

**SONOMA LOCAL AGENCY FORMATION
COMMISSION**

SANTA ROSA, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2022 & 2021

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INDEPENDENT AUDITORS' REPORT

Commissioners
Sonoma Local Agency Formation Commission (LAFCO)
Santa Rosa, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Sonoma Local Agency Formation Commission as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise Sonoma Local Agency Formation Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sonoma Local Agency Formation Commission, as of June 30, 2022 and 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Sonoma Local Agency Formation Commission, 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 opinions.

Emphasis of a Matter

Implementation of New Accounting Standards

As discussed in Notes 8 & 10 to the financial statements, Sonoma Local Agency Formation Commission implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which became effective for the year ended June 30, 2022 and 2021 and had material effects on the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. 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 Sonoma Local Agency Formation Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 auditing standards generally accepted in the United States of America 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 controls.

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 auditing standards generally accepted in the United States of America, 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 Sonoma Local Agency Formation Commission'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 Sonoma Local Agency Formation Commission's ability to continue as a going concern for a reasonable period of time.

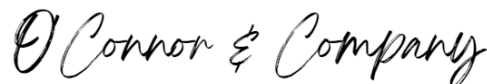
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-6) and the required supplementary information (page 23-24), which follows this report letter, and the other required supplementary information 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.



O'Connor & Company

Novato, California
May 1, 2024

Sonoma Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 & 2021

This section of the Sonoma Local Agency Formation Commission's (the Commission's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal years ended June 30, 2022, 2021, and 2020. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

The required financial statements include the Statement of Net Position and Governmental Funds Balance Sheet; and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of The Commission.

Financial Highlights

- The Commission finished June 30, 2022 and 2021 with a net position of \$711,697 and \$536,019 respectively, which includes GASB 87 lease implementation. This amount represents an overall change of \$175,678 and \$9,486 respectively from the prior fiscal year ended June 30, 2020 total of \$526,533. Additional details follow:

The change in the net position is largely attributed to GASB 87 for leases implementation and staffing.

Fund Level

- The Commission finished June 30, 2022 and 2021 with a total fund balance of \$731,057 and \$537,771 respectively. The unassigned portion of the fund balance totaled \$725,924 and \$527,436 respectively with the remainder - \$3,923 and \$8,705 respectively - dedicated to specified uses as follows:

The non-spendable portion of the Commission fund balance totaling \$3,923 and \$8,705 respectively was dedicated for professional services.

- The Commission's fund balance on June 30, 2022 and 2021 represents an overall change of 36.1% and 5.5% respectively – or \$193,706 and \$27,906 – over the prior fiscal year ended June 30, 2020. This change represents the overall difference between the Commission's actual operating revenues and actual operating expenses during the fiscal years ended June 30, 2022 and 2021.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of The Commission's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the Commission's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the Commission as a whole, including all its capital assets and long-term liabilities on a full accrual basis, like that used by corporations. The Statement of Activities provides information about all the Commission's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Commission's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All the Commission's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the Commission's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the Commission's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Sonoma Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2022 & 2021

Major Funds account for the major financial activities of the Commission and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the Commission as a whole. The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – The Commission's basic services are governmental activities. These services are supported by specific general revenues from local agencies.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Commission's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of the Commission for the year and may change from year to year as a result of changes in the pattern of the Commission's activities. In the Commission's case, there is only one Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Governmental Activities

Table 1
Governmental Net Position

	2022 Governmental Activities	2021 Governmental Activities	2020 Governmental Activities
Current assets	\$ 731,057	\$ 537,771	\$ 519,166
Noncurrent assets			
Capital asset, net accumulated depr.	6,429	12,363	18,298
Right-to-use lease assets	687,906	730,900	-
Total assets	<u>1,425,392</u>	<u>1,281,034</u>	<u>537,464</u>
Current liabilities	33,582	32,530	10,931
Noncurrent liabilities	680,113	712,485	-
Total liabilities	<u>713,695</u>	<u>745,015</u>	<u>10,931</u>
Net position			
Net investment in capital assets	(18,150)	(122)	18,298
Unrestricted	729,847	536,141	508,235
Total net position	<u>\$ 711,697</u>	<u>\$ 536,019</u>	<u>\$ 526,533</u>

The Commission's governmental net position amounted to \$711,697, \$526,019 and \$526,533 as of June 30, 2022, 2021 and 2020 respectively, an increase of \$175,678 from 2021 and \$9,486 from 2020. This increase is the Change in Net Position reflected in the Statement of Activities shown in Table 2.

Sonoma Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2022 & 2021

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

	2022	2021	2020
<u>Expenses</u>			
General government	\$ 605,428	\$ 761,734	\$ 769,349
Total expenses	605,428	761,734	769,349
<u>Revenues</u>			
Program revenues			
Charges for services	64,358	49,166	66,173
Total program revenues	64,358	49,166	66,173
<u>General revenues</u>			
Apportionment	741,814	720,053	699,295
Interest income	(25,066)	2,001	16,434
Total general revenues	716,748	722,054	715,729
Total revenues	781,106	771,220	781,902
<u>Change in net position</u>	\$ 175,678	\$ 9,486	\$ 12,553

As Table 2 above shows, \$64,358 or 8.2%, \$49,166 or 6.4% and \$66,173 or 8.5% of the Commission's fiscal year 2022, 2021 and 2020 governmental revenue, came from program revenues and \$716,748 or 91.8%, \$722,054 or 93.6% and \$715,729 or 91.5%, came from general revenues such as contributions from local agencies.

Program revenues were composed of process fees.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital & Right-to-use Assets.

As of June 30, 2022 and 2021, Sonoma Local Agency Formation Commission had one capital asset of office furniture for \$29,673. This is discussed in detail in Note 8.

As of June 30, 2022 and 2021, Sonoma Local Agency Formation Commission had one right-to-use asset consisting of office space for \$773,894. This is discussed in detail in Note 8.

Debt Administration

The Commission made all scheduled repayments of existing debt. Each of the Commission's debt issues is discussed in detail in Note 9 to the basic financial statements. The Commission's debt comprised at June 30:

	2022	2021
Lease liability	\$ 712,485	\$ 743,385
Total	\$ 712,485	\$ 743,385

Sonoma Local Agency Formation Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022 & 2021

General Fund Budgetary Highlights

For the fiscal years ended June 30, 2022, 2021, and 2020, the Commission experienced considerable activity associated with complex applications for changes of organization and reorganization that resulted in the accrual of a similar level of revenues from charges for services. In major actions, the Commission approved annexation of five islands of unincorporated territory to the City of Santa Rosa and more than 11,000 acres to a fire protection district as well as detachment of a large area of territory from a health care district.

Salary and benefit increases implemented by the County of Sonoma, typically after the Commission approved its final budget, contributed to an increase in the Commission's expenditure levels; Commission staff are County employees, pursuant to a Memorandum of Understanding between the Commission and the County.

Contacting the Commission's Financial Management

The basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of the Commission's finances. Questions about this report should be directed to Sonoma Local Agency Formation Commission, 111 Santa Rosa Avenue, Suite 240, Santa Rosa, CA 95404.

Sonoma Local Agency Formation Commission
STATEMENT OF NET POSITION
June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 727,134	\$ 529,066
Prepaid items	3,923	8,705
Total current assets	<u>731,057</u>	<u>537,771</u>
Noncurrent assets:		
Right to use assets	687,906	730,900
Capital assets, net of accumulated depreciation	<u>6,429</u>	<u>12,363</u>
Total noncurrent assets	<u>694,335</u>	<u>743,263</u>
Total assets	<u>1,425,392</u>	<u>1,281,034</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,210	1,630
Lease liability	<u>32,372</u>	<u>30,900</u>
Total current liabilities	<u>33,582</u>	<u>32,530</u>
Noncurrent liabilities		
Lease liability	<u>680,113</u>	<u>712,485</u>
Total noncurrent liabilities	<u>680,113</u>	<u>712,485</u>
Total liabilities	<u>713,695</u>	<u>745,015</u>
 <u>NET POSITION:</u>		
Net investment in capital assets	(18,150)	(122)
Unrestricted	<u>729,847</u>	<u>536,141</u>
Total net position	<u>\$ 711,697</u>	<u>\$ 536,019</u>

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
Program expenditures/expenses:		
Salaries and benefits	\$ 439,060	\$ 579,531
Services and supplies	117,440	133,274
Amortization	42,994	42,994
Depreciation	5,934	5,935
Total expenditures/expenses	<u>605,428</u>	<u>761,734</u>
 Program revenues:		
Charges for services	<u>64,358</u>	<u>49,166</u>
Total program revenues	<u>64,358</u>	<u>49,166</u>
 Net program expenses	<u>(541,070)</u>	<u>(712,568)</u>
 General revenues:		
Intergovernmental	741,814	720,053
Investment earnings	<u>(25,066)</u>	<u>2,001</u>
Total general revenues and transfers	<u>716,748</u>	<u>722,054</u>
 Change in net position	175,678	9,486
Net position at beginning of period	<u>536,019</u>	<u>526,533</u>
 Net position at end of period	<u>\$ 711,697</u>	<u>\$ 536,019</u>

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2022 and June 30, 2021

	2022	2021
<u>ASSETS</u>		
Cash and investments	\$ 727,134	\$ 529,066
Prepaid items	3,923	8,705
Total assets	\$ 731,057	\$ 537,771
 <u>LIABILITIES</u>		
Accounts payable	\$ 1,210	\$ 1,630
Total liabilities	1,210	1,630
 <u>FUND BALANCES</u>		
Non-spendable	3,923	8,705
Unassigned	725,924	527,436
Total fund balances	729,847	536,141
Total liabilities and fund balances	\$ 731,057	\$ 537,771

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
For the Years Ended June 30, 2022 and June 30, 2021

	2022	2021
Total Governmental Funds fund balances	\$ 729,847	\$ 536,141
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:</p>		
CAPITAL and RIGHT TO USE ASSETS		
<u>Capital assets</u>		
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds.	6,429	12,363
<u>Right to use assets</u>		
Leased assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds.	687,906	730,900
LONG-TERM ASSETS AND LIABILITIES		
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:		
Lease liability	(712,485)	(743,385)
Net Position of Governmental Activities	\$ 711,697	\$ 536,019

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

For the Years Ended June 30, 2022 and June 30, 2021

	2022	2021
Revenues		
Intergovernmental	\$ 741,814	\$ 720,053
Planning & engineering service fees	64,358	49,166
Investment earnings	(25,066)	2,001
Total revenues	781,106	771,220
Expenditures		
Current:		
Salaries and benefits	439,060	579,531
Services and supplies	105,118	894,683
Debt services		
Principal	30,900	30,510
Interest	12,322	12,484
Total expenditures	587,400	1,517,208
Excess (deficiency) of revenue over (under) expenditures	193,706	(745,988)
Other financing sources (used):		
Lease liability issued	-	773,894
Total other financing sources (used)	-	773,894
Net change in fund balance	193,706	27,906
Fund balances beginning of period	536,141	508,235
Fund balances end of period	\$ 729,847	\$ 536,141

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2022 and June 30, 2021

	2022	2021
<p>The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.</p>		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 193,706	\$ 27,906
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<u>CAPITAL ASSETS TRANSACTIONS</u>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense:</p>		
The capital outlay expenditures are therefore added back to fund balance	-	-
Depreciation expense is deducted from the fund balance	(5,934)	(5,935)
<p>Governmental Funds report right to use assets as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as amortization expense:</p>		
Purchases of right to use assets are added back to the fund balance	-	773,894
Amortization expense is deducted from the fund balance	(42,994)	(42,994)
<u>ACCRUAL OF NON-CURRENT ITEMS</u>		
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change).</p>		
<p>Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the Agency as a whole, however, the principal payments reduce the expense in the Statement of Activities. Liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.</p>		
Net change in lease liability	30,900	(743,385)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 175,678	\$ 9,486

The accompanying notes are an integral part of these financial statements.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 1 - REPORTING ENTITY

A. Organization of Sonoma Local Agency Formation Commission

The Sonoma Local Agency Formation Commission (the Commission) is an independent agency established under Government Code Section 56000, et seq, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The Commission is responsible for reviewing, approving or disapproving changes of organization or reorganizations involving cities and special districts including annexation and detachment of territory, formation of new districts and incorporation of cities. The Commission is comprised of seven members serving four-year terms: two mayors or city council members, two members of the County Board of Supervisors, two independent special district board members and one member of the public, appointed by the other Commissioners; an alternate member also serves for each authority.

During the audit period, the Commission used the County of Sonoma's Enterprise Financial System (EFS) and its budgetary recording and accounting control policies to account for all financial transactions affecting the Commission. The County, through the Auditor-Controller-Treasurer-Tax Collector's Office tracks billing and collections for apportionment from funding agencies. The responsibility for the financial statements rests with the Commission and its management.

The Commission pays the County of Sonoma for various services. Services include legal counsel, accounting staff, management, and support staff, and as requested by the Commission, reasonable and necessary services from other County Departments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Commission's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

B. Basis of Accounting

The *basic financial statements* of the Sonoma Local Agency Formation Commission are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

These standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Commission). These statements include the financial activities of the overall District.

These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Commission has no fiduciary or business-type activities.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Apportionments, investment income, and other items not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resource's measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

The fund financial statements provide information about the Commission funds. The underlying accounting system of the Commission is organized and operated based on separate funds, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses an availability period of 60 days for all revenues. Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are measurable and available where cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (continued)

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed.

The Commission may fund programs with a combination of charges for services and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures.

Governmental Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

Non-spendable Fund Balance:

Non-spendable Fund Balance - this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance:

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance - this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

Assigned Fund Balance - fund balance includes amounts intended to be used by the Commission for specific purposes, subject to change, as established either directly by the Commissioners or by management officials to whom assignment authority has been delegated by the Commissioners.

Unassigned Fund Balance - this includes the remaining spendable amounts which are not included in one of the other classifications.

Minimum Fund Balance

Beginning with Fiscal Year 2003-04 the Commission adopted a resolution (No. 2418) to maintain a minimum "unreserved/undesignated fund balance of \$25,000." For the fiscal years ended June 30, 2022 and 2021, the fund balances were substantially larger than the minimum required. In its resolutions approving the proposed and final budgets for those years, the Commission stated its intention to "maintain an unreserved/undesignated fund balance to cover unforeseen needs."

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting (concluded)

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net Position is the excess of all the Commission's assets over all its liabilities, regardless of fund. Net Position is divided into three captions under GASB Statement No. 34. These captions apply only to Net Position, which is determined only at the government-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position that is represented by the current net book value of the Commission's capital assets, less the outstanding balance of any debt issued to finance these assets. For the years ended June 30, 2022 and 2021, the lease liability of \$712,485 and \$743,385 exceeded the right to use asset balance of \$687,906 and \$730,900 by \$(18,150) and \$(122) respectively.

Restricted describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the Commission cannot unilaterally alter.

Unrestricted describes the portion of Net Position that is not restricted to use.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

The Commission reports the following major governmental fund: The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

C. Commission Budget

Pursuant to Section 56381, et seq of the Government Code, the Commission adopts a proposed budget by May 1 and a final budget by June 15 of each year. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted or as amended by the Commission. Individual amendments were not material in relation to the original appropriations that were amended. Expenditures exceeded appropriations by \$673,498 for the fiscal year ended June 30, 2021.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Investments

Investments are stated at fair value in the statement of net position and balance sheet and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The Commission follows the practice of pooling cash and investments of all funds with the County of Sonoma Treasurer.

Fair value of investments is determined annually. Realized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate fund based on their respective average daily balance for that quarter. The value of participants' pool shares is based on amortized cost, which is different than fair value. The County of Sonoma Treasurer has not provided nor obtained any legally binding guarantees to support the value of pool shares.

E. Liabilities

The accounts payable balance consists of amounts owed to vendors and other governments for which invoices were not received and/or paid as of year-end. Deferred revenues are recorded for advance deposits on projects and debited when staff and auxiliary costs are incurred.

NOTE 3 - CASH AND INVESTMENTS

The Commission's cash is maintained with the Sonoma County Treasury in a non-interest-bearing account. The Commission's cash on deposit with the Sonoma County Treasury at June 30, 2022 and 2021 was \$727,134 and \$529,066 respectively.

Investment in the Sonoma County Treasurer's Investment Pool (Treasury Pool)

The Commission's cash is pooled with the Sonoma County (the County) Treasurer, who acts as a disbursing agent for the Commission. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the County is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Investment Guidelines

The Commission's pooled cash and investments are invested pursuant to investment policy guidelines established by the County 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 addressed the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. A copy of the Treasury Pool investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, CA 95403-2871.

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 of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 3 - CASH AND INVESTMENTS (concluded)

As of June 30, 2022, approximately 30% of the investments in the Treasury Pool had maturities of one year or less. Of the remainder, only 4% had a maturity of more than five years.

Disclosures Relating to 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 rating provided by a nationally recognized statistical rating organization.

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 deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California agents of depository is held for, and in the name of, the local government.

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2020 Annual Comprehensive Financial Report.

Fair Value Reporting - Investments

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. Commission investments in the Sonoma County Treasurer's Pool were an uncategorized input and not defined as a Level 1-3 input.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022 & 2021

NOTE 4 - USE OF ESTIMATES

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 5 - INTERGOVERNMENTAL REVENUE

The Commission's intergovernmental revenue is received from the County of Sonoma, cities and independent special districts in the County. The Commission's net operating costs are apportioned to these governmental organizations according to the following ratios: 40% to be paid by the County of Sonoma, 40% to be paid by cities and 20% to be paid by independent special districts, as a whole.

NOTE 6 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in Sonoma County's risk pool. Information about coverage can be found in the County's basic financial statements.

NOTE 7 - CONTINGENCIES

The Commission may be involved from time to time in various claims and litigation arising in the ordinary course of business. The Commission's management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on the Commission's financial position or results of operations.

NOTE 8 - CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Commission currently capitalizes assets that cost more than \$5,000 and have a life of more than one year. Such capital assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated over their remaining useful lives.

Capital assets of the primary government, as well as the component units, are depreciated, using the straight-line method over their estimated useful lives:

Infrastructure:

Bridges	50 years
Streets	25 years
Storm drainage system	35 years
Concrete, curb and gutter	50 years
Buildings & improvements	15-20 years
Water distribution and sewage collection systems	50 years
Water and sewage treatment plants	25 years
Raw water service and treated water storage facilities	15-50 years
Vehicles, machinery, and equipment	3-25 years

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022 & 2021

NOTE 8 - CAPITAL ASSETS (concluded)

Right-to-use assets are recorded at the discounted cost, plus additional costs and fees, less incentives and credits for leases subject to GASB 87 guidance. This asset consists of the right-to-use office space. The related leases are discussed in the Lease section of Note 11. The right-to-use assets are amortized on a straight-line basis over the terms of the related leases.

A summary of changes in the capital asset follows:

For the Fiscal Year ended June 30, 2022

	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of June 30, 2022</u>
Capital asset, being depreciated/amortized:				
Office furniture & equipment	\$ 29,673	\$ -	\$ -	29,673
Right-to-use lease assets:				
Office space	<u>773,894</u>	<u>-</u>	<u>-</u>	<u>773,894</u>
Total capital assets, being depreciated/amortized	<u>803,567</u>	<u>-</u>	<u>-</u>	<u>803,567</u>
Less accumulated depreciation/amortization for:				
Office furniture & equipment	(17,310)	(5,934)	-	(23,244)
Right-to-use lease assets:				
Office space	<u>(42,994)</u>	<u>(42,994)</u>	<u>-</u>	<u>(85,988)</u>
Total accumulated depreciation/amortization	<u>(60,304)</u>	<u>(48,928)</u>	<u>-</u>	<u>(109,232)</u>
Capital assets, net	<u>\$ 743,263</u>	<u>\$ (48,928)</u>	<u>\$ -</u>	<u>\$ 694,335</u>

For the Fiscal Year ended June 30, 2021

	<u>Balance as of July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of June 30, 2021</u>
Capital asset, being depreciated/amortized:				
Office furniture & equipment	\$ 29,673	\$ -	\$ -	\$ 29,673
Right-to-use lease assets:				
Office space	<u>-</u>	<u>773,894</u>	<u>-</u>	<u>773,894</u>
Total capital assets, being depreciated/amortized	<u>29,673</u>	<u>773,894</u>	<u>-</u>	<u>803,567</u>
Less accumulated depreciation/amortization for:				
Office furniture & equipment	(11,375)	(5,935)	-	(17,310)
Right-to-use lease assets:				
Office space	<u>-</u>	<u>(42,994)</u>	<u>-</u>	<u>(42,994)</u>
Total accumulated depreciation/amortization	<u>(11,375)</u>	<u>(48,929)</u>	<u>-</u>	<u>(60,304)</u>
Capital assets, net	<u>\$ 18,298</u>	<u>\$ 724,965</u>	<u>\$ -</u>	<u>\$ 743,263</u>

Depreciation and amortization expense charged to governmental activities for the year ended June 30, 2022 and 2021 was \$48,928 and \$48,929 respectively.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022 & 2021

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

	Balance 6/30/21	Additions	Deletions	Balance 6/30/22	Current Portion
Lease liability	\$ 743,385	\$ -	\$ 30,900	\$ 712,485	\$ 32,372
Total	<u>\$ 743,385</u>	<u>\$ -</u>	<u>\$ 30,900</u>	<u>\$ 712,485</u>	<u>\$ 32,372</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance 6/30/20	Additions	Deletions	Balance 6/30/21	Current Portion
Lease liability	\$ -	\$ 773,894	\$ 30,509	\$ 743,385	\$ 30,900
Total	<u>\$ -</u>	<u>\$ 773,894</u>	<u>\$ 30,509</u>	<u>\$ 743,385</u>	<u>\$ 30,900</u>

NOTE 10 - LEASES

The Commission recognizes the right to use assets and a lease liability in the government-wide financial statements.

At the commencement of a lease, the Commission initially measures the lease liability at the present value of the payments expected to be paid during the lease terms. Subsequently, the lease liability is reduced by the principal portion of lease payments paid. The right-to-use asset is initially measured as the initial amount of the lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the right to use asset is amortized on a straight-line basis over the life of the lease term.

Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses their incremental borrowing rate of 1.662% to discount leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is composed of annual adjustments in the amount of 3.00% annually.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease liability and right-to-use asset if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Commission entered a five-year non-cancellable operating lease for administrative and program facilities at 111 Santa Rosa Avenue, Suite 240, Santa Rosa, California, commencing April 13, 2018. Rent in equal monthly installments of \$3,345 (\$2.10 per square foot of the rentable area per month) is due on or before the last day of every calendar month during the lease. The monthly rental rate shall adjust at the commencement of year 2-5 of the initial term and during each option period an additional \$0.05 per square foot annually. Options to renew the lease with the landlord are available upon the expiration of the current lease. The book value of the Commission's right-to-use asset for the years ending June 30, 2022 and 2021 was \$687,906 and \$730,900 respectively.

Sonoma Local Agency Formation Commission
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022 & 2021

NOTE 10 - LEASES (concluded)

Future minimum rental payments required under the above lease agreement are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,372	\$ 11,596	\$ 43,968
2024	33,870	11,046	44,916
2025	35,392	10,472	45,864
2026	36,940	9,872	46,812
2027	38,514	9,246	47,760
Thereafter	<u>535,397</u>	<u>52,532</u>	<u>587,929</u>
Total	<u>\$ 712,485</u>	<u>\$ 104,764</u>	<u>\$ 817,279</u>

NOTE 11 - SUBSEQUENT EVENTS

In preparing the financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through the date of the financial statements were available to be issued.

Sonoma Local Agency Formation Commission
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
 Required Supplemental Information
 Budget and Actual
 General Fund (Unaudited)
 For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
County, cities & special districts	\$ 720,275	\$ 720,275	\$ 720,053	\$ (222)
Investment earnings	10,000	10,000	2,001	(7,999)
Planning & engineering service fees	<u>-</u>	<u>-</u>	49,166	49,166
Total revenue	<u>730,275</u>	<u>730,275</u>	<u>771,220</u>	<u>40,945</u>
Expenditures:				
Current:				
Salaries and benefits	664,495	664,495	579,531	84,964
Services and supplies	179,215	179,215	894,683	(715,468)
Debt services				
Principal	-	-	30,510	(30,510)
Interest	<u>-</u>	<u>-</u>	12,484	(12,484)
Total expenditures	<u>843,710</u>	<u>843,710</u>	<u>1,517,208</u>	<u>(673,498)</u>
Excess (deficit) of revenue over expenditures	<u>(113,435)</u>	<u>(113,435)</u>	<u>(745,988)</u>	<u>(632,553)</u>
Other financing sources (used):				
Transfers out	(1,800)	(1,800)	-	1,800
Lease proceeds	<u>-</u>	<u>-</u>	773,894	773,894
Total other financing sources (used)	<u>(1,800)</u>	<u>(1,800)</u>	<u>773,894</u>	<u>775,694</u>
Net change in fund balance	<u>\$ (115,235)</u>	<u>\$ (115,235)</u>	27,906	<u>\$ 143,141</u>
Fund balance, beginning of period			<u>508,235</u>	
Fund balance, end of period			<u>\$ 536,141</u>	

Sonoma Local Agency Formation Commission
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
 Required Supplemental Information
 Budget and Actual
 General Fund (Unaudited)
 For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
County, cities & special districts	\$ 741,882	\$ 741,882	\$ 741,814	\$ (68)
Investment earnings	10,000	10,000	(25,066)	(35,066)
Planning & engineering service fees	-	-	64,358	64,358
Total revenue	<u>751,882</u>	<u>751,882</u>	<u>781,106</u>	<u>29,224</u>
Expenditures:				
Current:				
Salaries and benefits	765,938	765,938	439,060	326,878
Services and supplies	166,098	166,098	105,118	60,980
Debt services				
Principal	-	-	30,900	(30,900)
Interest	-	-	12,322	(12,322)
Total expenditures	<u>932,036</u>	<u>932,036</u>	<u>587,400</u>	<u>344,636</u>
Excess (deficit) of revenue over expenditures	<u>(180,154)</u>	<u>(180,154)</u>	<u>193,706</u>	<u>373,860</u>
Other financing sources (used):				
Transfers out	(1,800)	(1,800)	-	1,800
Total other financing sources (used)	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>	<u>1,800</u>
Net change in fund balance	<u>\$ (181,954)</u>	<u>\$ (181,954)</u>	193,706	<u>\$ 375,660</u>
Fund balance, beginning of period			<u>536,141</u>	
Fund balance, end of period			<u>\$ 729,847</u>	