Single-Family Dwelling	\$ 774	\$ 546
Volumetric Rate per 1000 gal. For Residential Customers	\$ 4.07	\$ 9.95
Number of Equivalent Single-Family Dwellings	4,257	4,267

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. 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, 585 Fiscal Drive, Room 100, Santa Rosa, CA 95403.

South Park County Sanitation District
Statement of Net Position
June 30, 2019

Assets	
Current assets:	
Cash and investments	\$ 8,187,989
Accounts receivable	92,638
Restricted cash and investments:	
Revenue bond fund	213,176
Total current assets	8,493,803
Non-current assets:	
Cash and investments restricted for debt service	216,659
Accounts receivable, noncurrent portion	63,320
Capital assets not being depreciated:	
Intangible assets	124,602
Construction in progress	2,128,591
Capital assets, net of accumulated depreciation:	
Infrastructure	17,824,381
Total capital assets (net of accumulated depreciation)	20,077,574
Total noncurrent assets	20,357,553
Total assets	28,851,356
Deferred outflows of resources	
Deferred amount on refunding	88,316
Total deferred outflows of resources	88,316
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	571,719
Current liabilities payable from restricted assets:	
Revenue bonds payable	182,047
Accrued interest payable	9,055
Total current liabilities	762,821
Noncurrent liabilities:	
Pollution remediation	1,697,440
Revenue bonds payable	1,389,846
Total noncurrent liabilities	3,087,286
Total liabilities	3,850,107
Net Position	
Net investment in capital assets	18,593,997
Restricted for debt service	420,780
Unrestricted	6,074,788
Total net position	\$ 25,089,565

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

South Park County Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Operating revenues	
Flat charges	\$ 3,974,881
Charges for services	124,466
Total operating revenues	4,099,347
Operating expenses	
Services and supplies	2,423,072
Fiscal agent fees and legal services	878
Depreciation and amortization	462,172
Total operating expenses	2,886,122
Operating income	1,213,225
Nonoperating revenues (expenses)	
Intergovernmental	843,528
Investment earnings	326,947
Contributions to other governments	(798,064)
Interest expense and debt issuance costs	(50,303)
Total nonoperating revenue, net	322,108
Income before capital contributions	1,535,333
Capital contributions:	
Connection fees	75,580
Increase in net position	1,610,913
Net position - beginning of year	23,478,652
Net position - end of year	\$ 25,089,565

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

South Park County Sanitation District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

Cash Flows From Operating Activities	
Receipts from customers	\$ 4,041,360
Payments to Sonoma Water - services and supplies	(45,348)
Payments to suppliers	(2,118,579)
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Net cash provided by operating activities	1,877,433
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Cash Flows From Non-Capital and Related Financing Activities	
Contributions to other governments	(798,064)
Refund of County contribution for roadway repair related to the Blackwell Tract sewer replacement	(246,270)
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Net cash used in non-capital and related financing activities	(1,044,334)
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Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(3,507,322)
Principal payments - revenue bonds	(180,153)
Interest paid on revenue bonds	(38,724)
Connection fees	75,580
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Net cash used in capital and related financing activities	(3,650,619)
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Cash Flows From Investing Activities	
Interest received on pooled cash and investments	326,947
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Net decrease in cash and cash equivalents	(2,490,573)
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Cash and cash equivalents - beginning of year	11,108,397
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Cash and cash equivalents - end of year	\$ 8,617,824
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Reconciliation to the statement of net position	
Cash and investments	\$ 8,187,989
Restricted cash and investments	429,835
<hr/>	
Cash and cash equivalents	\$ 8,617,824
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Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 1,213,225
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	462,172
Pollution remediation inflation adjustment	52,874
Change in assets and liabilities:	
Increase in accounts and other receivables	(57,987)
Increase in accounts payable and accrued expenses	207,149
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Net cash provided by operating activities	\$ 1,877,433
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Noncash Capital and Related Financing Activities:	
Acquisitions of capital assets through accounts payable	\$ (362,230)

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

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note A. Summary of Significant Accounting Policies

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 South Park County Sanitation District (the District) is managed by 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 Sonoma County Board of Supervisors. The District is responsible for maintaining and operating the local sanitation collection systems and pump stations. The District has an ordinance defining policies, including user fees.

An agreement for transfer of responsibility to the City of Santa Rosa of collection system operation and maintenance, and subsequent dissolution of the District, was finalized in February of 1996. The agreement has been amended several times in the subsequent years.

On August 2, 2017, the Sonoma County Local Agency Formation Commission (LAFCO) approved the annexation of certain County islands in southwest Santa Rosa, including the large island commonly known as Roseland. Because the annexation will result in the annexation of less than 70% of the territory underlying the District, the District cannot be fully dissolved in conjunction with the Roseland Annexation. Therefore, LAFCO's annexation approval requires that the City and District amend the Transfer Agreement to address rate restructuring, transfer of operations to the City, and a new governance structure to allow for the eventual transfer of all District operations and functions to the City.

In October 2017, an amended agreement established a five year timeline for transitioning the rate structure from annual fixed rates charged on the tax roll to volumetric rates billed monthly by the City. Prior to or concurrent with the transition, the District will transfer control of the full operation and function of the District to the City. The District will seek a termination of the management agreement with Sonoma Water and approval of a new agreement with the City to document transfer of control. After full operation and function of the District is transferred to the City, a new Board of Directors will be created to manage the operation of the District. The District and the City are working collaboratively to address needed collection system upgrades in preparation for the transfer of management.

Component Unit Reporting

The District is governed by a Board of Directors (Board) which is the County of Sonoma (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 are also included in the County's Comprehensive Annual Financial Report as a discretely presented component unit.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note A. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this statement are effective for periods beginning after June 15, 2018 (FY 2018-19). This Statement addresses accounting and financial reporting for certain asset retirement obligations. The District implemented this statement as of July 1, 2018.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for periods beginning after June 15, 2018 (FY 2018-19). The primary objective of this statement is to improve the information that is disclosed in note to government financial statements related to debt, including direct borrowings and direct placements. The District implemented this statement as of July 1, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for periods beginning after December 15, 2019 (FY 2020-21). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The District early adopted this statement as of July 1, 2018. Because of the early adoption of GASB Statement No. 89, the District expensed \$50,303 in interest that would have otherwise been capitalized.

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 operation 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.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The District's cash and investments are pooled with the Sonoma County Treasurer (Treasurer). The Treasurer also acts as a disbursing agent for the District. The fair value of the investments in the pool is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the District based on its respective average daily balance for that quarter in the County Treasury Investment Pool (the Treasury Pool), an external investment pool.

In accordance with 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 balance sheet 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 County 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.

The District applies the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures* – an amendment to GASB Statement No. 3, which requires governmental entities to provide proper disclosures on common deposit and investment risks related to credit risk, interest rate risk and custodial credit risk.

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.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note A. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of uncollected fees for sanitation services and flat charges. Flat charges are established annually by the Board and are billed through the County's property tax system. The District does not record an allowance for uncollectible receivables as it deems all receivables as fully collectible.

Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions and formal actions of the Board or by agreement, for the purpose of funding certain debt service payments, and improvements and extensions to the collection systems.

Capital Assets

Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure, 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.

Assets acquired under capital lease are amortized over the lesser of the useful life of the asset or the lease term. Depreciation and amortization are recognized using the straight-line method over the estimated useful life of the asset.

**South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note A. Summary of Significant Accounting Policies (continued)

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Land improvements	25,000	15 to 50 years
Buildings and improvements:		
Buildings	25,000	50 years
Building improvements	25,000	15 to 20 years
Machinery and equipment	5,000	5 to 20 years
Infrastructure	100,000	25 to 75 years
Intangible Assets		
Computer software	25,000	3 to 10 years
Temporary easements	-	Life of easement
Permanent easements	-	N/A
Construction in progress	Projects expected to exceed the capitalization threshold for the applicable asset class	

Intangible Assets

Intangible assets are stated at cost or estimated historical cost. Intangible assets for the District consist of temporary and permanent easements. Temporary easements are defined by the District as any easement acquired during the course of a project that, by agreement, will expire after a certain period of time after the completion of the project, and has an estimated useful life in excess of 1 year. Temporary easements are amortized using the straight line method over the duration of the easement. Permanent easements, including dedicated easements, are stated at cost, estimated historical cost, or fair value and are not amortized.

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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred 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.

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 does not have any items that qualify for reporting in this category.

**South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note A. Summary of Significant Accounting Policies (continued)

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 regulation of other governments.

Budget and Budgetary Accounting

The Board adopts a budget annually to be effective July 1st for the ensuing fiscal year for the District. The general manager of Sonoma Water is authorized to transfer budgeted amounts within the District except for transfers between funds or major expense classes (e.g. transfers between capital assets and operating expenses). Such transfers require approval by the County Administrator and/or the Board.

Use of Estimates

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

Note B. Cash and Investments

The District follows the practice of pooling cash and investments with the Treasurer. The Investment Oversight Committee has regulatory oversight for all funds deposited into the Treasury Pool.

Investment Guidelines

The District's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Board. 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.

**South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note B. Cash and Investments (continued)

Investment Guidelines (continued)

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 powers agreement
- 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 County Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.

As of June 30, 2019 the fair value of the District's cash and investments was \$8,617,824. 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 552 days as of June 30, 2019. The credit rating and other information regarding specific investments maintained in the Treasury pool as of June 30, 2019, are disclosed in the County's Comprehensive Annual 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 County Treasurer manages the District's 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.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note B. Cash and Investments (continued)

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. The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk. As of June 30, 2019, all of the District's investments were in the County Treasury Pool and, are therefore, not exposed to custodial credit 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a credit rating. The District follows the County's policy to purchase investments with the minimum ratings required by the California Government Code. The credit rating of investments held and other information regarding the Treasury Pool for the year ended June 30, 2019 are disclosed in the County's Comprehensive Annual Financial Report.

The District categorizes its fair value measurements within 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; Level 3 inputs are significant unobservable inputs. The District has a recurring fair value measurement for its investment in the Sonoma County Treasury Pool which is valued using significant other observable inputs (Level 2).

**South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	July 1, 2018	Increases	Decreases	Transfers & Reclassification	June 30, 2019
Capital assets, not being depreciated					
Intangible assets	\$ 124,602	\$ -	\$ -	\$ -	\$ 124,602
Construction in progress	2,324,898	3,242,885	-	(3,439,192)	2,128,591
Total capital assets not being depreciated	2,449,500	3,242,885	-	(3,439,192)	2,253,193
Capital assets being depreciated:					
Infrastructure	21,553,424	-	-	3,439,192	24,992,616
Less: accumulated depreciation	(6,706,063)	(462,172)	-	-	(7,168,235)
Total capital assets, being depreciated, net	14,847,361	(462,172)	-	3,439,192	17,824,381
Total capital assets, net	\$ 17,296,861	\$ 2,780,713	\$ -	\$ -	\$ 20,077,574

Depreciation expense amounted to \$462,172 for the fiscal year ended June 30, 2019.

Note D. Long-Term Obligations

Revenue Bonds

The District issued bonds where the District pledged income derived from charges for services to pay debt service. The original amount of revenue bonds issued to finance construction projects for expanding existing wastewater collection system and constructing additional facilities was \$3,565,000, of which \$3,255,000 was refunded in September 2005. In April 2017 the Sonoma County Water and Wastewater Financing Authority issued Water and Wastewater Revenue Bonds (2017 Bonds) as direct placement conduit debt on the behalf of the District. The 2017 Bonds were issued to refund and defease the remaining balance (\$1,885,000) of the 2005C revenue bonds and pay associated costs of issuance.

The 2017 Bonds have an interest rate of 2.33% and are payable solely from sanitation customer net revenues and are payable through 2027. Annual principal and interest payments are expected to require no more than 10.5% of net revenues. The total principal and interest outstanding on the bonds, as of June 30, 2019 is \$1,571,893 and \$151,253, respectively, which equals the remaining income pledged by the District towards debt service on the bonds. Principal and interest paid during the fiscal year ended June 30, 2019 and total customer net revenues were \$218,877 and \$2,077,924, respectively.

The 2017 bonds contain a provision that in the event of default, all principal components of the unpaid debt service payments, together with accrued interest from the immediately preceding payment date on which payment was made, is immediately due and payable.

**South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note D. Long-Term Obligations (continued)

Revenue Bonds (continued)

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2020	\$ 182,047	\$ 34,504	\$ 216,551
2021	182,924	30,252	213,176
2022	188,501	25,925	214,426
2023	193,704	21,473	215,177
2024	198,523	16,903	215,426
2025-2027	626,194	22,196	648,390
Total	\$ 1,571,893	\$ 151,253	\$ 1,723,146

Changes in Long-Term Obligations

Long-term obligation activity for the fiscal year ended June 30, 2019 was as follows:

	July 1, 2018	Additions	Payments/ Retirements	June 30, 2019	Due Within One Year
Revenue bonds - direct placements	\$ 1,752,046	\$ -	\$ (180,153)	\$ 1,571,893	\$ 182,047
Total revenue bonds	\$ 1,752,046	\$ -	\$ (180,153)	\$ 1,571,893	\$ 182,047

Note E. Related Party Transactions

The District is a special district under the Board, and as such, has the same board members as the County. Both the District and Sonoma Water are component units of the County. Therefore, Sonoma Water is considered a related party with respect to the District.

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, 2019, the District paid \$45,348 to Sonoma Water for operational services, \$16,505 for non-operational services, and \$489,909 for capital related services.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note F. 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 California State Association of Counties, Excess Insurance Authority (CSAC-EIA). Limits of this coverage are \$25,000,000.

The County maintains "All Risk" property insurance including flood and earthquake through participation in the CSAC-EIA Property Insurance Program. Limits of coverage are \$800,000,000 per occurrence for All Risk, \$600,000,000 for flood (limits vary in FEMA flood zones) and earthquake coverage with shared limits of \$740,000,000. Deductibles for these perils are \$50,000 - \$100,000 per occurrence.

The County of Sonoma is permissibly self-insured for workers' compensation for its employees and volunteers. Excess workers' compensation coverage is obtained through participation in the CSAC-EIA.

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 G. Commitments and Contingencies

Commitments

The District has active construction projects as of June 30, 2019. The projects include expansion and/or improvements of several wastewater treatment facilities. As of June 30, 2019, the District's commitments to construction projects included \$2,128,591 spent to date with \$84,388 of remaining commitments. The balances spent to date include both internal expenses and expenses paid to outside contractors.

Commitments of significant encumbrances related to District operations were \$181,524 as of June 30, 2019.

Other Regulatory Matters

The District is subject to Section VII of the Endangered Species 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 Endangered Species Act which deals with habitat conservation planning.

South Park County Sanitation District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note H. Pollution Remediation

The District and the County entered into a Plan of Action with the North Coast Regional Quality Control Board (NC Regional Board) in 1999 to investigate a groundwater plume of halogenated volatile organic compounds (HVOC's) believed to have leaked from former dry cleaning operations and possibly using sewer pipes as a conduit. The investigation was completed in February 2002 at a cost of approximately \$1,250,000. Currently, the NC Regional Board is focusing on other potentially responsible parties (mainly oil companies) in connection with a petroleum hydrocarbon plume which is co-mingled with the HVOC plume. The District is working with the NC Regional Board to require other potentially responsible parties to conduct investigations of HVOC source areas on their properties. In this regard, the NC Regional Board sent out two information request/source investigation letters in late 2005 to owners of properties in the area which may be a source of HVOCs.

The District and the County may be held responsible for conducting remediation of the plume. In such event, substantial additional costs may be incurred in connection with the remedial action. In addition, negotiation of a clean-up strategy will result in costs from technical and legal consultants. As of June 30, 2019, the District has estimated a liability of \$1,697,440 for potential remediation activities using the expected cash flow technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The District did not perform any pollution remediation activity during the fiscal year ended June 30, 2019, as the investigation to identify responsible parties has not been concluded.

Note I. Future Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has released the following standards which will be implemented in future financial statements:

GASB Statement No. 87 – Leases

The requirements of this Statement are effective for periods beginning after December 15, 2019 (FY 2020-21). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The impact on the basic financial statements of the District of this pronouncement which has not yet been adopted is unknown at this time.



**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
South Park County Sanitation District
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 South Park 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, 2019, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated September 27, 2019.

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 opinion 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)

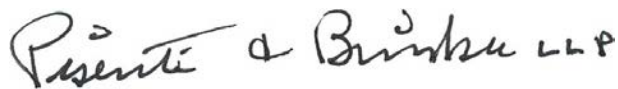
Independent Auditor's Report (continued)

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.

A handwritten signature in black ink that reads "Presente & Brink LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
September 27, 2019