

COUNTY OF SONOMA  
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For The Fiscal Year Ended  
June 30, 2008*



*Prepared by the Office of the  
Auditor-Controller-Treasurer-Tax Collector*

RODNEY A. DOLE  
Auditor-Controller-Treasurer-Tax Collector



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**RODNEY A. DOLE**  
AUDITOR-CONTROLLER  
TREASURER -TAX COLLECTOR



**DONNA M. DUNK**  
ASSISTANT  
AUDITOR-CONTROLLER

**ROBERT BOITANO**  
ASSISTANT  
TREASURER

**PAM JOHNSTON**  
ASSISTANT  
TAX COLLECTOR / AUDITOR

December 23, 2008

To the Board of Supervisors and Citizens of Sonoma County:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Sonoma for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the County of Sonoma. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County of Sonoma has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County of Sonoma's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County of Sonoma's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County of Sonoma's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Sonoma for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of Sonoma's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County of Sonoma was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of Sonoma's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Sonoma's MD&A can be found immediately following the report of the independent auditors.

## PROFILE OF THE GOVERNMENT

The County of Sonoma, incorporated in 1850, is located in the northwestern part of the State of California. The County of Sonoma currently occupies over one million acres of land and water and serves a population of 484,470. Open space and agricultural land account for a great majority of this acreage.

County government functions as a local government body to serve the needs of its residents. As geographical and political subdivisions of the state, counties serve a dual role, providing municipal services in the unincorporated areas and acting as administrative agents for state and federal government programs and services. As a general-law county, Sonoma County is bound by state law as to the number and duties of county elected officials. The County has five districts that are approximately equal in population with boundaries adjusted every ten years following the federal census. Policymaking and legislative authority are vested in the County Board of Supervisors that consists of an elected supervisor from each of the five districts. Supervisors are elected to four-year staggered terms in even-year elections. The County has four elected department heads. The elected department heads are the Auditor-Controller-Treasurer-Tax Collector, County Clerk-Recorder-Assessor, District Attorney, and Sheriff-Coroner.

The County provides a wide range of services to its residents, including public protection through the Sheriff's Department, Fire Services, District Attorney's office, courts, medical and health services, public assistance programs, sanitation services, the construction and maintenance of roads and infrastructure, environmental services, parks, libraries, and a variety of other general governmental services. Every resident of the County, directly or indirectly, benefits from these services. Most services performed by the County are provided for all residents, regardless of whether those residents live in cities or unincorporated areas. A major challenge to the County during fiscal year 2007/2008 and future years is the maintenance of these services to the extent feasible within the County's financial resources. In addition to maintaining essential services during fiscal year 2007/2008, the County:

- Finalized the first-ever Sonoma County Strategic Plan and initiated the Implementation Phase of the plan, which includes a series of projects linked to the plan's goals and objectives
- Responded to Indian gaming issues having public service impacts. The effort produced a landmark agreement with one tribal organization
- Completed Phase I of the Americans with Disabilities Act Transition Plan for County facilities, which produced an updated self evaluation report, created a database to track barrier removal, and established a scope for Phase 2 of the project
- Implemented two juvenile programs with grant funding: The Mentally Ill Offender Crime Reduction Grant (MIOCR) has allowed for treatment of mentally ill juvenile offenders in their homes; and the Title II Grant has facilitated the establishment of Circles Across Sonoma, a structured support group for girls at all levels of the criminal justice system
- Through the Healthy Kids initiative, secured funding from a broad coalition of partners and provided health insurance coverage to 3,068 low income children in Sonoma County, well ahead of the projected 1,879
- Created 8 new public access and recreation projects at new and existing park facilities, including expansion of trails and picnic areas at Riverfront and Guerneville Parks, added ball fields at Schopflin Fields, and a new restroom at Steelhead Beach Park. Expanded environmental education programs to over 11,600 school-age children including the second annual Tolay Fall Festival.
- To address greenhouse gases, began to assimilate and reconcile the State's Climate Protection legislation (AB 32) with the County's sustainability efforts. Launched the Sonoma Green Business Program, a partnership of government agencies and utilities that assists, recognizes, and promotes beyond-compliance environmental practices focusing on small to medium sized consumer oriented businesses.

The governmental reporting entity consists of the County and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The following blended component units, although legally separate entities, are considered to be part of the primary government for financial reporting purposes: Sonoma County Fair and Exposition, Inc. (the Fair), Sonoma County

Water Agency (the Water Agency), Sonoma Valley Sanitation District, Russian River Sanitation District, South Park Sanitation District, Occidental Sanitation District, Sonoma County Community Development Commission (the Community Development Commission), Sonoma County Library (the Library), County of Sonoma Transportation Project Fund (Transit), the Community Hospital of Sonoma County (the Community Hospital), and the Sonoma County Tobacco Securitization Corporation. These component units are included in the County's reporting entity because of the significance of their financial or operational relationship and their mutual governing body. Additional information on all of these entities can be found under Note 1 in the Notes to the Financial Statements.

The County maintains budgetary controls to assure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors. Activities of the general and special revenue funds are included in the annual appropriated budget. The government also maintains an encumbrance accounting system to assist departments in accomplishing budgetary control. Unencumbered annual appropriations lapse at year-end.

The legal level of control for appropriations is exercised at the department, within fund level. Appropriations at this level may only be adjusted during the year with the approval of the Board. Management may make adjustments at their discretion below that level. Such adjustments by the Board and management are reflected in the revised budgetary data presented in the financial statements.

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County of Sonoma operates.

### STATE BUDGET

The Governor's proposed budget in January is believed to further reduce funding for local programs. The impact to the General Fund is a reduction of funding by \$1.3 million and a \$3.3 million reduction in funding for State and Federal programs such as Health and Human Services. As of the May State budget revision the reduction in funding was increased further by \$2.4 million, of which \$0.5 million was related to Roads, with the remainder being in the areas of Health and Human Services. Resolution of the on-going state deficit, estimated at \$17.0 billion, does not appear likely without having a significant financial impact to local governments.

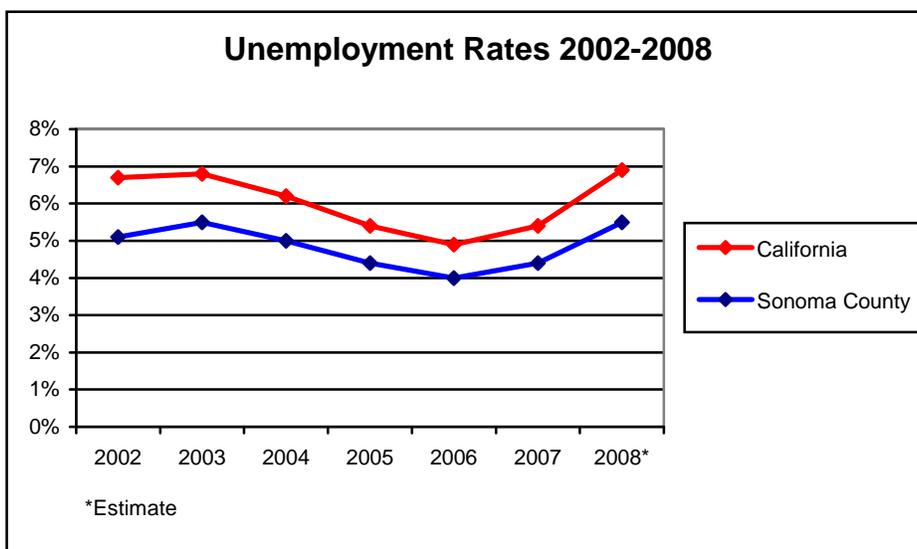
### LOCAL ECONOMY

The U.S. economy has been in a recession since December 2007 with a downturn of the housing market, a frozen credit market, and a significant drop in the stock market. Fortunately consumers have seen some relief as gas and oil prices have retreated from record highs. Sonoma County's economy is expected to perform better than many parts of California and the nation, with the unemployment rate remaining lower than the state average. Sonoma County's tourism industry has performed very well with area hotels averaging 64 percent occupancy for the year and generating a record high \$1.3 billion in revenue in 2006. This can be attributed to the favorable economic climate that has prevailed regionally, nationally, and globally due to the depreciation of the dollar against many major currencies, making travel to the U.S. less expensive and travel to California, especially wine-growing regions such as Sonoma County, attractive to international travelers. Sonoma County's high-tech sector has seen slowing growth in demand and production; with moderate growth noted in medical devices and supplies industry and emerging demand in solar technology and other green industries. Sonoma County's wine industry continues to enjoy another good year, with grape quality remaining high, ever increasing name recognition and increased wine consumption nationally and globally.

The median sales price peaked in mid-2005 and is now down 42 percent from that high. Recently, home sales have increased but there still remains a substantial unsold housing inventory that is projected to grow as a result of future economic instability and tighter lending standards. Home prices are anticipated to continue to deteriorate into mid-2009. Investment market uncertainty and increased cost of living have the potential to negatively impact the leisure travel segment as discretionary spending is being curtailed across the nation, putting hotel expansion at risk.

Additional reductions in consumer activity will also play a significant role in economic growth. Overall, the local economy is projected to experience a slight-to-flat rate of growth in the coming year.

The unemployment rate for Sonoma County has consistently maintained a level lower than the California average unemployment rate; between April 2007 and April 2008, Sonoma County employment levels increased by .8 percent. A principal driver of this increase was the technology sector, which includes wireless telecom, medical technology, and manufacturing industries. Small businesses (establishments with fewer than 50 workers) account for 50 percent of Sonoma County's private sector employment. The County is an attractive option for small and medium-sized businesses and corporations looking for new or expansion sites.

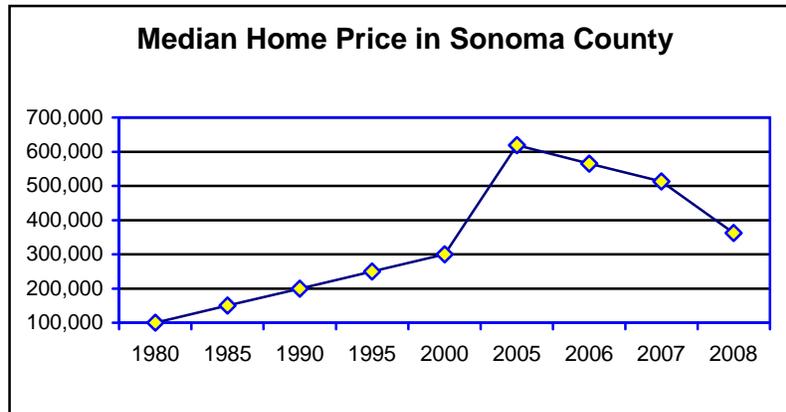


## POPULATION

Fueled by job growth and quality of life, Sonoma County has continued a modest growth rate, reaching 484,470 residents in 2008. Since 2000, the population has increased by 23,006 residents, or 4.7 percent. The majority of these residents, 69 percent, live within our nine cities. The City of Santa Rosa has led the growth, adding 1,996 residents, or 1 percent, remaining our largest city with 159,981 residents.

## HOUSING

The housing market throughout the U.S. and especially California has experienced significant upheaval and Sonoma County has not been immune. The Sonoma County housing market is moving toward stability after the recent housing downturn. The median home price, which more than tripled over the last 15 years and reached \$619,000 in August 2005, dropped to \$362,000 in October 2008. Home sales have increased recently as home prices have moderated and interest rates have decreased. The overall impact to our local economy will depend upon the speed and depth of the housing market recovery.



### AGRICULTURE AND WINE

The economic outlook for Sonoma County agriculture remains favorable; the reported value of agricultural products for 2007 was \$639 million, representing a 7.6 percent increase from the 2006 value of \$594 million. Sonoma County is recognized as a premier grape growing region and demand for Sonoma County wines remains strong. Fueled in part by increased name recognition, rising wine consumption nationally and globally, and a new generation of wine drinkers cognizant of the associated health benefits of moderate consumption, the long-term outlook remains strong. In 2007, Sonoma County had 60,892 acres of vineyards and produced 198,533 tons of grapes, an 8.9 percent decrease from the prior year harvest.

In 2007, livestock and poultry operations revenue increased \$57 million, or 50 percent, to \$171 million and nursery products revenue increased \$1.6 million, or 6 percent, to \$28.8 million.

### RECREATION AND TOURISM

The County has a system of more than 45 parks and 105 miles of trails, which provide access to the Pacific Ocean, mountains, redwood forests, lakes, and historic locations. These parks, consisting of over 7,806 acres, attracted more than 4.8 million visitors in fiscal year 07-08. The parks system continues to add new property, trails, and other recreational resources to provide safe and accessible outdoor adventure opportunities in addition to protecting our unique natural surroundings.

Sonoma County's tourism industry has moderated over the past year with slower growth anticipated over the next few years as the U.S. economy extricates itself out of the recession that began in December 2007. In addition to wineries and vineyards, Sonoma County is increasingly offering a wider assortment of tourist attractions including spas, restaurants, outdoor activities, theaters, the Infineon Raceway, and hosting the AMGEN Tour of California which attracts top cycling professionals. The Sonoma County Tourism Bureau allocated approximately two-thirds of its \$4.6 million budget to advertising and programs that aim to showcase Sonoma County to a wide spectrum of travelers. Sonoma County had the second highest destination spending growth rate in the state for 2006, substantially outpacing regional competitors, Napa and Marin. In 2006 visitors spent \$1.32 billion in Sonoma County and supported nearly 15,900 jobs. Tourism revenue grew in 2007; data indicates the County's occupancy rate remained steady at 64 percent and the average daily room rate increased 11.3 percent to \$127. Commercial airline service to Sonoma County provided by Horizon Air has been very successful, initially offering flights to Los Angeles and Seattle; they have added new routes to Las Vegas and Portland and announced plans to add another flight to Seattle to accommodate strong demand.

## FUTURE GOALS

Our goals for the future include the following:

- Preparing the fiscal year 09-10 budget in accordance with the County Strategic Plan
- Reducing the healthcare costs incurred by the County for employees and retirees to minimize the erosion of available resources for service delivery
- Beginning the implementation of goals and objectives related to the County Strategic Plan
- Examining the efficiency of the juvenile justice system and begin planning for expansion of the juvenile hall
- Continued development of green fleet strategies, retrofitting existing systems in facilities, and construction of renewable energy facilities to continue implementation of Assembly Bill 32
- Increasing conservation and utilization of alternative water sources to ensure an adequate water supply and avoid future critical water shortages

## CASH MANAGEMENT POLICIES AND PRACTICES

Except for amounts held with trustees under bond indenture or other restrictive agreements, the County's cash and investments are invested by the County Treasurer. The Treasury Oversight Committee has regulatory oversight for all monies deposited in the Treasury Pool. Such amounts are invested in accordance with investment policy established by the County Treasury Oversight Committee and approved by the Board. The objectives of the policy are, in order of priority, safety of principal, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County 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.

As of June 30, 2008, the weighted average maturity of the Treasury Pool was less than two years. Approximately 63 percent of the securities in the Treasury Pool had maturities of zero to one year, 36 percent had maturities of one to five years, and 1 percent had maturities of more than five years.

A portion of the securities in the Treasury Pool has variable interest rates that are tied to certain indices such as LIBOR (floating rate securities). Floating rate securities will influence the performance of the portfolio based on the increase/decrease occurring in interest rates over the short term.

At June 30, 2008, the Treasury Pool includes investments with a fair value of \$1.61 billion. The County's cash and investments are more fully disclosed in footnote number 3.

## INSURANCE

The County's self-insurance coverage is as follows: \$300,000 per occurrence for workers' compensation claims, \$1,000,000 per occurrence for automobile and general liability claims, \$500,000 per occurrence and any amount in excess of \$10,000,000 per occurrence for hospital medical malpractice claims (for claims occurring prior to March 26, 1996), and \$275,000 per occurrence for health insurance claims with a stop-loss coverage up to \$1,000,000/\$3,000,000 per claim and individual lifetime benefit. The County is entirely self-insured for disability and unemployment claims.

Numerous lawsuits are pending or threatened against the County related to the governmental and proprietary fund types. The County has established a separate internal service fund to account for the eventual settlement of these

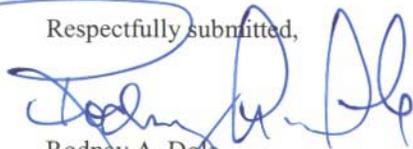
lawsuits and claims. The governmental and certain proprietary fund types contribute amounts to the internal service fund based on actuarially determined estimates of the ultimate settlements. Such estimates are generally based upon a 70 percent confidence level.

### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of Sonoma for its CAFR covering the fiscal year ended June 30, 2007. This is the 16th consecutive year we have received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are applying for the Certificate again this year.

This Comprehensive Annual Financial Report was achieved through the combined efforts of numerous individuals. I am especially grateful to the members of my staff for their special efforts, particularly Zaia Cannon and Shane Lewis, and our auditors, Macias Gini & O'Connell LLP, for their outstanding efforts and many hours which helped us achieve our objectives of timely and accurate financial reporting. I would also like to thank all the County departments and our Treasury Division who participated in its preparation. In addition, I would like to thank the Board for its leadership, responsibility, and action that ensure the general fiscal health and integrity of the County.

Respectfully submitted,



Rodney A. Dole  
Auditor-Controller

# DIRECTORY OF ELECTIVE AND APPOINTIVE OFFICERS

## Appointive Officers & Department Heads

Agricultural Commissioner .....	Lisa Correia
Agricultural Preservation & Open Space District General Manager .....	Andrea Mackenzie
Community Development Commission Director .....	Kathleen Kane
County Administrator.....	Bob Deis
County Counsel.....	Steven Woodside
Economic Development Director.....	Ben Stone
Fair Manager.....	Tawny Tesconi
Emergency Services Director.....	Vernon Losh
General Services Director .....	José Obregón
Health Services Director .....	Rita Scardaci
Human Resources Director.....	Ann Goodrich
Human Services Director .....	Jo Weber
Information Systems Director.....	Mark Walsh
Permit & Resource Management Director .....	Pete Parkinson
Probation Officer, Chief.....	Robert Ochs
Public Defender.....	John Abrahams
Regional Parks Director .....	Mary E. Burns
Sonoma County Library Director .....	Sandra Cooper
Court Executive Officer ( <i>Superior Court Of California</i> ) .....	Denise Gordon
Transportation & Public Works Director .....	Phillip Demery
U.C. Cooperative Extension Director .....	Linda Garcia
Water Agency Director .....	Randy Poole

**DIRECTORY OF ELECTIVE AND APPOINTIVE OFFICERS**

**Elective Officers**

Auditor-Controller-Treasurer-Tax Collector .....	Rodney Dole
County Clerk\Recorder\Assessor .....	Janice Atkinson
District Attorney .....	Stephan Passalacqua
Judges:	
.....	Robert S. Boyd
.....	Knoel Owen
.....	Elliot Lee Daum
.....	Elaine Rushing
.....	Arnold D. Rosenfield
.....	Lawrence Antolini
.....	Raima Ballinger
.....	James G. Bertoli
.....	Rene Auguste Chouteau
.....	Kenneth Gness
.....	Allan D. Hardcastle
.....	Gary A. Medvigy
.....	Gary Nadler
.....	Dana Beernink Simonds
.....	Mark Tansil
.....	Arthur A. Wick
.....	Cerena Wong
.....	Virginia Marcoida
Sheriff-Coroner .....	William Cogbill
Supervisors:	
District One .....	Valerie Brown
District Two .....	Mike Kerns
District Three .....	Tim Smith
District Four .....	Paul Kelley
District Five .....	Mike Reilly



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## County of Sonoma California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director



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# FINANCIAL SECTION





**MACIAS GINI & O'CONNELL** LLP  
 Certified Public Accountants & Management Consultants

**SACRAMENTO**  
 3000 S Street, Suite 300  
 Sacramento, CA 95816  
 916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

The Honorable Board of Supervisors  
 County of Sonoma, California

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sonoma, California (the County), as of and for the fiscal year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sonoma County Community Development Commission major Special Revenue Fund. Also, we did not audit the financial statements of the Sonoma County Library, the Sonoma County Fair and Exposition, Inc., the County of Sonoma Transportation Project Fund (Transit), which represent the following percentages of assets, net assets/fund balances and revenues as of and for the fiscal year ended June 30, 2008:

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	4.4%	8.1%	7.4%
Business-type Activities	8.7	13.3	18.7
Aggregate Remaining Fund Information	4.1	4.9	16.2

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sonoma, California, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, effective July 1, 2007, the County implemented the provisions off Government Accounting Standards Board (GASB) Statements No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have issued our report dated December 19, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 12 and schedules of funding progress on page 79 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Sonoma's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Maciel Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California  
December 19, 2008

## Management's Discussion and Analysis

As management of the County of Sonoma (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$1,241,161 (*net assets*). Of this amount, \$255,870 is restricted for specific purpose (restricted net assets), \$948,129 is invested in capital assets, net of related debt and unrestricted net assets has a balance of \$37,162.
- The County's total net assets increased by \$15,030.
- As of June 30, 2008, the County's governmental funds reported combined fund balances of \$502,753, an increase of \$66,944. Approximately 67 percent of the combined fund balances, \$339,540 is available to meet the County's current and future needs (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$89,854 or 27 percent of total general fund expenditures. The majority of this amount is budgeted to be spent in the next fiscal year.
- The County's long-term liabilities increased by \$52,977 or 6.1 percent during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., long-term notes, loans, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education and recreation and cultural services. The business-type activities of the County include Refuse, Spud Point Marina, the Sonoma County Water Agency (Water Agency), the Sonoma Valley County Sanitation District, the Community Hospital of Sonoma County (Community Hospital), the Sonoma County Fair and Exposition, Inc. (Fair), Airport, the County of Sonoma Transportation Project (Transit), Sanitation, and other.

The government-wide financial statements include the following component units: the Sonoma County Fair and Exposition, Inc., the Sonoma County Water Agency, the Sonoma County Community Development Commission (Community Development Commission), the Sonoma Valley County Sanitation District, the Sonoma County Library (Library), the County of Sonoma Transportation Project, the Community Hospital of Sonoma County, the Russian River County Sanitation District, the South Park Sanitation District, the Occidental County Sanitation District and the Sonoma County Tobacco Securitization Corporation. These component units are included in the County's reporting entity because of the significance of their financial or operational relationship and their mutual governing body.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Government funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Human Services Special Revenue Fund, Community Development Commission Special Revenue Fund, State Mandates and Tobacco Settlement Revenues Special Revenue Fund, Health and Sanitation Special Revenue Fund, Capital Projects Fund and the Water Agency Debt Service Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Refuse, Spud Point Marina, the Water Agency, Sonoma Valley County Sanitation District, the Community Hospital, the Fair, the Airport, Transit, Russian River County Sanitation District, South Park Sanitation District and the Occidental County Sanitation District. *Internal service funds* are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses internal service funds to account for Insurance, Heavy Equipment Replacement, and Water Agency equipment and facilities. The Insurance and Heavy Equipment Replacement internal service funds predominantly benefit governmental rather than business-type functions, so they have been included within *governmental activities* in the government-wide financial statements. The Water Agency internal service fund predominantly benefits business type functions, so it has been included within the business type activities within the government –wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Refuse, Spud Point Marina, the Water Agency, and Sonoma Valley County Sanitation District, all of which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds is provided in the form of *combining statements* elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets  
June 30, 2008  
(in thousands)  
Analysis of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007 <sup>(1)</sup>	2008	2007	2008	2007 <sup>(1)</sup>
<b>Assets:</b>						
Current and other assets	\$ 985,180	\$ 964,247	\$ 130,275	\$ 132,904	\$ 1,115,455	\$ 1,097,151
Capital assets	862,196	845,830	427,696	417,770	1,289,892	1,263,600
<b>Total assets</b>	<b>1,847,376</b>	<b>1,810,077</b>	<b>557,971</b>	<b>550,674</b>	<b>2,405,347</b>	<b>2,360,751</b>
<b>Liabilities:</b>						
Current and other liabilities	228,670	242,323	18,563	20,297	247,233	262,620
Long-term liabilities	693,907	648,415	223,046	215,561	916,953	863,976
<b>Total liabilities</b>	<b>922,577</b>	<b>890,738</b>	<b>241,609</b>	<b>235,858</b>	<b>1,164,186</b>	<b>1,126,596</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	638,123	649,596	310,006	320,253	948,129	969,849
Restricted net assets	239,285	225,718	16,585	14,244	255,870	239,962
Unrestricted net assets	47,391	44,025	(10,229)	(19,681)	37,162	24,344
<b>Total net assets</b>	<b>\$ 924,799</b>	<b>\$ 919,339</b>	<b>\$ 316,362</b>	<b>\$ 314,816</b>	<b>\$ 1,241,161</b>	<b>\$ 1,234,155</b>

(1) Certain 2007 amounts have been reclassified in order to be consistent with the current year's presentation

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1,241,161 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Net assets invested in capital assets, net of related debt decreased by \$21.7 million due to current year additions in capital assets as discussed in further detail below, being more than offset by issuance of capital related debt.

An additional portion of the County's net assets, \$255,870 (20.6 percent), represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased by \$15.9 million due to increases in restrictions in Water Agency and Community Development Commission restricted assets.

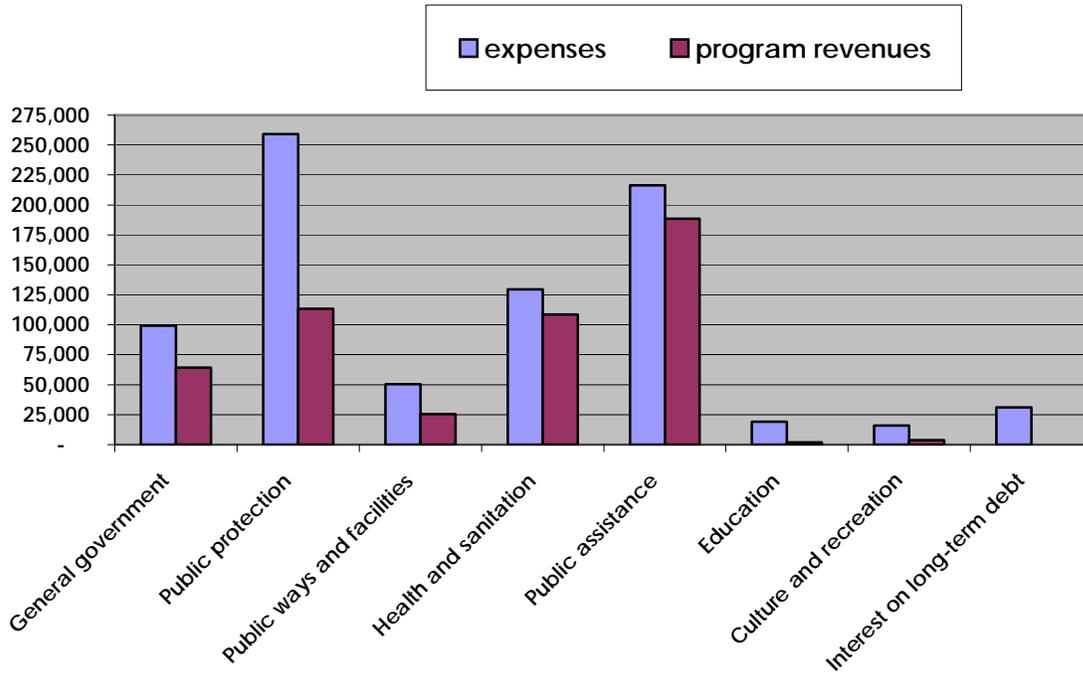
At the end of the current fiscal year, the County reports total unrestricted net assets in the amount of \$37,162. Unrestricted net assets increased as a result of the normal operations of the County.

The County's net assets increased by \$15,030 during the current fiscal year.

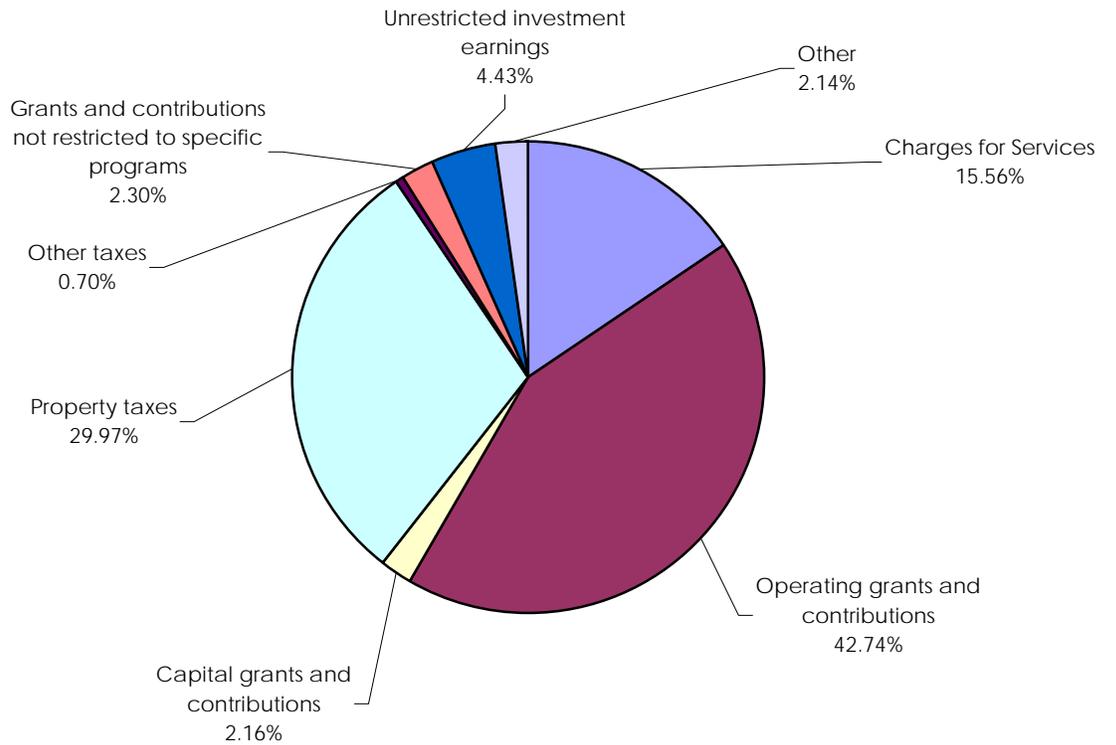
**Changes in Net Assets**  
**June 30, 2008**  
**(in thousands)**

	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 130,146	\$ 150,967	\$ 114,407	\$ 107,005	\$ 244,553	\$ 257,972
Operating grants and contributions	357,581	318,315	16,263	19,398	373,844	337,713
Capital grants and contributions	18,063	27,821	5,683	7,215	23,746	35,036
<b>General revenues:</b>						
Property taxes	250,770	234,022	295	272	251,065	234,294
Documentary transfer taxes	3,867	10,844	-	-	3,867	10,844
Transit occupancy taxes	1,997	1,791	-	-	1,997	1,791
Grants and other governmental revenues not restricted to specific programs	19,209	37,034	-	-	19,209	37,034
Unrestricted investment earnings	37,044	25,523	5,057	5,864	42,101	31,387
Gain on sale of capital assets	45	-	81	-	126	-
Other	17,870	3,127	-	1,201	17,870	4,328
<b>Total revenues</b>	<b>836,592</b>	<b>809,444</b>	<b>141,786</b>	<b>140,955</b>	<b>978,378</b>	<b>950,399</b>
<b>Expenses</b>						
General government	99,168	94,498	-	-	99,168	94,498
Public protection	259,154	247,425	-	-	259,154	247,425
Public ways and facilities	50,542	48,129	-	-	50,542	48,129
Health and sanitation	129,519	124,455	-	-	129,519	124,455
Public assistance	216,274	190,649	-	-	216,274	190,649
Education	19,148	15,681	-	-	19,148	15,681
Recreation and cultural services	15,944	14,096	-	-	15,944	14,096
Interest on long-term debt	31,016	31,912	-	-	31,016	31,912
Refuse	-	-	40,407	43,712	40,407	43,712
Spud Point Marina	-	-	2,115	1,957	2,115	1,957
Water Agency	-	-	52,086	40,616	52,086	40,616
Sonoma Valley County Sanitation District	-	-	10,027	9,055	10,027	9,055
Community Hospital	-	-	1,037	510	1,037	510
Fair	-	-	10,420	10,225	10,420	10,225
Airport	-	-	4,095	3,293	4,095	3,293
Transit	-	-	15,058	13,934	15,058	13,934
Sanitation	-	-	6,381	5,978	6,381	5,978
Other	-	-	957	1,007	957	1,007
<b>Total expenses</b>	<b>820,765</b>	<b>766,845</b>	<b>142,583</b>	<b>130,287</b>	<b>963,348</b>	<b>897,132</b>
<b>Excess (deficiency) before special items and transfers</b>						
	15,827	42,599	(797)	10,668	15,030	53,267
Transfers	(2,343)	(5,055)	2,343	5,055	-	-
Special item- Forgiveness of debt	-	-	-	7,753	-	7,753
<b>Change in net assets</b>	<b>13,484</b>	<b>37,544</b>	<b>1,546</b>	<b>23,476</b>	<b>15,030</b>	<b>61,020</b>
<b>Net assets at beginning of year, as previously reported</b>	<b>919,339</b>	<b>884,316</b>	<b>314,816</b>	<b>322,044</b>	<b>1,234,155</b>	<b>1,206,360</b>
<b>Restatements</b>	<b>(8,024)</b>	<b>(2,521)</b>	<b>-</b>	<b>(30,704)</b>	<b>(8,024)</b>	<b>(33,225)</b>
<b>Net assets at beginning of year, as restated</b>	<b>911,315</b>	<b>881,795</b>	<b>314,816</b>	<b>291,340</b>	<b>1,226,131</b>	<b>1,173,135</b>
<b>Net assets at end of year</b>	<b>\$ 924,799</b>	<b>\$ 919,339</b>	<b>\$ 316,362</b>	<b>\$ 314,816</b>	<b>\$ 1,241,161</b>	<b>\$ 1,234,155</b>

### Expenses and Program Revenues-Governmental Activities



### Revenues by Source-Governmental Activities



**Governmental activities** Governmental activities increased the County's net assets by \$13.5 million, which is a decrease of \$24.0 million from last year's increase of \$37.5 million. The County's governmental activities net assets ended at \$924.8 million. Major changes in governmental activities, include the following:

Function/program activities:

- General government's net expense, which includes administration, tax collection, utilities, maintenance, increased by \$11.9 million to \$34.9 million due mainly to increases in employee pay and related benefit costs, increased interest on general fund debt, and general services increased maintenance costs and property insurance.
- Public protection's net expense, which includes sheriff, adult detention, district attorney, probation/juvenile institutions, and the public defender increased by \$11.8 million to \$145.9 million. The majority of the increase is related to increases to employee pay and related benefit costs.
- Public ways and facilities' net expense increased by \$13.0 million to \$25.1 million due to decreases in various operating and capital grant funding.
- Recreational and cultural services' net expenses increased by \$6.5 million to \$12.4 million due to an increase in operating expense related to payroll and additional new programs.
- Interest on long-term debt decreased by an immaterial amount of \$0.9 million to \$31.0 million.

General revenues:

- Tax revenues, which include local property, documentary transfer, and transit occupancy taxes (TOT) increased by \$10.0 million to \$256.6 million due to an increase in the total assessed value of property taxes during the fiscal year.
- Grants and other governmental revenues not restricted to specific programs decreased \$17.8 million to \$19.2 million due to a decrease in grant funding and legislation passed by the State which allowed the County to exchange the vehicle license fee (VLF) revenues for an equal share in property taxes.
- Unrestricted investment earnings increased by \$11.5 million to \$37.0 million due to greater investment balances held by the County through the year.
- Other revenues increased by \$14.7 million to \$17.9 million due to miscellaneous reimbursements and an increase in other non-program related activities.

**Business-type activities** Business-type activities net assets increased by \$1.5 million, which is a decrease of \$22.0 million from last year's increase of \$23.5 million. The County's business-type activities net assets ended at \$316.4 million. Other major changes in business-type activities include the following:

Function/program activities:

- Refuse net expenses, which finance the Sonoma County integrated waste management activities, decreased by \$1.5 million to \$6.2 million due to decreased costs related to landfill operations.
- Water Agency net expenses which, includes the transportation of water, and generation of electrical power for services, increased by \$8.8 million, to \$4.4 million, due to increased utilities and power costs and a decrease in capital grant funding.
- Sonoma Valley Sanitation District net expense, increased by \$3.4 million, to \$36.0 million, primarily due to the increases in utilities and power costs.
- The net revenues for Community Hospital, Fair, Airport, Transit, Sanitation and other functions had an immaterial increase of \$1.1 million totaling \$4.6 million.

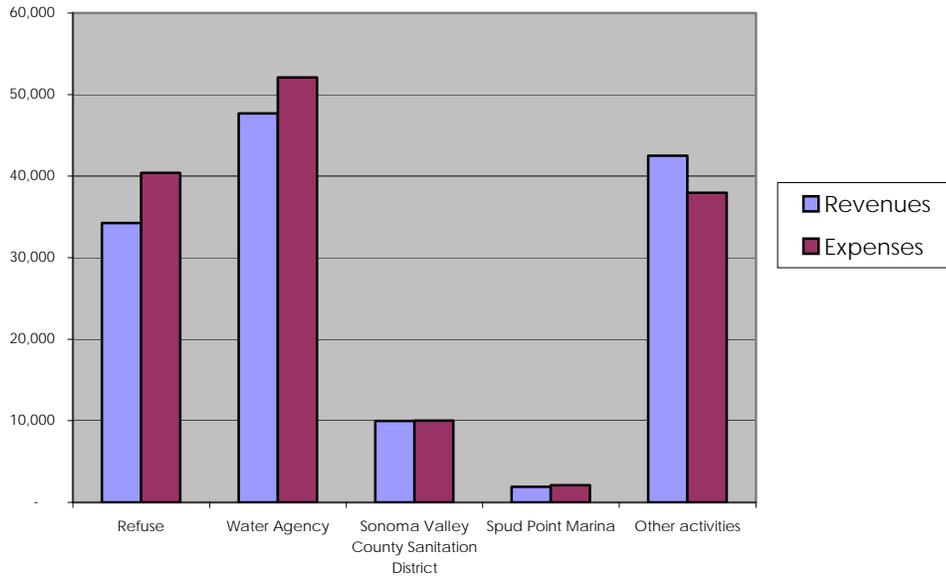
General revenues:

- Unrestricted investment earnings decreased by \$0.8 million to \$5.1 million due to decreases in short term interest rates on investment balances.

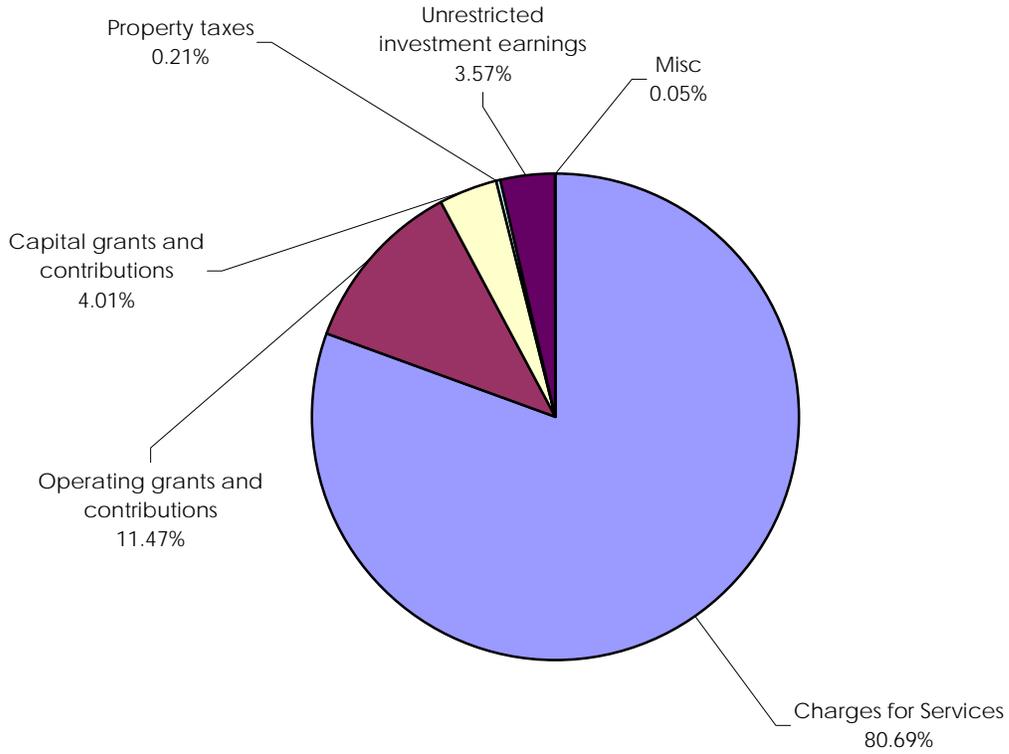
Special item:

- Forgiveness of debt decreased \$7.8 million to zero due to forgiveness of note payable by Spud Point Marina during 2007. There was no such activity during 2008.

**Expenses and Program Revenues-Business-type Activities**



**Revenues by Source-Business type Activities**



## Financial Analysis of the Government's Funds (dollars in thousands)

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2008, the County's governmental funds reported combined ending fund balances of \$502,753 an increase of \$66,944 in comparison with the prior year. Approximately 68% of the combined fund balance, \$339,540 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed:

- 1) to liquidate contractual commitments of the period (\$22,886)
- 2) to reflect inventories of the period (\$1,000)
- 3) to reflect advances that are long-term in nature and thus do not represent available spendable resources (\$4,943)
- 4) to reflect prepaid items and deposits that do not represent available spendable resources (\$26,636)
- 5) to pay debt service (\$107,748)

The General Fund is the chief operating fund of the County. At June 30, 2008, unreserved fund balance of the General Fund was \$90 million, while total fund balance reached \$122 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 37 percent of that same amount. The fund balance of the County's General Fund increased by \$8.6 million during the current fiscal year, primarily as a result of increases in property and sales use taxes.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. The Capital Projects fund balance decreased by \$3.8 million due to major construction project expenditures related to Valley of the Moon Children's Home Phase-III, various general administration projects and an increase in services and supplies.

The Human Services Special Revenue Fund is used to account for the administration of major public assistance grants received by the County and provided to the general public. The Human Services Special Revenue Fund was created during the current fiscal year and the operations resulted in an ending fund balance of \$0.8 million.

The State Mandates and Tobacco Settlement Revenues Special Revenue Fund is used to account for state programs that are required to be accounted for in a separate fund. The State Mandates and Tobacco Settlement Revenues Special Revenue fund balance increased by \$4.3 million due to a decrease in health related operating expenditures.

The Health and Sanitation Special Revenue Fund is used to account for public health and mental health programs, which are primarily funded by state and federal agencies. The Health and Sanitation Special Revenue fund balance decreased by \$0.6 million due to an increase in operational and program related expenditures.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the enterprise funds decreased by 1.6 percent, or \$4.8 million, to \$289 million. The decrease can mainly be attributed to the Water Agency enterprise operations as there was both an increase in expenses due to increased costs in utilities and power and a decrease of charges for services. The net assets of the internal services funds increased 30 percent, or \$14,190, to \$61,804. Most of this increase is related to the transfer of capital assets from the Water Agency and Sonoma Valley County Sanitation District major enterprise funds to the Water Agency Internal Service fund.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

- \$8.9 million in increases in general governmental activities
- \$4.7 million in increases allocated to public protection activities

Differences between the final amended budget and actual amounts can be summarized as follows:

- Total general government was under budget by \$25.1 million, mostly related to continued savings in information systems purchases, employee benefits, Registrar of Voters, and other general government.
- Total public protection was under budget by \$15.3 million, mostly related to continued budgetary savings in the sheriff division, Permit and Resource Management Department (PRMD), and Probation/Institutions Department.

## Capital Asset and Debt Administration

**Capital assets.** The County's capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$1.3 billion. Capital assets include land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the County's capital assets for the current fiscal year was \$26 million, or 2 percent. Additional information on the County's capital assets can be found in Note 6 to the financial statements.

Major capital asset additions during the current fiscal year included the following:

- \$21.4 million increase to land and easements to governmental activities.
  - Open Space District purchased Clover Springs for \$7.8 million, the Poff Property for \$5.6 million, the Cresta Ranch for \$3.1 million, Roche Ranch for \$2.0 million, Quailbrook Ranch for \$1.6 million, Hayfork Ranch for \$0.6 million and Pitkin Marsh for \$0.5 million and miscellaneous purchases of \$0.2 million
- \$21.1 million increase to construction in progress to governmental activities:
  - Various General Administration Projects of \$3.6 million
  - Various Park improvement Projects of \$3.2 million
  - Road improvements for \$6.0 million
  - Main Adult Detention Facility Projects of \$1.5 million
  - Valley of the Moon Children's Home-Phase III of \$4.6 million
  - Various Hall of Justice Projects of \$0.7 million
  - Various Los Guilucos Youth Center Projects of \$1.5 million
- \$20.7 million increase to construction in progress to business-type activities:
  - Water Agency Transmission System expansion of \$7.9 million
  - Sanitation District construction costs to treatment plans and sewer collection systems for \$10.3 million
  - Airport improvements for \$0.8 million for airfield and runway improvements
  - Transit improvements for \$1.3 million for transit terminal improvements
  - Refuse improvements for \$0.4 million for pump and collection system improvements and pond storage

**Debt Administration.** At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$917.0 million. The larger obligations are \$275.5 million in pension obligation bonds, \$112.2 million in long-term contract payable, \$98.6 million in bonds payable, \$43.3 million in certificates of participation, \$81.0 million in loan payable, and \$52.7 million in revenue and general obligation bonds. The remaining \$253.7 million includes compensated absences, notes payable, special assessments bonds, self insurance, advances from other governments, capital lease obligations, and various business-type obligations.

During fiscal year ended June 30, 2008, the County's long-term liabilities increased by \$53.0 million. This is primarily a result of new debt issuance of \$96.8 million for the Open Space District during the fiscal year. Additional information on the County's long-term liabilities can be found in Note 9 to the financial statements.

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

The Sonoma County economy, like those of the rest of the nation has entered a slow period. The primary reasons, as expected, are related to a fall in the real estate market, credit tightening, the lack of consumer confidence, and the rising cost of living. There is a projected decrease in revenues related to state/federal funding by roughly 2.9%, a decrease in local sales tax, and a further reduction in investment earnings related to a drop in interest rates.

The unemployment rate for the County has consistently maintained a level lower than the California average unemployment rate. During the past six months, payroll employment has continued to rise. As of August, 2008, Sonoma County employment levels increased by 0.8 percent, representing an all time high and surpassing the previous peak of the 2001 dot-com era. The largest area of growth has been in the technology sector related to wireless telecom, medical technology, and manufacturing industries.

### **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller, 585 Fiscal Drive, Suite 101F, Santa Rosa, California 95403.

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# BASIC FINANCIAL STATEMENTS



**COUNTY OF SONOMA, CALIFORNIA**

Statement of Net Assets

June 30, 2008

(Dollars in Thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and investments	\$ 664,299	\$ 111,709	\$ 776,008
Securities lending collateral	21,434	-	21,434
Receivables, (net of allowance for doubtful accounts)	45,176	15,265	60,441
Inventories	1,000	681	1,681
Internal balances	2,444	(2,444)	-
Due from other governments	72,739	3,624	76,363
Prepaid items and deposits	27,556	815	28,371
Deferred charges	-	625	625
Pension asset	150,532	-	150,532
Capital assets:			
Nondepreciable	402,295	74,805	477,100
Depreciable, net	<u>459,901</u>	<u>352,891</u>	<u>812,792</u>
 Total assets	 <u>1,847,376</u>	 <u>557,971</u>	 <u>2,405,347</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	57,841	11,102	68,943
Securities lending collateral obligation	21,434	-	21,434
Due to other governments	7,758	-	7,758
Unearned revenue	16,099	6,951	23,050
Interest payable	7,060	510	7,570
Tax and revenue anticipation note	100,000	-	100,000
Unfunded OPEB obligation	18,478	-	18,478
Long-term liabilities:			
Due within one year	38,526	5,303	43,829
Due in more than one year, net	<u>655,381</u>	<u>217,743</u>	<u>873,124</u>
 Total liabilities	 <u>922,577</u>	 <u>241,609</u>	 <u>1,164,186</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	638,123	310,006	948,129
Restricted for:			
Debt service	84,077	6,787	90,864
Capital projects	-	2,575	2,575
Community development and redevelopment	54,198	-	54,198
State mandates and other programs	66,347	-	66,347
Flood control	34,663	7,195	41,858
Deposits and scholarships	-	28	28
Unrestricted	<u>47,391</u>	<u>(10,229)</u>	<u>37,162</u>
 Total net assets	 <u>\$ 924,799</u>	 <u>\$ 316,362</u>	 <u>\$ 1,241,161</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

Statement of Activities

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 99,168	\$ 52,920	\$ 7,560	\$ 3,836
Public protection	259,154	53,080	56,275	3,930
Public ways and facilities	50,542	5,404	10,956	9,100
Health and sanitation	129,519	11,937	95,493	1,197
Public assistance	216,274	2,176	186,420	-
Education	19,148	1,056	857	-
Recreation and cultural services	15,944	3,573	20	-
Interest on long-term debt	31,016	-	-	-
Total governmental activities	<u>820,765</u>	<u>130,146</u>	<u>357,581</u>	<u>18,063</u>
Business-type activities:				
Refuse	40,407	34,234	-	-
Spud Point Marina	2,115	1,928	-	-
Water Agency	52,086	45,742	1,497	445
Sonoma Valley County Sanitation District	10,027	9,570	-	421
Community Hospital	1,037	1,173	-	-
Fair	10,420	9,296	2,206	66
Airport	4,095	3,297	1,108	-
Transit	15,058	1,928	10,749	1,857
Sanitation	6,381	6,308	693	2,894
Other	957	931	10	-
Total business-type activities	<u>142,583</u>	<u>114,407</u>	<u>16,263</u>	<u>5,683</u>
Total primary government	<u>\$ 963,348</u>	<u>\$ 244,553</u>	<u>\$ 373,844</u>	<u>\$ 23,746</u>

GENERAL REVENUES:

Taxes:

  Property

  Documentary transfer

  Transit occupancy

Grants and other governmental revenues  
not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Other

TRANSFERS

  Total general revenues and transfers

  Change in net assets

NET ASSETS, BEGINNING OF YEAR, AS RESTATED

NET ASSETS, END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business- type Activities	Total
\$ (34,852)	\$ -	\$ (34,852)
(145,869)	-	(145,869)
(25,082)	-	(25,082)
(20,892)	-	(20,892)
(27,678)	-	(27,678)
(17,235)	-	(17,235)
(12,351)	-	(12,351)
(31,016)	-	(31,016)
<u>(314,975)</u>	<u>-</u>	<u>(314,975)</u>
-	(6,173)	(6,173)
-	(187)	(187)
-	(4,402)	(4,402)
-	(36)	(36)
-	136	136
-	1,148	1,148
-	310	310
-	(524)	(524)
-	3,514	3,514
-	(16)	(16)
<u>-</u>	<u>(6,230)</u>	<u>(6,230)</u>
<u>(314,975)</u>	<u>(6,230)</u>	<u>(321,205)</u>
250,770	295	251,065
3,867	-	3,867
1,997	-	1,997
19,209	-	19,209
37,044	5,057	42,101
45	81	126
17,870	-	17,870
(2,343)	2,343	-
<u>328,459</u>	<u>7,776</u>	<u>336,235</u>
13,484	1,546	15,030
<u>911,315</u>	<u>314,816</u>	<u>1,226,131</u>
<u>\$ 924,799</u>	<u>\$ 316,362</u>	<u>\$ 1,241,161</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

Balance Sheet

Governmental Funds

June 30, 2008

(Dollars in Thousands)

	<u>General</u>	<u>Human Services Special Revenue</u>	<u>Community Development Commission Special Revenue</u>	<u>State Mandates and Tobacco Settlement Revenues Special Revenue</u>
<b>ASSETS:</b>				
Cash and investments	\$ 204,663	\$ -	\$ 30,012	\$ 95,407
Cash and investments with trustee	305	-	1,308	-
Securities lending collateral	21,434	-	-	-
Receivables (net of allowance for doubtful accounts)				
Accounts	3,135	-	78	-
Loans	-	-	30,575	-
Interest and other	-	-	4,799	-
Due from other funds	17,343	3,100	-	185
Inventories	277	-	-	-
Due from other governments	23,492	9,209	702	3,107
Advances to other funds	3,901	-	-	-
Prepaid items and deposits	24,687	1,504	1,248	-
	<u>\$ 299,237</u>	<u>\$ 13,813</u>	<u>\$ 68,722</u>	<u>\$ 98,699</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued salaries and benefits	\$ 39,795	\$ 364	\$ 499	\$ 926
Securities lending collateral obligation	21,434	-	-	-
Due to other funds	1,605	7,926	-	558
Due to other governments	404	782	118	-
Deferred revenue	11,147	3,903	35,507	14
Deposits from others	198	-	-	-
Interest payable	2,789	-	-	-
Advances from other funds	-	-	-	-
Tax and revenue anticipation note	100,000	-	-	-
Other liabilities	-	-	147	528
	<u>177,372</u>	<u>12,975</u>	<u>36,271</u>	<u>2,026</u>
<b>Fund balances:</b>				
Reserved	32,011	2,109	2,071	1,003
Unreserved, reported in:				
General fund:				
Designated	35,289	-	-	-
Undesignated	54,565	-	-	-
Special revenue funds:				
Designated	-	-	-	-
Undesignated	-	(1,271)	30,380	95,670
Capital projects funds	-	-	-	-
	<u>121,865</u>	<u>838</u>	<u>32,451</u>	<u>96,673</u>
Total fund balances	<u>\$ 299,237</u>	<u>\$ 13,813</u>	<u>\$ 68,722</u>	<u>\$ 98,699</u>
Total liabilities and fund balances	<u>\$ 299,237</u>	<u>\$ 13,813</u>	<u>\$ 68,722</u>	<u>\$ 98,699</u>

See accompanying notes to the basic financial statements.

Health and Sanitation Special Revenue	Capital Projects	Water Agency Debt Service	Other Funds	Total
\$ 59	\$ 22,752	\$ 79,789	\$ 131,319	\$ 564,001
-	-	-	23,671	25,284
-	-	-	-	21,434
-	686	-	2,802	6,701
-	-	-	-	30,575
-	-	-	177	4,976
558	-	-	2,802	23,988
-	-	-	723	1,000
24,320	-	-	10,531	71,361
-	-	-	1,042	4,943
11	-	-	106	27,556
<u>\$ 24,948</u>	<u>\$ 23,438</u>	<u>\$ 79,789</u>	<u>\$ 173,173</u>	<u>\$ 781,819</u>
\$ 3,022	\$ 667	\$ -	\$ 7,466	\$ 52,739
-	-	-	-	21,434
9,397	-	-	3,100	22,586
6,454	-	-	-	7,758
4,728	-	-	12,442	67,741
-	-	-	-	198
-	-	-	-	2,789
-	-	-	977	977
-	-	-	-	100,000
1,083	-	-	1,086	2,844
<u>24,684</u>	<u>667</u>	<u>-</u>	<u>25,071</u>	<u>279,066</u>
273	6,925	79,789	39,032	163,213
-	-	-	-	35,289
-	-	-	-	54,565
-	-	-	4,916	4,916
(9)	-	-	104,154	228,924
-	15,846	-	-	15,846
<u>264</u>	<u>22,771</u>	<u>79,789</u>	<u>148,102</u>	<u>502,753</u>
<u>\$ 24,948</u>	<u>\$ 23,438</u>	<u>\$ 79,789</u>	<u>\$ 173,173</u>	<u>\$ 781,819</u>

See accompanying notes to the basic financial statements.



**COUNTY OF SONOMA, CALIFORNIA**  
 Reconciliation of the Balance Sheet to Statement of Net Assets  
 Governmental Funds  
 June 30, 2008  
 (Dollars in Thousands)

Fund balances - total governmental funds (page 19)		\$ 502,753
Amounts reported for governmental activities in the statement of net assets are different because:		
Pension asset of the governmental activities is not a financial resource and, therefore, is not reported in the funds.		150,532
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		858,589
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.		51,642
Internal service funds are used by management to charge the costs of self insurance, equipment purchases and other activities to individual funds. The assets and liabilities of these funds are included as governmental activities in the statement of net assets.		34,793
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(35,984)	
Long-term contract	(112,180)	
Certificates of participation	(33,236)	
Bonds payable	(98,600)	
Premium	(4,620)	
Notes payable	(900)	
Special assessment bonds	(6,693)	
Pension obligation bonds	(275,540)	
Loan payable	(80,950)	
Unfunded OPEB obligation	(18,478)	
Capital lease obligations	(2,058)	
Accrued interest payable	(4,271)	
	(673,510)	(673,510)
Net assets of governmental activities (page 15)		\$ 924,799

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	General Fund	Human Services Special Revenue	Community Development Commission Special Revenue	State Mandates and Tobacco Settlement Revenues Special Revenue
<b>REVENUES:</b>				
Taxes	\$ 208,125	\$ -	\$ 7,581	\$ -
Licenses, permits and franchise fees	13,764	-	-	880
Fines, forfeitures and penalties	7,576	-	-	3,132
Use of money and property	15,412	(58)	1,291	2,549
Intergovernmental	107,986	110,155	32,306	27,396
Charges for services	38,766	2,046	-	3,279
Other	8,096	366	3,477	419
Total revenues	<u>399,725</u>	<u>112,509</u>	<u>44,655</u>	<u>37,655</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	75,541	-	-	38
Public protection	226,252	-	-	3,932
Public ways and facilities	331	-	-	-
Health and sanitation	-	-	-	10,308
Public assistance	-	125,901	37,606	15,709
Education	1,146	-	-	-
Recreation and cultural services	14,136	-	-	-
Capital outlay	6,941	33	-	-
<b>Debt service:</b>				
Principal	3,946	-	225	370
Interest and other	5,086	-	154	181
Total expenditures	<u>333,379</u>	<u>125,934</u>	<u>37,985</u>	<u>30,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,346</u>	<u>(13,425)</u>	<u>6,670</u>	<u>7,117</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,311	14,363	-	86
Transfers out	(61,354)	(100)	-	(2,911)
Issuance of long-term debt	296	-	-	-
Premium on long-term debt issued	-	-	-	-
Total other financing sources and uses	<u>(57,747)</u>	<u>14,263</u>	<u>-</u>	<u>(2,825)</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,599	838	6,670	4,292
Fund balances, beginning of year	<u>113,266</u>	<u>-</u>	<u>25,781</u>	<u>92,381</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 121,865</u>	<u>\$ 838</u>	<u>\$ 32,451</u>	<u>\$ 96,673</u>

See accompanying notes to the basic financial statements.

Health and Sanitation Special Revenue	Capital Projects	Water Agency Debt Service	Other Funds	Total
\$ -	\$ -	\$ -	\$ 44,946	\$ 260,652
2,839	-	-	980	18,463
-	-	-	966	11,674
57	1,755	7,943	6,064	35,013
44,609	-	-	63,965	386,417
5,740	-	-	33,269	83,100
1,023	2,015	-	7,610	23,006
<u>54,268</u>	<u>3,770</u>	<u>7,943</u>	<u>157,800</u>	<u>818,325</u>
-	1,054	-	10,108	86,741
-	-	-	5,962	236,146
-	-	-	24,723	25,054
63,035	-	-	56,756	130,099
-	-	-	22,529	201,745
-	-	-	15,606	16,752
-	-	-	134	14,270
20	15,248	-	27,937	50,179
-	-	2,584	50,823	57,948
-	-	3,702	25,678	34,801
<u>63,055</u>	<u>16,302</u>	<u>6,286</u>	<u>240,256</u>	<u>853,735</u>
<u>(8,787)</u>	<u>(12,532)</u>	<u>1,657</u>	<u>(82,456)</u>	<u>(35,410)</u>
8,509	6,131	3,000	177,715	213,115
(346)	(128)	-	(150,631)	(215,470)
-	2,776	-	96,885	99,957
-	-	-	4,752	4,752
<u>8,163</u>	<u>8,779</u>	<u>3,000</u>	<u>128,721</u>	<u>102,354</u>
(624)	(3,753)	4,657	46,265	66,944
<u>888</u>	<u>26,524</u>	<u>75,132</u>	<u>101,837</u>	<u>435,809</u>
<u>\$ 264</u>	<u>\$ 22,771</u>	<u>\$ 79,789</u>	<u>\$ 148,102</u>	<u>\$ 502,753</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 23)		\$ 66,944
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	50,179	
Book value on disposed capital assets	(155)	
Current year depreciation	<u>(25,433)</u>	
		24,591
Governmental funds report the effect of the pension asset when first paid, whereas the amount is deferred and amortized in the statement of activities:		
Amortization of pension asset		(35,973)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (deferred revenue). Revenue in the statement of activities is not limited by availability, so certain revenues have been reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year.		
		14,865
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Long-term debt issuance	(99,957)	
Principal payments	57,948	
Premium on long-term debt	(4,752)	
Amortization of bond premium	132	
OPEB expense	<u>(18,478)</u>	
		(65,107)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accrued interest		7
Change in compensated absences		359
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
		<u>7,798</u>
Change in net assets of governmental activities (page 17)		<u>\$ 13,484</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 205,489	\$ 205,489	\$ 208,125	\$ 2,636
Licenses, permits, and franchise fees	15,517	15,517	13,764	(1,753)
Fines, forfeitures, and penalties	7,671	7,671	7,576	(95)
Use of money and property	11,632	11,632	15,412	3,780
Intergovernmental	105,360	110,339	107,986	(2,353)
Charges for services	44,133	43,955	38,766	(5,189)
Other	4,629	8,129	8,096	(33)
Total revenues	<u>394,431</u>	<u>402,732</u>	<u>399,725</u>	<u>(3,007)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Board of Supervisors	2,802	2,810	2,649	161
County Administrator	2,840	3,029	2,831	198
General Services	39,380	40,104	38,483	1,621
Assessor	18,706	9,579	9,001	578
Auditor-Controller-Treasurer-Tax Collector	9,550	18,384	16,837	1,547
County Counsel	6,540	6,859	6,633	226
Human Resources	8,171	8,280	6,924	1,356
Registrar of Voters	5,917	5,917	3,807	2,110
Information Systems	42,926	43,544	35,304	8,240
Employee Benefits	5,650	13,261	10,036	3,225
Other General Government	13,720	13,960	9,440	4,520
Appropriation for Contingencies	1,973	1,320	-	1,320
Total general government	<u>158,175</u>	<u>167,047</u>	<u>141,945</u>	<u>25,102</u>
Public protection:				
District Attorney	19,289	19,461	18,720	741
Public Defender	9,048	9,150	8,965	185
Superior/Municipal Court	10,755	10,755	10,522	233
Grand Jury	95	95	76	19
County Clerk	621	621	614	7
Sheriff Division	72,856	74,288	71,696	2,592
Detention	55,551	54,429	53,149	1,280
Probation Department	20,541	21,283	19,553	1,730
Juvenile Halls	22,665	24,460	22,668	1,792
Emergency Services	2,257	3,580	2,817	763
Permit and Resource Management	24,792	24,867	19,442	5,425
Agricultural Commissioner	8,292	8,449	8,197	252
Recorder	1,536	1,536	1,208	328
Total public protection	<u>248,298</u>	<u>252,974</u>	<u>237,627</u>	<u>15,347</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public ways and facilities:				
Public Works-special projects	467	490	355	135
Total public ways and facilities	<u>467</u>	<u>490</u>	<u>355</u>	<u>135</u>
Public assistance:				
Office of Commissions	-	3	3	-
Total public assistance	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Education:				
Agricultural Extension	1,285	1,296	1,161	135
Total education	<u>1,285</u>	<u>1,296</u>	<u>1,161</u>	<u>135</u>
Recreation and cultural services:				
Regional Parks	15,204	16,114	14,908	1,206
Total recreation and cultural services	<u>15,204</u>	<u>16,114</u>	<u>14,908</u>	<u>1,206</u>
Total expenditures	<u>423,429</u>	<u>437,924</u>	<u>395,999</u>	<u>41,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,998)</u>	<u>(35,192)</u>	<u>3,726</u>	<u>38,918</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,868	3,868	3,311	(557)
Transfers out	(66,875)	(66,875)	(61,354)	5,521
Issuance of long-term debt	-	-	296	296
Total other financing sources and uses	<u>(63,007)</u>	<u>(63,007)</u>	<u>(57,747)</u>	<u>5,260</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (92,005)</u>	<u>\$ (98,199)</u>	<u>(54,021)</u>	<u>\$ 44,178</u>
BUDGETARY BASIS ADJUSTMENTS:				
Reimbursements			59,474	
Encumbrances			<u>3,146</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 8,599</u>	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
**Human Services Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 40	\$ 40	\$ (58)	\$ (98)
Intergovernmental	109,551	113,682	110,155	(3,527)
Charges for services	2,046	2,046	2,046	-
Other revenue	571	572	366	(206)
	<u>112,208</u>	<u>116,340</u>	<u>112,509</u>	<u>(3,831)</u>
<b>EXPENDITURES:</b>				
Current:				
Public assistance				
Health and sanitation - Public Health	146,040	152,551	148,154	4,397
	<u>146,040</u>	<u>152,551</u>	<u>148,154</u>	<u>4,397</u>
Deficiency of revenues under expenditures	(33,832)	(36,211)	(35,645)	566
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	16,828	16,828	14,363	(2,465)
Transfers out	-	(100)	(100)	-
	<u>16,828</u>	<u>16,728</u>	<u>14,263</u>	<u>(2,465)</u>
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<u>\$ (17,004)</u>	<u>\$ (19,483)</u>	<u>(21,382)</u>	<u>\$ (1,899)</u>
<b>BUDGETARY BASIS ADJUSTMENTS:</b>				
Encumbrances			605	
Reimbursements			21,615	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>			<u>\$ 838</u>	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
Community Development Commission Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 140	\$ 140	\$ 359	\$ 219
Intergovernmental	28,320	28,320	26,386	(1,934)
Other revenue	938	938	488	(450)
Total revenues	29,398	29,398	27,233	(2,165)
<b>EXPENDITURES:</b>				
Current:				
Public assistance				
General operating	3,218	3,218	3,129	89
Rental assistance	21,069	21,069	21,057	12
Community Development	4,972	4,972	3,423	1,549
Total expenditures	29,259	29,259	27,609	1,650
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>				
	\$ 139	\$ 139	(376)	\$ (515)
<b>BUDGETARY BASIS ADJUSTMENTS:</b>				
Amounts where budgets are not adopted			7,046	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>				
			\$ 6,670	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
State Mandates and Tobacco Settlement Revenues Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Licenses, permits and franchise fees	\$ 1,087	\$ 1,087	\$ 880	\$ (207)
Fines, forfeitures and penalties	3,394	3,394	3,132	(262)
Use of money and property	2,571	2,571	2,549	(22)
Intergovernmental	29,771	29,965	27,396	(2,569)
Charges for services	3,212	3,327	3,279	(48)
Other revenue	619	619	419	(200)
Total revenues	40,654	40,963	37,655	(3,308)
<b>EXPENDITURES:</b>				
Current:				
General government	718	718	588	130
Public protection:				
Recorder	1,071	1,335	909	426
Superior Court	84	90	82	8
District Attorney	750	750	658	92
Sheriff	1,861	1,861	421	1,440
Detention and Corrections	1,896	2,335	2,044	291
Other	169	169	104	65
Health and sanitation - public health	13,916	14,621	11,077	3,544
Public assistance				
Children's Services	16,503	16,527	15,690	837
Child Fund	146	146	30	116
Total expenditures	37,114	38,552	31,603	6,949
Excess of revenues over expenditures	3,540	2,411	6,052	3,641
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,030	1,038	86	(952)
Transfers out	(13,628)	(14,206)	(2,911)	11,295
Total other financing sources and uses	(12,598)	(13,168)	(2,825)	10,343
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>				
	\$ (9,058)	\$ (10,757)	3,227	\$ 13,984
<b>BUDGETARY BASIS ADJUSTMENTS:</b>				
Encumbrances			1,003	
Reimbursements			62	
NET CHANGE IN FUND BALANCE, GAAP BASIS			\$ 4,292	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
**Health and Sanitation Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Licenses, permits and franchise fees	\$ 2,798	\$ 2,798	\$ 2,839	\$ 41
Fines, forfeitures and penalties	15	15	-	(15)
Use of money and property	201	201	57	(144)
Intergovernmental	51,594	52,399	44,609	(7,790)
Charges for services	4,169	4,169	5,740	1,571
Other revenue	1,377	1,444	1,023	(421)
	<u>60,154</u>	<u>61,026</u>	<u>54,268</u>	<u>(6,758)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Health and sanitation - public health	148,590	150,575	136,498	14,077
	<u>148,590</u>	<u>150,575</u>	<u>136,498</u>	<u>14,077</u>
Deficiency of revenues under expenditures	(88,436)	(89,549)	(82,230)	7,319
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	9,453	9,453	8,509	(944)
Transfers out	(346)	(346)	(346)	-
	<u>9,107</u>	<u>9,107</u>	<u>8,163</u>	<u>(944)</u>
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<u>\$ (79,329)</u>	<u>\$ (80,442)</u>	<u>(74,067)</u>	<u>\$ 6,375</u>
<b>BUDGETARY BASIS ADJUSTMENTS:</b>				
Encumbrances			273	
Reimbursements			73,170	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>			<u>\$ (624)</u>	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-type Activities/Enterprise Funds						Internal Service Funds
	Sonoma Valley					Total	
	Refuse	Spud Point Marina	Water Agency	County Sanitation District	Other		
<b>ASSETS:</b>							
Current assets:							
Cash and investments	\$ 22,458	\$ 773	\$ 38,105	\$ 5,831	\$ 21,802	\$ 88,969	\$ 83,372
Cash and investments with trustee	114	10	-	-	-	124	1,250
Receivables, net							
Accounts	3,918	75	6,108	503	4,536	15,140	113
Interest and other	-	-	-	-	12	12	-
Inventories	-	61	-	-	620	681	-
Due from other governments	-	-	-	-	3,624	3,624	1,378
Other assets	-	-	-	244	120	364	438
Total current assets	<u>26,490</u>	<u>919</u>	<u>44,213</u>	<u>6,578</u>	<u>30,714</u>	<u>108,914</u>	<u>86,551</u>
Noncurrent assets:							
Restricted cash and investments	5	50	4,943	3,893	3,435	12,326	682
Deposits and other assets	-	-	13	-	-	13	-
Deferred charges	44	-	581	-	-	625	-
Advances to other funds	-	-	36	5,085	-	5,121	-
Capital assets:							
Nondepreciable	13,472	983	31,211	5,730	20,593	71,989	2,816
Depreciable, net	28,016	3,217	140,726	59,998	90,043	322,000	34,498
Total noncurrent assets	<u>41,537</u>	<u>4,250</u>	<u>177,510</u>	<u>74,706</u>	<u>114,071</u>	<u>412,074</u>	<u>37,996</u>
Total assets	<u>68,027</u>	<u>5,169</u>	<u>221,723</u>	<u>81,284</u>	<u>144,785</u>	<u>520,988</u>	<u>124,547</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

Statement of Net Assets (Continued)

Proprietary Funds

June 30, 2008

	Business-type Activities/Enterprise Funds						Internal Service Funds
	Sonoma Valley					Total	
	Refuse	Spud Point Marina	Water Agency	County Sanitation District	Other		
<b>LIABILITIES:</b>							
Current liabilities:							
Accounts payable	2,053	147	4,121	624	2,954	9,899	2,232
Due to other funds	-	-	-	-	1,402	1,402	-
Interest payable	-	165	-	89	144	398	-
Compensated absences	43	2	-	-	40	85	-
Self-funded insurance	-	-	-	-	-	-	13,826
Unearned revenue	-	93	129	-	1,048	1,270	-
Advances from other governments	-	192	-	289	618	1,099	-
Landfill closure and post-closure costs	203	-	-	-	-	203	-
Certificates of participation, net	1,315	-	-	-	-	1,315	-
Capital leases	177	-	-	-	-	177	-
Current liabilities payable from restricted assets:							
Bonds payable	-	-	797	753	192	1,742	-
Capital leases	-	-	-	-	-	-	682
Other	5	50	654	207	115	1,031	112
Total current liabilities	3,796	649	5,701	1,962	6,513	18,621	16,852
Noncurrent liabilities:							
Compensated absences	389	15	-	-	360	764	-
Self-funded insurance	-	-	-	-	-	-	29,320
Advances from other funds	-	-	5,085	-	-	5,085	1,078
Advances from other governments	-	3,808	10,028	5,811	11,838	31,485	5,085
Landfill closure and post-closure costs	107,784	-	-	-	-	107,784	-
Certificates of participation, net	8,427	-	-	-	-	8,427	-
Bonds payable, net	-	-	30,708	14,047	5,023	49,778	-
Capital leases	-	-	-	-	-	-	10,408
Long-term post-retirement benefits	-	-	-	-	4,012	4,012	-
Unearned revenue	-	-	5,681	-	-	5,681	-
Total noncurrent liabilities	116,600	3,823	51,502	19,858	21,233	213,016	45,891
Total liabilities	120,396	4,472	57,203	21,820	27,746	231,637	62,743
<b>NET ASSETS:</b>							
Invested in capital assets, net of related debt	31,569	200	125,319	44,828	90,558	292,474	21,139
Restricted for:							
Debt service	-	-	2,407	1,638	2,172	6,217	570
Conservation program	-	-	5,235	1,960	-	7,195	-
Scholarships	-	-	-	-	28	28	-
Capital projects	-	-	1,958	-	617	2,575	-
Unrestricted	(83,938)	497	29,601	11,038	23,664	(19,138)	40,095
Total net assets (deficit)	\$ (52,369)	\$ 697	\$ 164,520	\$ 59,464	\$ 117,039	289,351	\$ 61,804
						Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	27,011
						Net assets of business-type activities	<u>\$ 316,362</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Business-type Activities/Enterprise Funds						Internal Service Funds
	Sonoma Valley						
	Refuse	Spud Point Marina	Water Agency	County Sanitation District	Other	Total	
<b>OPERATING REVENUES:</b>							
Charges for services	\$ 29,887	\$ 1,928	\$ 30,284	\$ 947	\$ 2,552	\$ 65,598	\$ 63,031
Flat charges	-	-	2,591	8,692	6,130	17,413	-
Rents and concessions	159	-	50	-	12,434	12,643	-
Sales and miscellaneous	4,188	-	850	11	1,597	6,646	-
Total operating revenues	<u>34,234</u>	<u>1,928</u>	<u>33,775</u>	<u>9,650</u>	<u>22,713</u>	<u>102,300</u>	<u>63,031</u>
<b>OPERATING EXPENSES:</b>							
Services and supplies	31,711	1,466	35,983	7,121	25,198	101,479	19,631
Salaries and employee benefits	5,661	432	-	-	6,282	12,375	2,378
Claims	-	-	-	-	-	-	32,393
Depreciation and amortization	2,487	52	5,114	2,503	5,582	15,738	1,991
Total operating expenses	<u>39,859</u>	<u>1,950</u>	<u>41,097</u>	<u>9,624</u>	<u>37,062</u>	<u>129,592</u>	<u>56,393</u>
Operating income (loss)	<u>(5,625)</u>	<u>(22)</u>	<u>(7,322)</u>	<u>26</u>	<u>(14,349)</u>	<u>(27,292)</u>	<u>6,638</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Taxes	-	-	39	19	237	295	-
Investment income	1,120	25	1,853	548	1,150	4,696	3,317
Intergovernmental	-	-	1,497	-	14,766	16,263	-
Interest expense	(548)	(165)	(489)	(401)	(886)	(2,489)	(787)
Miscellaneous	-	-	-	(80)	220	140	401
Gain (loss) on disposal of capital assets	50	-	-	(2)	1	49	75
Total nonoperating revenues (expenses)	<u>622</u>	<u>(140)</u>	<u>2,900</u>	<u>84</u>	<u>15,488</u>	<u>18,954</u>	<u>3,006</u>
Income (loss) before contributions and transfers	<u>(5,003)</u>	<u>(162)</u>	<u>(4,422)</u>	<u>110</u>	<u>1,139</u>	<u>(8,338)</u>	<u>9,644</u>
Capital contributions	-	-	445	421	4,817	5,683	-
Transfers in	-	382	2,462	-	6	2,850	4,551
Transfers out	(506)	(1)	(1,750)	(2,784)	-	(5,041)	(5)
Change in net assets	<u>(5,509)</u>	<u>219</u>	<u>(3,265)</u>	<u>(2,253)</u>	<u>5,962</u>	<u>(4,846)</u>	<u>14,190</u>
Net assets (deficit), beginning of year	<u>(46,860)</u>	<u>478</u>	<u>167,785</u>	<u>61,717</u>	<u>111,077</u>		<u>47,614</u>
Net assets (deficit), end of year	<u>\$ (52,369)</u>	<u>\$ 697</u>	<u>\$ 164,520</u>	<u>\$ 59,464</u>	<u>\$ 117,039</u>		<u>\$ 61,804</u>
						<u>6,392</u>	
						<u>\$ 1,546</u>	

Adjustment to reflect the consolidation of internal service  
fund activities related to enterprise funds.

Change in net assets of business-type activities

**COUNTY OF SONOMA, CALIFORNIA**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Enterprise Funds						
	Sonoma Valley						Internal Service Funds
	Refuse	Spud Point Marina	Water Agency	County Sanitation District	Other	Total	
Cash flows from operating activities:							
Cash received from customers	\$ 34,196	\$ 1,853	\$ 34,382	\$ 9,579	\$ 21,193	\$ 101,203	\$ 64,963
Cash received from other sources	-	-	-	-	-	-	401
Cash payments to other sources	-	-	-	-	(1,784)	(1,784)	-
Cash payment to suppliers for goods and services	(25,724)	(1,528)	(17,126)	(1,776)	(22,308)	(68,462)	(54,626)
Cash payment to employees for services	(5,672)	(435)	-	-	(6,203)	(12,310)	(2,378)
Cash payment for interfund services used	(3,222)	-	(16,893)	(5,144)	(2,703)	(27,962)	(1,226)
Net cash provided by (used in) operating activities	<u>(422)</u>	<u>(110)</u>	<u>363</u>	<u>2,659</u>	<u>(11,805)</u>	<u>(9,315)</u>	<u>7,134</u>
Cash flows from noncapital financing activities:							
Transfers received	-	-	2,462	-	6	2,468	17
Transfers out to other funds	-	(1)	-	-	-	(1)	(5)
Taxes	-	-	39	19	237	295	-
Intergovernmental	-	-	1,248	-	12,039	13,287	-
Other	-	-	-	(80)	127	47	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(1)</u>	<u>3,749</u>	<u>(61)</u>	<u>12,409</u>	<u>16,096</u>	<u>12</u>
Cash flows from capital and related financing activities:							
Utility grants	-	-	-	-	2,206	2,206	-
Proceeds from interfund borrowings	-	-	-	-	1,383	1,383	1,000
Proceeds from advances from other governments	-	-	3,713	5,786	2,828	12,327	-
Capital contributions	-	-	445	421	3,349	4,215	-
Proceeds from sale of capital assets	53	-	-	-	1	54	62
Acquisition and construction of capital assets	(491)	-	(6,332)	(8,626)	(10,888)	(26,337)	(773)
Interest paid	(643)	-	(2,068)	(646)	(920)	(4,277)	(1,232)
Receipts from passenger facility charges	-	-	-	-	95	95	-
Repayments to other funds	-	-	-	-	(66)	(66)	-
Principal paid on capital leases	(249)	-	-	-	-	(249)	(675)
Principal paid on bonds and certificates	(1,075)	-	(560)	(681)	(276)	(2,592)	-
Principal paid on advances from other governments	-	(2,000)	-	(40)	(736)	(2,776)	-
Transfers in from other funds	-	382	-	-	-	382	-
Transfers out to other funds	(506)	-	-	-	-	(506)	-
Net cash used in capital and related financing activities	<u>(2,911)</u>	<u>(1,618)</u>	<u>(4,802)</u>	<u>(3,786)</u>	<u>(3,024)</u>	<u>(16,141)</u>	<u>(1,618)</u>
Cash flows from investing activities:							
Repayment on advances to other funds - principal	-	-	17	358	-	375	132
Repayment on advances to other funds - interest	-	-	2	228	-	230	17
Interest received on investments	1,120	25	1,851	320	1,159	4,475	3,300
Net cash provided by investing activities	<u>1,120</u>	<u>25</u>	<u>1,870</u>	<u>906</u>	<u>1,159</u>	<u>5,080</u>	<u>3,449</u>
Net increase (decrease) in cash and cash equivalents	(2,213)	(1,704)	1,180	(282)	(1,261)	(4,280)	8,977
Cash and cash equivalents, beginning of year	24,790	2,537	41,868	10,006	26,498	105,699	76,327
Cash and cash equivalents, end of year	<u>\$ 22,577</u>	<u>\$ 833</u>	<u>\$ 43,048</u>	<u>\$ 9,724</u>	<u>\$ 25,237</u>	<u>\$ 101,419</u>	<u>\$ 85,304</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Enterprise Funds						Internal Service Funds
	Refuse	Spud Point Marina	Water Agency	Sonoma Valley County Sanitation District	Other	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (5,625)	\$ (22)	\$ (7,322)	\$ 26	\$ (14,349)	\$ (27,292)	\$ 6,638
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	2,487	52	5,114	2,503	5,582	15,738	1,991
Miscellaneous nonoperating revenues	-	-	-	-	-	-	401
Changes in operating assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	(38)	(37)	606	(72)	(1,453)	(994)	1,933
Inventories	-	(21)	-	-	(53)	(74)	-
Prepaid items and deposits	-	-	1,616	125	-	1,741	(429)
Other assets	-	-	-	-	22	22	-
Increase (decrease) in:							
Accounts payable	132	(56)	427	77	(660)	(80)	(2,622)
Due to other funds	-	-	(78)	-	-	(78)	-
Deposit from others	-	(7)	-	-	(3)	(10)	-
Unearned revenue	-	(17)	-	-	(82)	(99)	-
Landfill closure and post-closure costs	2,634	-	-	-	-	2,634	-
Self-funded insurance	-	-	-	-	-	-	(778)
Long-term post retirement benefits	-	-	-	-	(847)	(847)	-
Compensated absences	(12)	(2)	-	-	38	24	-
Net cash provided by (used in) operating activities	<u>\$ (422)</u>	<u>\$ (110)</u>	<u>\$ 363</u>	<u>\$ 2,659</u>	<u>\$ (11,805)</u>	<u>\$ (9,315)</u>	<u>\$ 7,134</u>
Noncash investing, capital and financing activities:							
Acquisition of assets on account	\$ -	\$ -	\$ 561	\$ -	\$ 49	\$ 610	\$ 29
Transfer of capital assets	-	-	(4,376)	(8,227)	-	(12,603)	12,603
Proceeds from issuance of refunding COP's	11,315	-	-	-	-	11,315	-
Paid to refunding escrow for COP's	(11,264)	-	-	-	-	(11,264)	-
Transfer of outstanding capital lease obligation	-	-	2,573	-	-	2,573	(2,573)
Capital contributions received on prior year receivable	-	-	-	-	352	352	-
Capital contributions due from other governments	-	-	-	-	1,820	1,820	-
Advances (to) from other funds in exchange for capital	-	-	53	5,443	-	5,496	(5,496)
Reconciliation of cash and cash equivalents to the Statement of Net Assets:							
Cash and investments	\$ 22,458	\$ 773	\$ 38,105	\$ 5,831	\$ 21,802	\$ 88,969	\$ 83,372
Cash and investments with trustee	114	10	-	-	-	124	1,250
Restricted cash and investments	5	50	4,943	3,893	3,435	12,326	682
Total cash and cash equivalents	<u>\$ 22,577</u>	<u>\$ 833</u>	<u>\$ 43,048</u>	<u>\$ 9,724</u>	<u>\$ 25,237</u>	<u>\$ 101,419</u>	<u>\$ 85,304</u>

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2008

(Dollars in Thousands)

	Investment Trust	Other Post Employment Benefits (OPEB) Trust Fund	Agency
<b>ASSETS:</b>			
Cash and investments	\$ 739,729	\$ 7,560	\$ 169,320
Securities lending collateral Receivables:	75,998	-	-
Taxes	-	-	40,548
Interest and other	-	-	8,349
Total assets	<u>815,727</u>	<u>7,560</u>	<u>218,217</u>
<b>LIABILITIES:</b>			
Securities lending collateral obligation	75,998	-	-
Advances from other funds	-	-	2,924
Due to other agencies	-	-	215,293
Total liabilities	<u>75,998</u>	<u>-</u>	<u>\$ 218,217</u>
<b>NET ASSETS:</b>			
Net assets held in trust for external pool participants and OPEB	<u>\$ 739,729</u>	<u>\$ 7,560</u>	

See accompanying notes to the basic financial statements.

**COUNTY OF SONOMA, CALIFORNIA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2008**  
**(Dollars in Thousands)**

	<u>Investment Trust</u>	<u>Other Post Employemnet Benefits (OPEB) Trust Fund</u>
<b>ADDITIONS:</b>		
Contributions	\$ 3,748,457	\$ 7,560
Investment income	34,955	-
Total additions	<u>3,783,412</u>	<u>7,560</u>
<b>DEDUCTIONS:</b>		
Distributions	<u>3,663,463</u>	<u>-</u>
Total deductions	<u>3,663,463</u>	<u>-</u>
Change in net assets	<u>119,949</u>	<u>7,560</u>
Net assets held in trust, beginning of year	<u>619,780</u>	<u>-</u>
Net assets held in trust, end of year	<u>\$ 739,729</u>	<u>\$ 7,560</u>

See accompanying notes to the basic financial statements.



## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(DOLLARS IN THOUSANDS)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Sonoma (the “County”) conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

#### (a) Definition of Reporting Entity

The County is a legal subdivision of the State of California and is charged with general governmental powers. The County's powers are exercised through a Board of Supervisors (the Board) that, as the governing body of the County, is responsible for the legislative and executive control of the County. The County provides certain services to its citizens, such as road construction and maintenance, law enforcement and criminal justice, regional parks, growth management, and health and social services. In addition, the County administers various special districts governed by the Board (the Special Districts) and provides services to other special districts governed by independent local boards. The Special Districts are located within the boundaries of the County and were established under various sections of the California Code. The County provides fiscal agent and accounting services to many of these districts.

The governmental reporting entity consists of the County and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) the potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The following blended component units, although legally separate entities, are considered to be part of the primary government for financial reporting purposes: the Sonoma County Fair and Exposition, Inc. (Fair), the Sonoma County Water Agency (Water Agency), the Sonoma County Community Development Commission (Community Development Commission), the Sonoma Valley County Sanitation District, the Sonoma County Library (Library), the County of Sonoma Transportation Project (Transit), the Community Hospital of Sonoma County (Community Hospital), the Russian River County Sanitation District, the South Park Sanitation District, the Occidental County Sanitation District and the Sonoma County Tobacco Securitization Corporation. These component units are included in the County's reporting entity because their boards are comprised of County Board members or they provide services exclusively to the County. Additional detailed financial information for each of these entities can be obtained from the Auditor-Controller's office at 585 Fiscal Drive, Suite 101-F, Santa Rosa, California, 95403-2871.

The Sonoma County Tobacco Securitization Corporation (Corporation) is a California public benefit corporation created by the County Board of Supervisors in October 2000. Transactions related to the Corporation have been included in these financial statements as a blended component unit of the County, including a liability for the Tobacco Securitization Debt (loan payable) in the amount of \$81.0 million as of June 30, 2008. However, in the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the Corporation has any liability to make up any such shortfall.

The Fair's financial statements are presented as of December 31, 2007, which is the latest period audited. The Sonoma County Employees' Retirement Association is excluded from the County's reporting entity as it is fiscally independent of the County and is governed by a separate Board of Directors and not by the Board of Supervisors.

**(b) Basis of Presentation**

*Government - Wide Financial Statements*

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

*Fund Financial Statements*

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. *Operating* expenses for enterprise and internal service funds include services and supplies, salaries and employee benefits, self-insurance claims and depreciation on capital assets. All expenses not falling within these categories are reported as *nonoperating* expenses.

The County reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, public ways and facilities, education and recreation services.
- The *Human Services Special Revenue Fund* accounts for the activities of the County's various state and federally funded public assistance programs.
- The *Community Development Commission Special Revenue Fund* accounts for the activities of the Community Development Commission (CDC), which was established as a separate public and corporate entity pursuant to Section 34110 of the Health and Safety Code, which enables a community to have the option of operating and governing its redevelopment agency and its housing authority under a single governing board. The legislative body of a community may also delegate other powers regarding community development to the CDC. The Board of Supervisors has designated itself as the Board of Commissioners of the CDC and designed it to operate as the Community Development Commission, Redevelopment Agency, and County Housing Authority.
- The *State Mandates and Tobacco Settlement Revenues Special Revenue Fund* accounts for state programs that are required to be accounted for in a separate fund.
- The *Health and Sanitation Special Revenue Fund* accounts for public health and mental health programs, which are primarily funded by state and federal agencies.

- The *Capital Projects Fund* accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed in the proprietary fund types.)
- The *Water Agency Debt Service Fund* includes the debt service annual obligations related to the Water Agency's contract with the Army Corps of Engineers for water supply storage space at Warm Springs Dam.

The County reports the following major enterprise funds:

- The *Refuse Enterprise Fund* finances Sonoma County integrated waste management activities throughout the County and is administered as a division of the Sonoma County Department of Transportation and Public Works. Activities include management of one sanitary landfill and five transfer stations, regulation of eight commercial refuse haulers, and development, administration and implementation of the County Integrated Waste Management Plan.
- The *Spud Point Marina Enterprise Fund* consists of Spud Point Marina, a 244-berth marina mostly occupied by commercial fishing boats and a small sport-fishing center located at Port of Bodega.
- The *Water Agency Enterprise Fund* accounts for the enterprise activities of the Sonoma County Water Agency. Activities include the transportation of water and generation of electrical power for services to eight prime contractors (the cities of Santa Rosa, Petaluma, Sonoma, Rohnert Park and Cotati, and the Valley of the Moon, Forestville, and North Marin Water Districts) along with the engineering, administration, and operational services of six Sanitation Zones (Sears Point, Graton, Sea Ranch, Penngrove, Geyserville, and Airport-Larkfield-Wikiup). These activities are financed primarily from user fees.
- The *Sonoma Valley County Sanitation District Enterprise Fund* accounts for the activities of the Sonoma Valley County Sanitation District, including the operation and maintenance of the local sanitation collection systems, pump stations and treatment plants. This district is managed by the Sonoma County Water Agency which provides engineering, administration, and operational services. Such services are financed from user fees.

The County reports the following additional fund types:

- *Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or other governmental units on a cost reimbursement basis. Activities include the County's self-insurance programs and heavy equipment financing for the County and Water Agency.
- The *Investment Trust Fund* accounts for the assets of legally separate entities which invest in the County Treasurer's pool. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. These funds represent the assets, primarily cash and investments, and the related liability of the County to disburse these monies on demand.
- The *Other Post Employment Benefit Trust Fund* is used to account for the Agency's assets held in trust for future post employment plan benefits. The trust does not represent the County's plan.
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the County in an agency capacity for individuals or other government units. The County reports on approximately 90 different agency funds.

### (c) Basis of Accounting

The government-wide, proprietary and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes other than property taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within three hundred sixty five days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise funds, the County has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), are accounting principles generally accepted in the United States of America (GAAP).

Agency funds apply the accrual basis of accounting, but do not have a measurement focus.

**(d) Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net assets.

**(e) Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the County Treasurer's investment pool, to be cash equivalents.

**(f) Investments**

Investments are stated at fair value in the statement of net assets and balance sheet and the corresponding changes in the fair value of investments are recognized in the year in which the change occurred. The County follows the practice of pooling cash and investments of all funds with the County Treasurer except for restricted funds held by outside custodians or funds held by a trustee.

The fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds 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. At the Board's, direction the investment income related to certain County funds is allocated to the General Fund. In accordance with GASB Statement No. 31, interest income has been recorded in the fund that earned the interest, and a transfer recorded in an amount equal to the interest earnings to the General Fund. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2008, to support the value of pool shares.

**(g) Restricted Cash and Investments**

Restricted assets in the enterprise funds primarily represent cash and investments in the Sanitation Districts and Water Agency that are restricted for debt service pursuant to various debt covenants and customer deposits.

**(h) Inventories**

Governmental funds value inventories at cost using primarily the average cost method. The cost is recorded as an expenditure at the time individual inventory items are consumed. Inventories reported in the governmental funds are equally offset by a fund balance reserve, which indicates that it does not represent expendable available financial

resources. Inventories generally consist of printing services and garage supplies.

Enterprise funds value inventories at cost using the first-in, first-out method.

**(i) Loans and Special Assessments Receivables**

Loans receivable balances in the Community Development Commission Special Revenue Fund consist of loans made with funds provided under federal Department of Housing and Urban Development programs. The loans are made to carry out activities for affordable housing and economic development. Generally, the loans are either deferred or collected on a residual receipts basis with all remaining principal and interest due on the earlier of the due date of the note or sale or transfer of property. Any repayment of principal or interest is treated as program income, the use of which is restricted by federal regulations. As such, these loans receivable are recorded with an offset to deferred revenue because the amounts will not be collected within the County’s availability period.

Special assessments receivable represent unpaid assessments levied on real property to provide for the payment of outstanding special assessment bonds. These bonds were issued to fund improvements that solely benefit the levied properties. No allowance for doubtful accounts is included in the financial statements for these delinquent assessments since the County's administration expects the proceeds from the sales of foreclosed properties to be in excess of the outstanding delinquent receivable amounts. Special assessments receivable are recorded with an offset to deferred revenue as these amounts will not be collected within three hundred sixty five days of the end of the accounting period.

**(j) Prepaid Items and Deposits**

Payments made for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items. In the governmental fund types, there is a reservation of fund balance equal to the amount of prepaid items, since these items are not available for appropriation.

**(k) Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Capital assets include public domain (infrastructure), general capital assets consisting of certain improvements including roads, bridges, water/sewer, lighting system, drainage systems, and flood control. It is the County’s policy to capitalize qualifying assets with an initial cost of more than \$5. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds statements.

The estimated useful lives are as follows:

Roadways	25 years
Bridges	50 years
Buildings and improvements	10-50 years
Machinery and equipment	3-15 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Equipment under capital leases is amortized over the lesser of the assets' useful life or lease term. 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.

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. Interest capitalized during the fiscal year ended June 30, 2008 totaled \$1,819.

**(l) Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In governmental fund types, bond and certificate of participation premiums, discounts and issuance costs are recognized in the period incurred. In the government-wide statement of net assets and statement of net assets for proprietary fund types premiums, discounts, issuance costs and deferred amounts on refunding are deferred and amortized over the term of the issuance using the straight-line method, which approximates the effective interest method.

**(m) Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**(n) Property Tax Levy, Collection and Maximum Rates**

Property taxes, including tax rates, are regulated by the State and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of Article XIII of the California Constitution (commonly referred to as Proposition 13), beginning with fiscal year 1978/1979, general property taxes are based either on a flat one percent rate applied to the 1975/1976 full value of the property or on one percent of the sales price of the property on sales transactions and construction after the 1975/1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of two percent per year.

Net taxable valuation for the year ended June 30, 2008 was approximately \$63.4 billion, which includes secured, unsecured, HOPTR, and unitary values. The tax rate was \$1 per \$100 of valuation (\$0.37 for the County and Special Districts, \$0.52 for schools, and \$0.11 for cities within the County of Sonoma). Taxes are collected by the County and apportioned to each taxing agency in accordance with state law. In addition, there are additional taxes levied to provide for debt service on general obligations that were voter-approved. Delinquencies for the year amounted to approximately 4.1 percent of the secured property tax revenue assessed.

In fiscal year 1993-94, the County adopted the Alternate Method of Property Tax Allocation (commonly referred to as the Teeter Plan). Under the Teeter Plan, the County Auditor-Controller, an elected official, is authorized to pay 100 percent of the property taxes billed (secured, supplemental, and debt service) to the taxing agencies within the County. The County recognizes property tax revenues in the period for which the taxes are levied. Previously, such taxes were allocated and paid as the taxes were collected.

To fund the advances, the County borrowed from its pooled cash and investments. The advances are secured by delinquent taxes receivable and will be repaid as delinquencies plus penalties (10 percent) and interest (18 percent) are collected. As of June 30, 2008, the outstanding borrowing totaled \$39,799 and is recorded as a reduction of cash in the general fund. The borrowing was offset by the positive cash balances of the combined agency fund, since this was the primary source of cash to fund the advances.

**(o) Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**(p) Utility Connection Fees**

Sewer and water connection fees are recorded as revenues in the enterprise funds, in accordance with GASB Statement No. 33.

**(q) Vacation and Sick Leave**

Vacation pay, which may be generally accumulated up to six weeks, is payable upon termination. Sick leave may be accumulated without limitation. The monetary equivalent of 25 percent of all unused sick leave is vested and payable to employees who separate from the County for reasons other than disability. Because vacation and sick leave balances do not require the use of financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net assets. The accrued liability for vacation and sick leave relating to the proprietary funds is recorded in those funds in the period earned. In proprietary funds, accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the amounts reported include estimated employer liability for taxes and workers’ compensation premiums.

**(r) Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(s) Restatements**

Effective July 1, 2007, the County restated and decreased beginning net assets of governmental activities by \$8,024 to \$911,315 from the amount previously reported of \$919,339. The County determined that certain expenses related to various flood control projects were incorrectly capitalized as construction in progress (see Note 6).

**(t) Human Services Special Revenue Fund**

Effective July 1, 2007, the County separated public assistance activities related to human services from the General Fund into the new Human Services Special Revenue Fund. There was no change in fund balance in the General Fund as a result of separation.

**(u) Implementation of Governmental Accounting Standards Board (GASB) Statements**

Effective July 1, 2007, the County implemented the following new GASB Statements:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, addresses how governmental entities should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The County offers postretirement medical and dental benefits. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The County has elected to implement the requirements of GASB Statement No. 45 on a prospective basis.

GASB Statement No. 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.

GASB Statement No. 50, *Pension Disclosures*, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**(a) Budgetary Process**

The budget of the County is a detailed annual operating plan that identifies estimated costs (appropriations) and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated revenue available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. State law prohibits expending governmental funds for which there is no legal appropriation except under court order, for an emergency as defined by statute, or as otherwise provided by law. Annual appropriations that have not been encumbered lapse at year-end. The following procedures establish the budgetary data reflected in the financial statements:

**Original Adopted Budget**

- On or before June 10, all County officials must submit estimates of available financing and financing requirements for their respective divisions.
- On or before June 30, the County Administrator prepares and submits to the Board a proposed budget.
- On or before July 20, the Board formally approves the proposed budget.
- The Board conducts hearings to obtain public comment on the proposed annual budget.
- No later than October 2, the Board adopts the annual budget by resolution for the County and the Special Districts.

**Final Amended Budget**

The legal level of control for appropriations is exercised at the department within fund level. Appropriations at this level may only be adjusted during the year with the approval of the Board. Management may make adjustments at their discretion below that level. Such adjustments by the Board and management are reflected in the revised budgetary data presented in the financial statements.

Budgetary data is presented in the accompanying fund financial statements for the General Fund and major Special Revenue Funds, since the operations of these funds are budgeted annually. Budgets for the General Fund, Human Services Special Revenue Fund, Community Development Commission Special Revenue Fund, State Mandates and Tobacco Settlement Revenues Special Revenue Fund and Health and Sanitation Special Revenue Fund are adopted on a non-GAAP basis. For the purposes of a budgetary presentation, actual GAAP expenditures have been adjusted to include reimbursements and current year encumbrances, other financing sources and offsetting expenditures related to capital lease additions. For GAAP purposes, reimbursements are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Reimbursements primarily consist of charges initially incurred by departments responsible for communications, vehicles, and data processing and are eventually applied to other funds. Reimbursements are not reflected on the budgetary basis.

**(b) Deficit Net Assets**

**Refuse**—the Refuse fund has reported net assets deficit of \$52,369 at June 30, 2008.

**NOTE 3 – CASH AND INVESTMENTS**

**(a) Financial Statement Presentation**

A schedule of cash and investments shown on the accompanying government-wide and fund financial statements is as follows:

	Government-Wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and investments	\$ 776,008	\$ 916,609	\$ 1,692,617
Securities lending collateral	21,434	75,998	97,432
Total			\$ 1,790,049

**(b) Investment Guidelines**

Except for amounts held with trustees under bond indenture or other restrictive agreements, the County’s cash and investments are invested by the County Treasurer. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool. Such amounts are invested in accordance with investment policy guidelines established by the County Treasurer and reviewed by the Board. The objectives of the policy are, in order of priority, safety of principal, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County 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.

The table below identifies the investment types that are authorized by California Government Code Section 53601. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the County, rather than the general provisions of the County’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local Agency Bonds	5 years	None	None	
U.S. Treasury Obligations	5 years	None	None	
U.S. Agency Securities	5 years	None	None	
Bankers Acceptance	180 days	40%	30%	
Commercial Paper	270 days	25%	10%	A1/P1
Negotiable Certificates of Deposit	5 years	30%	None	
Repurchase Agreements	1 year	None	None	
Reverse Repurchase Agreements	92 days	20%	None	
Medium Term Notes (Corporate & Depository debt securities)	5 years	30%	None	A
Mutual Funds (that invest in allowable securities)	N/A	20%	10%	
Money Market Mutual Funds	N/A	20%	10%	
Collateralized Bank Deposits	5 years	None	None	
Mortgage Pass-through Securities	5 years	20%	None	AA
Time Deposits	5 years	None	None	
County Pooled Investment	N/A	None	None	
Joint Powers Authority Pool	N/A	None	None	
Local Agency Investment Fund (LAIF)	N/A	None	None	

A copy of the County investment policy is available upon request from the Sonoma County Treasurer at 585 Fiscal Drive, Room 100-F, Santa Rosa, California, 95403-2871.

**(c) 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 is 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 County 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. Of the County’s \$1.790 billion portfolio, 63% of the investments have a maturity of one year or less. Of the remainder, only 4% have a maturity of more than 5 years.

**(d) 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 stated 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.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

At June 30, 2008, the carrying amount of deposits was \$61,690 and the bank balance was \$22,730. Of the bank balance, \$1,722 was covered by federal deposit insurance and \$21,008 was collateralized (i.e., collateralized with

securities held by the pledging financial institutions at 110 percent of the County's cash deposits, in accordance with the State of California Government Code).

**(e) 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. 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 are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	Federal agency security	\$ 330,160
Federal Home Loan Bank	Federal agency security	115,683
Federal Home Loan Mortgage Corporation	Federal agency security	628,464
Federal Farm Credit Bank	Federal agency security	117,270

**(f) 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. It is the County's policy to purchase investments meeting ratings requirements established by the California Government Code.

NOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2008, the County's investments and credit ratings are as follows:

	Credit Rating (Moody's/ S & P)	Maturity					Fair Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	
<b>Non-pooled investments:</b>							
Money market mutual funds	Aaa	\$ 255	\$ -	\$ -	\$ -	\$ -	255
Commercial paper	P-1/A-1+	-	7,413	-	-	-	7,413
Total investments held by fiscal agents		255	7,413	-	-	-	7,668
<b>Investments managed by County Treasurer:</b>							
<b>U. S. Agency Securities:</b>							
Federal Farm Credit Banks	Aaa/AAA	10,003	12,881	-	94,386	-	117,270
Federal Home Loan Bank	Aaa/AAA	-	40,272	25,353	50,058	-	115,683
Federal Home Loan Mortgage Corp	Aaa/AAA	279,206	179,229	81,058	88,971	-	628,464
Federal National Mortgage Association	Aaa/AAA	10,003	98,734	73,336	148,087	-	330,160
Subtotal U. S. Agency		299,212	331,116	179,747	381,502	-	1,191,577
U.S. Treasury notes	N/A	-	-	-	10,049	-	10,049
Guaranteed investment contract	Not Rated	-	-	-	-	881	881
Medium-term notes	Aaa-Aa1/ AAA-AA	-	9,697	34,704	181,017	-	225,418
Local agency bonds	Aa1/AAA	-	-	-	2,801	20,834	23,635
Other government obligations	Not rated	1,000	-	6,692	-	-	7,692
Money market mutual funds	AAA	83,960	-	-	-	-	83,960
LAIF	Not rated	-	-	455	-	-	455
CAMP	Not rated	-	-	3,470	-	-	3,470
Investment Trust of California (CalTrust) (JPA pool)	Not rated	-	-	62,987	-	-	62,987
Total investments managed by County Treasurer		384,172	340,813	288,055	575,369	21,715	1,610,124
<b>Securities purchased with Securities lending collateral</b>							
Negotiable certificate of deposit	A-1	5,026	8,006	-	-	-	13,032
Repurchase agreements	Not rated	84,400	-	-	-	-	84,400
Subtotal securities purchased with securities lending collateral		89,426	8,006	-	-	-	97,432
Cash in bank	N/A						61,690
Less outstanding warrants	N/A						(62,954)
Subtotal cash and investments							<u>\$1,713,960</u>

	Credit Rating (S & P/ Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months	
<b>Sonoma Valley County Sanitation District</b>						
<b>Non-pooled investments:</b>						
U.S. Treasury obligations	N/A	\$ 17	\$ -	\$ -	\$ -	\$ 17

	Credit Rating (S & P/ Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months	
<b>South Park Sanitation District</b>						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 968	\$ -	\$ -	\$ -	\$ 968

	Credit Rating (S & P/ Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months	
<b>Sonoma County Water Agency</b>						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 1,874	\$ -	\$ -	\$ -	\$ 1,874
U.S. Treasury STRIPS	N/A	6,091	5,941	16,688	42,214	70,934
Investment contracts	Not rated	-	-	-	988	988
Total investments held by bond trustees		\$ 7,965	\$ 5,941	\$ 16,688	\$ 43,202	\$ 73,796

	Credit Rating (S & P/ Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months	
<b>Sonoma County Community Development Commission</b>						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 973	\$ -	\$ -	\$ -	\$ 973
Investment contracts	Not rated	-	-	-	335	335
Total investments held by bond trustees		\$ 973	\$ -	\$ -	\$ 335	\$ 1,308

**(g) Investment in Local Agency Investment Fund (LAIF)**

The County's total investment in the Local Agency Investment Fund (LAIF), managed by the Treasurer for the State of California, is \$455 at June 30, 2008. The total amount invested by all public agencies in LAIF at June 30, 2008, was \$25.2 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2008 was \$70.0 billion. Of that amount, 14.72% is invested in structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 212 days as of June 30, 2008. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are done on a dollar to dollar basis.

**(h) Securities Lending**

State statutes and Board policies permit the County to make short-term, collateralized loans of its U.S. Treasury and Agency securities to broker-dealers and other entities. The County has contracted with the Bank of New York, its custodian bank, to oversee these securities lending activities, and has not imposed any restrictions on the amount of the loans that the Bank of New York can make on its behalf. The loan agreements require borrowers to provide collateral in the form of cash or other securities equal to 102% of the fair value of securities loaned. The County is not permitted to pledge or sell collateral securities unless the borrower defaults. As of June 30, 2008, the County has no credit risk exposure to borrowers as the amounts the County owes the borrowers exceed the amounts the borrowers owe the County. The security loans can be terminated on demand by either the County or the borrower. Since the majority of these loans are terminable at will, their duration does not generally match the duration of the investments made with the cash collateral. The contracts with the Bank of New York require them to indemnify the

County if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent). During the year ended June 30, 2008, there were no losses resulting from default. The fair value of securities on loan and related collateral totaled \$95,742 and \$97,432, respectively, at June 30, 2008.

**(i) Treasury Pool**

The Treasury Pool includes amounts held for various school districts, whose participation in the Treasury Pool is mandated by State code. Investments held in the Treasury Pool are summarized as follows:

<u>Investment</u>	<u>Principal</u>	<u>Fair Value</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>
U.S. Agency securities	\$ 1,196,529	\$ 1,191,577	0.159 – 5.45%	7/1/08 – 5/7/12
U.S. Treasury notes	10,000	10,049	2.92%	6/30/10
Guaranteed Investment Contract	881	881	6.71%	10/1/11
Corporate and medium-term notes	227,946	225,418	2.63 – 5.45%	8/15/08 – 1/24/12
Local agency bonds	22,845	23,635	4.25 – 5.37%	10/1/10 – 5/19/19
Other government obligations	7,692	7,692	4.00 – 5.25%	6/30/08 – 6/30/09
Money market mutual funds	83,900	83,969	2.27 – 2.96%	-
Local Agency Investment Fund	455	455	4.18%	-
CAMP	3,462	3,470	2.95%	-
CalTRUST	62,995	62,987	2.64 – 3.76%	-
Totals	<u>\$ 1,616,705</u>	<u>\$ 1,610,133</u>		

**(j) Condensed Pool Statements**

The Treasury Pool includes investments with a fair value of \$1,610,124 and deposits of \$61,690. The following represents a condensed statement of net assets and changes in net assets for the Treasury Pool as of June 30, 2008:

**Statement of Net Assets**

Cash and investments	\$ 1,671,814
Securities lending collateral	97,432
Less: Warrants payable	(62,954)
Securities lending obligation	(97,432)
Net assets held in trust for pool participants	<u>\$ 1,608,860</u>
Equity of internal participants	\$ 869,131
Equity of external pool participants	739,729
Net assets held in trust for pool participants	<u>\$ 1,608,860</u>

**Statement of Changes in Net Assets**

Net assets at July 1, 2007	\$ 1,219,045
Net change in pooled cash and investments	389,815
Net assets held in trust for pool participants, June 30, 2008	<u>\$ 1,608,860</u>

**NOTE 4 – RECEIVABLES**

Receivables at year-end of the County’s major individual funds, nonmajor and internal service funds in the aggregate are as follows:

<u>Receivables – Governmental Activities:</u>	<u>General Fund</u>	<u>Community Development Commission Special Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Accounts	\$ 3,135	\$ 78	\$ 686	\$ 2,802	\$ 6,701
Loans	-	30,575	-	-	30,575
Interest and other	-	4,799	-	177	4,976
Advances to Agency fund	2,924	-	-	-	2,924
<b>Total receivables</b>	<b>\$ 6,059</b>	<b>\$ 35,452</b>	<b>\$ 686</b>	<b>\$ 2,979</b>	<b>\$ 45,176</b>

<u>Receivables – Business-type Activities:</u>	<u>Refuse</u>	<u>Spud Point Marina</u>	<u>Water Agency</u>	<u>Sonoma Valley County Sanitation District</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total Business-type Activities</u>
Accounts	\$ 3,918	\$ 75	\$ 6,108	\$ 503	\$ 4,536	\$ 113	\$ 15,253
Interest and other	-	-	-	-	12	-	12
<b>Total receivables</b>	<b>\$ 3,918</b>	<b>\$ 75</b>	<b>\$ 6,108</b>	<b>\$ 503</b>	<b>\$ 4,548</b>	<b>\$ 113</b>	<b>\$ 15,265</b>

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2008, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
<b>Governmental activities:</b>			
General Fund	\$ 5,400	\$ 5,747	\$ 11,147
Human Services Special Revenue Fund	-	3,903	3,903
Community Development Commission Special Revenue Fund	133	35,374	35,507
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	14	-	14
Health and Sanitation Special Revenue Fund	751	3,977	4,728
Nonmajor funds	9,801	2,641	12,442
<b>Total governmental activities</b>	<b>\$ 16,099</b>	<b>\$ 51,642</b>	<b>\$ 67,741</b>

**Business Type activities:**

Resources received that do not yet meet the criteria for revenue recognition:

Spud Point Marina	\$ 93
Water Agency	5,810
Nonmajor Funds	1,048
<b>Total business-type activities</b>	<b>\$ 6,951</b>

**NOTE 5 – INTERFUND TRANSACTIONS**

**(a) Interfund Receivables/ Payables**

Interfund receivables and payables result from the time lag between the dates that 1) transactions are recorded in the accounting system or 2) payments between funds are made.

The composition of interfund balances as of June 30, 2008 is as follows:

***Due to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue Fund	\$ 7,926
General Fund	Health and Sanitation Special Revenue Fund	9,397
General Fund	Other enterprise funds	20
Human Services Special Revenue Fund	Other governmental funds	3,100
State Mandates and Tobacco Settlement Revenue Special Revenue Fund	General Fund	185
Health and Sanitation Special Revenue Fund	State Mandates and Tobacco Settlement Special Revenue Fund	558
Other governmental funds	General Fund	1,420
Other governmental funds	Other enterprise funds	1,382
		<u>\$ 23,988</u>

***Advances to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Agency Fund	\$ 2,924	Property tax allocations
General Fund	Other governmental funds	977	Reserve requirements
Other governmental funds	Internal service funds	1,042	Electrical power assets
Water Agency Enterprise Fund	Internal service funds	36	Photovoltaic facility
Sonoma Valley CSD Enterprise Fund	Water Agency Enterprise Fund	5,085	Photovoltaic facility
		<u>\$ 10,064</u>	

**(b) Transfers**

Transfers are indicative of funding for capital projects, lease payments for debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule summarizes the County's transfer activity:

**(1) Between Governmental and Business type Activities:**

<u>Transfer from</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Spud Point Marina Enterprise Fund	\$ 382	Funding for operations
Other governmental funds	Water Agency Enterprise Fund	2,462	Funding for capital expenses
Refuse Enterprise Fund	Other governmental funds	500	Funding for operations and capital expenses
Spud Point Marina Enterprise Fund	General Fund	1	Funding for operations
		<u>\$ 3,345</u>	

(2) Between Funds/Departments within the Governmental or Business-type Activities <sup>(1)</sup>:

Transfer From	Transfer To	Amount	Purpose
General Fund	Human Services Special Revenue Fund	\$ 14,202	Funding for operations
General Fund	State Mandates and Tobacco Settlement Revenues Special Revenue Fund	86	Funding for operations
General Fund	Health and Sanitation Special Revenue Fund	7,661	Funding for operations
General Fund	Capital Projects Fund	4,357	Funding for capital outlay
General Fund	Other governmental funds	34,649	Funding for operations capital outlay and information systems upgrades
General Fund	Internal service funds	17	Funding for operations
Human Services Special Revenue Fund	Capital Projects Fund	100	Funding for capital outlay
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	General Fund	397	Funding for operations
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	Human Services Special Revenue Fund	161	Funding for operations
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	Health and Sanitation Special Revenue Fund	679	Funding for capital outlay
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	Capital Projects Fund	1,674	Funding for capital outlay
Health and Sanitation Special Revenue Fund	General Fund	346	Funding for operations
Capital Projects Fund	General Fund	128	Funding for capital outlay
Other governmental funds	General Fund	2,434	Funding for operations
Other governmental funds	Health and Sanitation Special Revenue Fund	169	Funding for capital outlay
Other governmental funds	Water Agency Debt Service Fund	3,000	Funding for capital outlay
Other governmental funds	Other governmental funds	142,566	Funding for debt service
Refuse Enterprise Fund	Other enterprise funds	6	Funding for operations and capital outlay
Water Agency Enterprise Fund	Internal service funds	1,750	Transfer of capital assets
Sonoma Valley County Sanitation District Enterprise Fund	Internal service funds	2,784	Transfer of capital assets
Internal service funds	General Fund	5	Funding for operations
		<u>\$ 217,171</u>	

<sup>(1)</sup> These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007, as restated*	Additions	Retirements	Transfers	Balance June 30, 2008
<b>Governmental activities</b>					
<i>Capital assets, not being depreciated:</i>					
Water storage rights	\$ 102,371	\$ -	\$ -	\$ -	\$ 102,371
Land & easements	233,442	21,419	-	-	254,861
Construction in progress	52,268	21,123	-	(28,328)	45,063
Total capital assets, not being depreciated	388,081	42,542	-	(28,328)	402,295
<i>Capital assets, being depreciated:</i>					
Infrastructure	574,551	-	-	17,806	592,357
Buildings and improvements	312,756	167	-	10,522	323,445
Machinery and equipment	103,260	7,827	(9,595)	-	101,492
Total capital assets, being depreciated	990,567	7,994	(9,595)	28,328	1,017,294
Less accumulated depreciation for:					
Infrastructure	(368,193)	(10,557)	-	-	(378,750)
Buildings and improvements	(89,347)	(6,062)	-	-	(95,409)
Machinery and equipment	(83,302)	(9,372)	9,440	-	(83,234)
Total accumulated depreciation	(540,842)	(25,991)	9,440	-	(557,393)
Total capital assets, being depreciated, net	449,725	(17,997)	(155)	28,328	459,901
Governmental activities capital assets, net	\$ 837,806	\$ 24,545	\$ (155)	\$ -	\$ 862,196

\* Beginning balance restated by \$8,024 as certain expenses were incorrectly capitalized as construction in progress.

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
<b>Business-type activities</b>					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 28,728	\$ 70	\$ -	\$ -	\$ 28,798
Construction in progress	66,806	20,731	(51)	(41,479)	46,007
Total capital assets, not being depreciated	95,534	20,801	(51)	(41,479)	74,805
<i>Capital assets, being depreciated:</i>					
Buildings and improvements	510,957	5,134	-	41,477	557,568
Machinery and equipment	38,862	1,163	(684)	2	39,343
Total capital assets, being depreciated	549,819	6,297	(684)	41,479	596,911
Less accumulated depreciation for:					
Structures and improvements	(201,095)	(13,706)	-	-	(214,801)
Machinery and equipment	(26,488)	(3,411)	680	-	(29,219)
Total accumulated depreciation	(227,583)	(17,117)	680	-	(244,020)
Total capital assets, being depreciated, net	322,236	(10,820)	(4)	41,479	352,891
Business-type activities capital assets, net	\$ 417,770	\$ 9,981	\$ (55)	\$ -	\$ 427,696

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,241
Public protection	6,548
Public ways and facilities	10,878
Health and sanitation	373
Public assistance	467
Education	246
Recreation and culture	680
Depreciation on capital assets held by the Heavy Equipment Replacement Internal Service Fund is charged to the various functions based on their usage of the assets.	558
<b>Total depreciation expense – governmental activities</b>	<b>\$ 25,991</b>

Depreciation expense was charged to the business-type activities as follows:

Refuse	\$ 2,481
Spud Point Marina	52
Water Agency	6,523
Sonoma Valley County Sanitation District	2,483
Community Hospital	126
Fair	896
Airport	709
Transit	2,374
Russian River County Sanitation District	1,027
South Park Sanitation District	251
Occidental County Sanitation District	45
Other Districts	150
<b>Total depreciation expense – business-type activities</b>	<b>\$ 17,117</b>

**NOTE 7 – PAYABLES**

Accounts payable and accrued liabilities at year-end of the County’s major individual funds, nonmajor and internal service funds in the aggregate are as follows:

Accounts payable and accrued liabilities – Governmental Activities:	General	Human Services Special Revenue	Community Development Commission Special Revenue	State Mandates and Tobacco Settlement Revenues Special Revenue	Health and Sanitation Special Revenue	Capital Projects	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 5,840	\$ 364	\$ 499	\$ 926	\$ 3,022	\$ 667	\$ 7,466	\$ 2,060	\$ 20,844
Accrued salaries and benefits	33,955	-	-	-	-	-	-	-	33,955
Deposits from others	198	-	-	-	-	-	-	-	198
Other liabilities	-	-	147	528	1,083	-	1,086	-	2,844
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 39,993</b>	<b>\$ 364</b>	<b>\$ 646</b>	<b>\$ 1,454</b>	<b>\$ 4,105</b>	<b>\$ 667</b>	<b>\$ 8,552</b>	<b>\$ 2,060</b>	<b>\$ 57,841</b>

Accounts payable and accrued liabilities – Business-type Activities:	Refuse	Spud Point Marina	Water Agency	Sonoma Valley County Sanitation District	Other Enterprise Funds	Internal Service Funds	Total Business-type Activities
Accounts	\$ 2,053	\$ 147	\$ 4,121	\$ 624	\$ 2,954	\$ 172	\$ 10,071
Other current liabilities payable from restricted assets	5	50	654	207	115	-	1,031
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 2,058</b>	<b>\$ 197</b>	<b>\$ 4,775</b>	<b>\$ 831</b>	<b>\$ 3,069</b>	<b>\$ 172</b>	<b>\$ 11,102</b>

**NOTE 8 – LEASES**

**(a) Operating Leases**

The County has non-cancelable operating leases that are primarily for office space and equipment. Future minimum lease payments under these operating leases at June 30, 2008, are:

Fiscal Year Ending June 30	Future Minimum Lease Payments
2009	\$ 7,526
2010	6,651
2011	5,179
2012	4,278
2013	3,929
Thereafter	2,569
Total	<u>\$ 30,132</u>

Total rental expense for operating leases in 2008 was \$8,035.

**NOTE 9 – LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Amounts Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 36,343	\$ 31,595	\$ (31,954)	\$ 35,984	\$ 2,485
Long-term contract payable	114,764	--	(2,584)	112,180	2,668
Certificates of participation	34,130	2,776	(3,670)	33,236	4,021
Bonds payable	1,890	96,885	(175)	98,600	190
Notes payable	950	--	(50)	900	50
Special assessment bonds	8,072	--	(1,379)	6,693	755
Pension obligation bonds	286,925	--	(11,385)	275,540	13,315
Loan payable	82,150	--	(1,200)	80,950	710
Other government obligation	36,818	--	(36,818)	--	--
Self insurance	43,924	29,548	(30,326)	43,146	13,826
Capital lease obligations	2,449	296	(687)	2,058	638
Subtotal, long-term obligations	<u>648,415</u>	<u>161,100</u>	<u>(120,228)</u>	<u>689,287</u>	<u>38,658</u>
Add deferred amounts:					
Unamortized bond premium	--	4,752	(132)	4,620	(132)
Total governmental activities - long-term obligations	<u>\$ 648,415</u>	<u>\$ 165,852</u>	<u>\$ (120,360)</u>	<u>\$ 693,907</u>	<u>\$ 38,526</u>

The Insurance and Heavy Equipment Replacement internal service funds predominantly serve the governmental funds. Accordingly, long-term obligations for them are included as part of the above totals for governmental activities. At year-end, \$43,146 of internal service funds self-insurance liability is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Amounts Due Within One Year
<b>Business-type activities:</b>					
Compensated absences	\$ 825	\$ 745	\$ (721)	\$ 849	\$ 85
Long-term post retirement benefits	4,859	--	(847)	4,012	--
Landfill closure and post closure	105,353	2,991	(357)	107,987	203
Certificates of participation	11,170	11,315	(12,390)	10,095	1,265
Revenue and general obligation bonds payable	54,305	--	(1,582)	52,723	1,652
Advances from other governments	28,118	12,327	(2,776)	37,669	1,099
Capital lease obligations	12,191	--	(924)	11,267	859
Subtotal, long-term obligations	<u>216,821</u>	<u>27,378</u>	<u>(19,597)</u>	<u>224,602</u>	<u>5,163</u>
Add (less) deferred amounts:					
Issuance discounts	(255)	--	106	(149)	11
Issuance premiums	312	--	(14)	298	(14)
Gain/loss on refunding	(1,317)	(404)	16	(1,705)	143
Subtotal, deferred amounts	<u>(1,260)</u>	<u>(404)</u>	<u>108</u>	<u>(1,556)</u>	<u>140</u>
Total Business-type activities – long-term obligations, net	<u>\$ 215,561</u>	<u>\$ 26,974</u>	<u>\$ (19,489)</u>	<u>\$ 223,046</u>	<u>\$ 5,303</u>

The Water Agency Internal Service Fund predominantly serves the enterprise funds. Accordingly, long-term obligations for it are included as part of the above totals for business-type activities. At year-end, \$11,091 of internal service funds capital leases and \$5,085 of internal service funds advances from other governments are included in the above amounts.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2008 are as follows:

Type of indebtedness (purpose)	Maturity	Interest Rates/ Ranges	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
<b>Governmental activities</b>					
Long-term contract payable (1)	2035	3.225%	\$ 2,668-6,090	\$ 114,764	<u>\$ 112,180</u>
Certificates of Participation (2):					
1991 Capital Outlay Financing Program	2012	1.00-12.00%	640-785	8,985	2,840
Detention Facility Refinancing	2013	4.40-6.10%	1,515-1,815	14,065	8,330
2003 Series (A) Detention Facility Refinance	2018	2.00-4.00%	1,315-1,800	19,295	15,325
2003 Series (B) Juvenile Justice Center	2018	2.00-4.00%	345-465	4,960	3,965
2007 ACTTC Remodel (12)	2018	4%	206-338	2,776	<u>2,776</u>
					<u>33,236</u>
Bonds payable (2):					
1986 Series A	2015	7.90%	75-125	1,330	685
1986 Series B	2015	7.90%	115-357	2,000	1,030
2007 Series A Agricultural Preservation And Open Space (Measure F)	2030	4.00-5.00%	3,145-7,340	93,845	93,845
2007 Series B Agricultural Preservation And Open Space (Measure F)	2011	4.65%	3,040	3,040	<u>3,040</u>
					<u>98,600</u>
Notes payable (2):					
Community Development Commission:					
Notes Payable	2011	3.00-5.68%	50	682	150
	2013	3.00%	750	1,032	<u>750</u>
					<u>900</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Type of indebtedness (purpose)	Maturity	Interest Rates/Ranges	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Special assessment obligations (3)	2032	4.30-7.10%	125-1,310	14,982	6,693
Pension obligation bonds (4)					
1993	2013	5-6.625%	8,535-13,865	97,400	55,425
2003 Series A	2022	1.55-5.07%	4,780-25,970	210,200	199,115
2003 Series B	2022	1.55-5.07%	0-21,000	21,000	21,000
					<u>275,540</u>
Loan payable (Sonoma County Securitization Corporation) (5)	2045	4.25-5.25%	710-4,495	83,060	80,950
Capital lease obligations (6)	2013	3.65-6.77%	13-638	8,183	2,058
Total governmental activities					<u>\$ 610,157</u>

Type of indebtedness	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
<b>Business-type activities</b>					
Revenue and General Obligation Bonds Payable (7)					
Water Agency General Obligation Bonds	2017-2020	5.00%	\$27-41	\$ 1,150	\$ 389
Water Revenue Bonds	2037	2.00-5.00%	335-940	15,680	14,265
Water and Wastewater Revenue Bonds	2027	2.00-5.00%	215-445	6,570	5,820
Water and Wastewater Revenue Bonds	2037	4.00-5.00%	205-690	11,500	11,305
Sanitation General Obligation Bonds	2022	4.75-5.00%	117-751	3,232	1,439
Sanitation Revenue Bonds	2027	4.00-5.00%	870-2,400	26,975	19,505
Total Revenue and General Obligation Bonds					<u>52,723</u>
Certificates of Participation (2)					
2007 Refuse Refunding 2000 COPS (13)	2015	4.25-4.90%	1,265-1,630	11,315	10,095
Advances from other governments (8)					
California Department of Boating and Waterways to Spud Point Marina	2023	4.5%	372-2,000	6,000	4,000
Various state and local agencies for the County's other Enterprise Funds	2022	3.37-3.41%	0-2,395	4,052	2,394
State of California Department of Water Resources to Water Agency (9)	2028	2.79%	0-15,113	15,113	15,113
United States Department of Agriculture and the State Water Resources Control Board to Russian River County Sanitation Districts (10)	2024	2.50%	160-200	3,353	3,345
United States Department of Agriculture and the State Water Resources Control Board to Sanitation Districts (11)	2016	2.30- 2.70%	289-299	6,548	6,100
State of California, Department of Transportation to Airport Enterprise Fund	2021	4.68-5.40%	213-314	4,787	2,799
California Construction Authority to Fair Enterprise Fund	2014	2.57-3.25%	144-315	4,285	3,918
					<u>37,669</u>
Capital Lease Obligations (6)					
Water Agency	2016-2020	4.08-4.65%	635-3,509	13,550	11,090
Refuse	2008	4.15%	177	239	177
					<u>11,267</u>
Total business-type activities					<u>\$ 111,754</u>

## NOTES:

- (1) The long-term contract payable represents the Water Agency's proportionate share of a federal government dam project. Debt service payments are funded by property tax revenues of the Water Agency.
- (2) Debt service payments are funded by legally available resources of the County and are fully collateralized by the facilities financed with the proceeds of the certificates of participation.
- (3) Special assessment bonds represent bonds authorized and issued under the 1915 Improvement Bond Act for the construction and improvement of facilities in special assessment districts. Debt service payments are made from special assessments levies on properties in each assessment district. The County administers the assessment and repayment of these bonds. Failure by the property owners to pay such assessments results in foreclosure and sale of the property involved. The County is obligated for the debt service only to the extent that proceeds from foreclosure are not sufficient to retire the debt.
- (4) Pension obligation bonds were issued in 1993 and 2003 to fund the County's unfunded pension liability. Pension obligation bonds were issued in 2004 to prepay the County's annual required contribution.
- (5) The Sonoma County Securitization Corporation (Corporation) borrowed from the California County Tobacco Securitization Agency the proceeds of the Series 2005 Tobacco Settlement Asset-Backed Refunding Bonds to provide additional resources and to refund the Series 2002 A and B Tobacco Settlement Asset-Backed Bonds issued by the Agency. Loan repayments will be funded by future tobacco settlement revenues.
- (6) The County has entered into capital leases to acquire various machinery and equipment. Debt service payments are funded by legally available resources.
- (7) Debt service payments are funded by operating revenues.
- (8) The advances from other governments represent: (a) loans from the California Department of Boating and Waterways and the California Coastal Conservancy and (b) loans from various state and local agencies for which debt service payments are funded by the operations of the related fund or activity.
- (9) The Water Agency is constructing a collector well to be located adjacent to the Russian River at Wohler Road. The State of California Department of Water Resources is loaning approximately \$15,859 to assist in the financing of this project. Repayment of this loan will commence upon completion of the project.
- (10) The Russian River Sanitation District received a loan from the State Water Resources Control Board to help fund the third unit processes project. Debt service payments are funded by operating revenues.
- (11) The Sonoma Valley County Sanitation District received a revolving fund loan from the State Water Resources Control Board (SWRCB) to help fund an outfall rehabilitation project. The District also received a revolving fund loan from SWRCB to help fund the Tertiary Treatment Plant upgrade project. Debt service payments are funded by operating revenues.
- (12) The County entered into a Certification of Participation in November 2007 to help fund the remodel of the Auditor Controller's Office. Debt service payments are funded by operating revenues.
- (13) In December 2007, Refuse refunded the outstanding Certificates of Participation. The total refunding prepared by the Refuse Enterprise Fund was \$11,315. The reacquisition price of the new debt issuance exceeded the net carrying amount of the old debt by \$404. The new debt will be repaid over 8 years. The transaction resulted in an economic gain of \$22 and a reduction of \$25 in future debt service payments.

There are a number of limitations and restrictions contained in the various bond indentures. County management believes that the County is in compliance with all significant limitations and restrictions.

The Sonoma County Tobacco Securitization Corporation has pledged all revenues to be received from the tobacco master settlement agreement with four US tobacco manufacturers to repay the outstanding amount of \$80,950 in tobacco securitization bonds issued in October 2005. The bonds were issued to finance the acquisition of the County Tobacco Assets from the County of Sonoma. Total principal and interest remaining on the bonds is \$180,477 payable through 2045. The tobacco revenue is determined by applying a rate to the number of cigarettes sold; hence, the amount to be received over the term of the bonds is not estimable. During the fiscal year ended June 30, 2008 principal and interest payments were \$5,375 while tobacco settlement revenue was \$5,070.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term obligations, excluding compensated absences and self-insurance liabilities that have indefinite maturities, outstanding at June 30, 2008:

Year ending June 30:	Long-term Contract		Certificates of Participation		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,668	\$ 3,618	\$ 4,021	\$ 1,265	\$ 190	\$ 4,694
2010	2,754	3,532	4,228	1,061	205	4,678
2011	2,843	3,443	4,399	891	225	4,661
2012	2,934	3,351	4,585	731	3,280	4,572
2013	3,029	3,257	3,962	564	3,405	4,419
2014-2018	16,675	14,753	12,041	1,262	18,525	19,650
2019-2023	19,542	11,885	-	-	22,840	14,693
2024-2028	22,904	8,524	-	-	28,875	8,658
2029-2033	26,843	4,585	-	-	21,055	1,467
2034-2035	11,988	583	-	-	-	-
Total	\$ 112,180	\$ 57,531	\$ 33,236	\$ 5,774	\$ 98,600	\$ 67,492

Year ending June 30:	Notes Payable		Special Assessment Obligations		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 50	\$ 9	\$ 755	\$ 327	\$ 13,315	\$ 13,976
2010	50	6	693	284	15,430	13,233
2011	50	5	602	245	17,730	12,363
2012	-	-	393	216	20,235	11,351
2013	750	222	125	202	22,965	10,183
2014-2018	-	-	710	928	67,745	38,527
2019-2023	-	-	905	737	118,120	16,257
2024-2028	-	-	1,200	486	-	-
2029-2032	-	-	1,310	286	-	-
Total	\$ 900	\$ 242	\$ 6,693	\$ 3,711	\$ 275,540	\$ 115,890

Year ending June 30:	Loan Payable <sup>(1)</sup>		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2009	\$ 710	\$ 4,101	\$ 638	\$ 81
2010	720	4,071	541	56
2011	730	4,040	552	33
2012	755	4,009	314	3
2013	910	3,977	13	-
2014-2018	5,190	19,297	-	-
2019-2023	8,335	16,150	-	-
2024-2028	10,630	15,633	-	-
2029-2033	12,050	12,808	-	-
2034-2038	14,650	9,458	-	-
2039-2043	18,565	5,290	-	-
2044-2045	7,705	693	-	-
Total	\$ 80,950	\$ 99,527	\$ 2,058	\$ 173

<sup>(1)</sup> Debt service requirements relating of the Sonoma County Securitization Corporation loan payable are based on various assumptions, including the timing of tobacco settlement revenues. The loan is subject to mandatory redemption prior to stated maturity dates based on amounts available in the Turbo Redemption Account on June 1 and December 1.

As of June 30, 2008, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year ending June 30:</u>	<u>Revenue and General Obligation Bonds Payable</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,652	\$ 2,215	\$ 1,265	\$ 444
2010	1,815	1,725	1,315	389
2011	1,882	1,669	1,380	331
2012	1,949	1,602	1,435	270
2013	2,016	1,537	1,500	207
2014-2018	11,388	9,040	3,200	213
2019-2023	13,265	6,126		
2024-2028	9,335	3,157		
2029-2033	6,850	1,533		
2034-2037	2,571	269		
Total	<u>\$ 52,723</u>	<u>\$ 28,873</u>	<u>\$ 10,095</u>	<u>\$ 1,854</u>

<u>Year ending June 30:</u>	<u>Capital Lease Obligations</u>		<u>Advances From Other Governments</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 859	\$ 500	\$ 1,099	\$ 554
2010	714	461	1,006	768
2011	747	429	1,171	606
2012	781	395	1,231	548
2013	816	359	1,275	497
2014-2018	6,438	964	6,228	1,803
2019-2023	912	55	5,463	790
2024-2028	-	-	2,687	139
Total	<u>\$ 11,267</u>	<u>\$ 3,163</u>	<u>\$ 20,160</u>	<u>\$ 5,705</u>

Various advances of \$17,509 related to the other enterprise funds, Water Agency and Sanitation Districts do not have formal repayment schedules.

### Debt Defeasance

In prior years, the County defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2008, \$74,195 of bonds are outstanding are considered defeased.

### Legal Debt Limit

As of June 30, 2008, the County's debt limit was \$1,267,294. The total amount of debt applicable to the debt limit was \$20,345, net of assets in the debt service funds and other deductions allowed by law. The resulting legal debt margin was \$1,246,949.

### Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings, and at June 30, 2008 does not expect to incur a liability.

**Capital Leases**

The carrying amount of assets acquired under capital leases totaled \$13,226 at June 30, 2008.

**NOTE 10 – SHORT-TERM OBLIGATIONS**

**Governmental Activities**

Summary of the governmental activities short-term debt for the year ended June 30, 2008 is as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>
2007 Tax Revenue Anticipation Notes	\$ 88,000	\$ 100,000	\$ (88,000)	\$ 100,000
Total governmental activities	<u>\$ 88,000</u>	<u>\$ 100,000</u>	<u>\$ (88,000)</u>	<u>\$ 100,000</u>

**NOTE 11 – NET ASSETS/FUND BALANCES**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* - This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and as of June 30, 2008, reservations of fund balance are described below:

- *Encumbrances* - to reflect the outstanding contractual obligations for which goods and services have not been received.
- *Inventories* - to reflect a portion of assets which do not represent available spendable resources.
- *Long-term advances* to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- *Prepaid items and deposits* - to reflect a portion of assets which do not represent available spendable resources.
- *Debt service* - to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.

Fund balances at June 30, 2008 are as follows:

	General	Human Services Special Revenue	Community Development Commission Special Revenue	State Mandates and Tobacco Settlement Revenues Special Revenue
<u>Reserved</u>				
Encumbrances	\$ 3,146	\$ 605	\$ -	\$ 1,003
Inventories	277	-	-	-
Long-term advances	3,901	-	-	-
Prepaid items and deposits	24,687	1,504	420	-
Debt service	-	-	1,651	-
<b>Total reserved fund balances</b>	<b>32,011</b>	<b>2,109</b>	<b>2,071</b>	<b>1,003</b>
<u>Designated</u>				
Emergency	20,571	-	-	-
Retirement prepayment	1,855	-	-	-
OPEB	3,000	-	-	-
State Mandates	500	-	-	-
Supplemental Tax Processing	4,923	-	-	-
Child Support Penalty	1,200	-	-	-
Sick/Vacation Leave	648	-	-	-
Economic uncertainties- CMSP	397	-	-	-
Economic uncertainties - Human Services	115	-	-	-
Economic uncertainties – Public Assistance	1,040	-	-	-
Econ. uncertainties – State Audit	40	-	-	-
Future projects and contingencies	500	-	-	-
Equipment replacement	500	-	-	-
<b>Total designated fund balances</b>	<b>35,289</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unreserved-undesignated fund balances</b>	<b>54,565</b>	<b>(1,271)</b>	<b>30,380</b>	<b>95,670</b>
<b>Total fund balances</b>	<b>\$ 121,865</b>	<b>\$ 838</b>	<b>\$ 32,451</b>	<b>\$ 96,673</b>
	<u>Health and Sanitation Special Revenue</u>	<u>Capital Projects</u>	<u>Water Agency Debt Service</u>	<u>Other Governmental</u>
<u>Reserved</u>				
Encumbrances	\$ 273	\$ 6,925	\$ -	\$ 10,934
Inventories	-	-	-	723
Long-term advances	-	-	-	1,042
Prepaid items and deposits	-	-	-	25
Debt service	-	-	79,789	26,308
<b>Total reserved fund balances</b>	<b>273</b>	<b>6,925</b>	<b>79,789</b>	<b>39,032</b>
<u>Designated</u>				
Economic uncertainty	-	-	-	269
Future projects and contingencies	-	-	-	735
Equipment replacement	-	-	-	3,912
<b>Total designated fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,916</b>
<b>Unreserved-undesignated fund balances</b>	<b>(9)</b>	<b>15,846</b>	<b>-</b>	<b>104,154</b>
<b>Total fund balances</b>	<b>\$ 264</b>	<b>\$ 22,771</b>	<b>\$ 79,789</b>	<b>\$ 148,102</b>

**NOTE 12 – EMPLOYEES’ RETIREMENT PLANS**

**A – COUNTY DEFINED BENEFIT PENSION PLAN**

**(a) Plan Description**

The Sonoma County Employees’ Retirement Association (SCERA) was organized on January 1, 1946, under the provisions of the 1937 County Employees Retirement Act. The Retirement Association administers a cost sharing, multiple-employer Defined Benefit Pension Plan (Plan), and a Postemployment Healthcare Plan (PH Plan), and is financially independent of the County. For purposes of accounting and financial reporting, the plan is treated as a single employer plan as the majority of the participants are employees of the County.

Plan members include all permanent employees appointed to a permanent position of at least half time in the County of Sonoma, Sonoma County Water Agency, Valley of the Moon Fire District (District), Sonoma County Transportation Authority, Superior Courts of California and Community Development Commission. Plan members are classified as either General or Safety (e.g., eligible Sheriff, Fire, and Probation Department employees). Membership becomes effective on the first day of the full bi-weekly pay period after entrance into service. The plan provides benefits as defined by the law upon retirement, death, or disability of members and may be amended by the Board of Retirement and then shall be adopted by the County Board of Supervisors.

At December 31, 2007, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	3,282
Active members	4,248
Inactive vested members	506
	<u>8,036</u>

SCERA issues a publicly available financial report that includes financial statements and required supplementary Information (RSI) for the Plan. That report can be obtained from the SCERA Association located at: 433 Aviation Boulevard, Santa Rosa, California 95403-1069.

**(b) Funding Policy**

The contribution requirements of Plan members and the County are determined by an independent actuary, approved by the SCERA Board of Retirement, and adopted by the Board of Supervisor. The contribution rates for the fiscal year ended June 30, 2008 were based on the Plan’s valuation dated December 31, 2006. The contribution rates determined in each actuarial valuation take effect at the beginning of the fiscal year starting at least twelve months after the beginning of the valuation year, except when significant benefit or actuarial assumption changes occur. Plan members are required to contribute 7% -14% of their annual covered salary based upon the member’s age at the date of entry into the system. The County is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Employer and member contributions are funded and recognized through the County and District payroll systems via employer benefit payments and employee deductions. For the fiscal year ended June 30, 2008, the County contributed \$30,661, or approximately 10.47% of covered payroll.

**(c) Annual Pension Cost and net Pension Asset**

Member contributions cannot be withdrawn until separation from employment. Member contributions are forfeited to the retirement plan if the member does not request a refund within five years of terminating membership and employment.

The County's annual pension cost (APC) and pension asset as of and for the year ended June 30, 2008, were as follows:

Annual required contribution (ARC)	\$ 30,661
Interest on beginning net pension asset	(14,921)
Adjustment to the ARC	<u>50,893</u>
Annual pension cost	66,633
Contributions made	<u>30,661</u>
Decrease in net pension asset	(35,972)
Net pension asset, beginning of year	<u>186,504</u>
Net pension asset, end of year	<u>\$ 150,532</u>

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Contribution	Percent of APC Contributed	Net Pension Asset
2006	\$ 52,100	\$ 25,706	49%	\$ 217,394
2007	58,278	27,388	47%	186,504
2008	66,633	30,661	46%	150,532

***(d) Funded Status and Funding Progress***

As of December 31, 2007, the most recent actuarial valuation date, the plan was 89.3 percent funded. The actuarial accrued liability (AAL) for benefits was \$1,653,847, and the actuarial value of assets was \$1,476,496, resulting in an unfunded actuarial accrued liability (UAAL) of \$177,351. The covered payroll (annual payroll of active employees covered by the plan) was \$292,772, and the ratio of the UAAL to the covered payroll was 60.6 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***(e) Actuarial Methods and Assumptions***

In the December 31, 2007 actuarial valuation, the Plan used the entry age normal cost method. Under the entry age normal cost method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the working lifetime of the individual. The actuarial accrued liability was based upon the actuarial valuation as of December 31, 2007, as adopted by the Board of Supervisors upon recommendation of the Board of Retirement. Significant actuarial assumptions used to compute actuarially-determined contribution requirements are the same as those used to compute the actuarial accrued liability and include (a) 8.00 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.45 to 8.55 percent, and (c) inflation of 4.25 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 15 years.

**B – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CalPERS) LIBRARY PLAN**

**(a) Plan Description**

The Library contributes to the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan (Library Plan). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other financial requirements are established by state statute and county ordinance. Copies of CalPERS’ annual financial report may be obtained from its executive office at 400P Street, Sacramento, CA 95814

**(b) Funding Policy**

Library employees are required to contribute 7% of their annual covered salary. However, as per the Memorandum of Understanding entered on July 1, 2002 between the Library and the employee’s union, the Library agree to pay 1% of the employee’s contribution to CalPERS on January 1, 2004, and an additional 1% on January 1, 2005. The Library is also required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2008 was 14.912% of annual covered payroll as determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The contribution requirements of Library Plan members and the Library are established and may be amended by CalPERS

**(c) Annual Pension Cost**

The Library’s annual pension cost (APC) and as of and for the year ended June 30, 2008, was as follows:

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Contribution	Percent of APC Contributed	Net Pension Obligation
2006	\$ 960	\$ 960	100%	\$ --
2007	968	968	100%	--
2008	1,089	1,089	100%	--

**(d) Funded Status and Funding Progress**

As of June 30, 2006, the most recent actuarial valuation date, the Library Plan was 90.1 percent funded. The actuarial accrued liability (AAL) for benefits was \$35,231, and the actuarial value of assets was \$31,729, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,502. The covered payroll (annual payroll of active employees covered by the Library Plan) was \$6,961, and the ratio of the UAAL to the covered payroll was 50.3 percent. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(e) Actuarial Methods and Assumptions**

In the June 30, 2005 actuarial valuation, the Library Plan used the entry age normal cost method. Under the entry age normal cost method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the working lifetime of the individual. Significant actuarial assumptions used to compute actuarially-determined contribution requirements are the same as those used to compute the actuarial accrued liability and include (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25 to 14.45 percent depending on age, service and type of employment, and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of CalPERS assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 15-year period. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at June 30, 2005 was 23 years.

**NOTE 13 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)**

**A - COUNTY POSTEMPLOYMENT HEALTHCARE PLAN (PH PLAN)**

***(a) Plan Description***

The Sonoma County Employees’ Retirement Association (SCERA), administers the County’s postemployment healthcare plan (PH Plan), a cost sharing multiple-employer defined benefit postemployment healthcare plan. The PH Plan provides retiree health care benefits in accordance with the County Salary Resolution No. 95-0926 to all active, covered employees who (a) participate in the defined benefit pension plan, and (b) retire from the County on or after attaining age 50 with at least 10 years of service. In the case of line-of-duty death, dependents of the deceased Safety member(s) are eligible to receive County-subsidized medical coverage.

The retiree can choose one of three health care plans. In addition, the County reimbursed retirees a fixed amount of \$96.40 per month for Medicare Part B premiums, to encourage participation in Medicare for over-65 retirees. Authority to establish and amend benefit provisions of the PH Plan resides with the County Board of Supervisors. For purposes of accounting and financial reporting, the PH Plan is treated as a single employer plan as the majority of the participants are employees of the County. SCERA issues a publicly available financial report that may be obtained from SCERA by contacting them at – 433 Aviation Blvd – Santa Rosa, CA 95403.

***(b) Funding Policy***

The PHP funding policy provides for periodic contributions by the County. The contribution rate is determined on an annual basis by the Sonoma County Employees Retirement Association and authorized by the County Board of Supervisors. The contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the PHP over a period not to exceed thirty years. The current ARC rate is 12.9 percent of annual covered payroll.

***(c) Annual OPEB Cost and Net OPEB Obligation***

For the year ended June 30, 2008, the County’s annual OPEB cost (expense) of \$37,039 was equal to the ARC. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the fiscal year June 30, 2008 were as follows:

Annual required contribution/Annual OPEB cost (expense)	\$ 37,039
Contributions made	<u>(19,543)</u>
Increase in net OPEB obligation	17,496
 Net OPEB obligation - beginning of year	 <u>-</u>
 Net OPEB obligation - end of year	 <u><u>\$ 17,496</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the PH plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 37,039	\$ 19,543	53%	\$ 17,496

***(d) Funded Status and Funding Progress***

As of June 30, 2007, the most recent actuarial valuation date, the plan was 1.7 percent funded. The actuarial accrued liability for benefits was \$414,419, and the actuarial value of assets was \$7,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$407,419. The covered payroll (annual payroll of active employees covered by the plan) was \$286,742, and the ratio of the UAAL to the covered payroll was 142.1 percent. Note that the \$7,000 valuation of assets was determined based upon the net present value of the \$7,560 made during the fiscal year ended June 30, 2008. This amount was contributed to an irrevocable trust established to temporarily hold funds in anticipation of unfunded future retiree benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***(e) Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and PH Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and PH plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 8.00 percent investment rate of return, (net of administrative expenses), which is based upon the expected rate of return on the SCERA investment pool; an annual healthcare cost trend rate of 8.50 percent initially, graded down by decrements to an ultimate rate of 5.0 percent after 7 years for the HMO plan and an annual healthcare cost trend rate of 11.00 percent initially, graded down by decrements to an ultimate rate of 5.0 percent after 6 years for the County and PPO plans respectively. These rates include an inflation assumption of 4.25 percent and projected payroll increases of 4.25 percent. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2007 was 30 years.

**B - LIBRARY POSTEMPLOYMENT HEALTHCARE PLAN (LIBRARY PLAN)**

***(a) Plan Description***

The Library provides health insurance benefits to all career employees who have retired as of July 1, 1983, and thereafter at the same level of benefits as those being provided for current career employees and in accordance with the schedule of payments for the same. Any Library employee newly hired or rehired by the Library after July 1, 1997, will receive this benefit after employment with the Library for at least 10 years. When an employee has been with the Library at least 20 years the Library will contribute to the cost of one dependent. This benefit is provided by Library Commission approval of the employee labor union Memorandum of Understanding.

**(b) Funding Policy**

The Library contribution requirements of Library Plan members and the Library are established and may be amended by agreement of the Library Commission and employee labor union. The required contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC Represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Library Plan over a period not to exceed thirty years. The current ARC rate is 18.8%

**(c) Annual OPEB Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2008, the Library contributed only the current pay-as-you-go portion of the current premium which amounted to \$422. By decision of management and the Library Commission, no amounts were contributed to refund benefits. Library plan members receiving benefits are currently not required to contribute.

Annual required contribution/Annual OPEB cost (expense)	\$ 1,404
Contributions made	<u>(422)</u>
Increase in net OPEB obligation	982
 Net OPEB obligation - beginning of year	 <u>-</u>
 Net OPEB obligation - end of year	 <u>\$ 982</u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the Library Plan, and the net OPEB obligations for 2008 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 1,404	\$ 422	30%	\$ 982

**(d) Funded Status and Funding Progress**

As of November 1, 2006, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$14,057, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,057. The covered payroll (annual payroll of active Library employees covered by the plan) was \$7,439 and the ratio of the UAAL to the covered payroll was approximately 189%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits

*(e) Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and Library Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Library and Library Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the November 1, 2006, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.00 percent investment rate of return, (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the Library's own investments calculated based on the funded level of the plan at the valuation date, projected salary increases of 3%, and an annual healthcare cost trend rate of 4% per year. All rates included a 3% inflation assumption. The actuarial value of assets determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at November 1, 2006 was 30 years.

**NOTE 14 – RISK MANAGEMENT**

Numerous lawsuits are pending or threatened against the County related to the governmental and proprietary fund types. The County's self-insurance coverage is as follows: \$300 per occurrence for workers' compensation claims, \$1,000 per occurrence for automobile and general liability claims, \$500 per occurrence and any amount in excess of \$10,000 per occurrence for hospital medical malpractice claims occurring prior to March 26, 1996, and \$275 per occurrence for health insurance claims with a stop-loss coverage up to \$1,000/\$3,000 per individual lifetime benefit. The County is entirely self-insured for unemployment claims and for long-term disability occurring prior to August 1, 1999.

The County has established a separate internal service fund to account for the eventual settlement of these lawsuits and claims. The governmental and certain proprietary fund types contribute amounts to the internal service fund based on actuarially determined estimates of the ultimate settlements. Such estimates are generally based upon a 70 percent confidence level. Contributions for the year ended June 30, 2008, totaled \$48,723, which is recorded in the internal service fund as operating revenue. As of June 30, 2008, the estimated liability in the internal service fund totaled \$43,146 of which \$13,826 is estimated to be payable in the ensuing year and is, therefore, included in current self-funded insurance liability. The remaining \$29,320 is classified as long-term, self-funded insurance payable in the internal service fund.

Effective August 1, 1987, the County became a participant in the CSAC Excess Insurance Authority (CSAC EIA) excess liability insurance program. The County is covered under this program for \$1,000 to \$25,000 per occurrence for liability claims. Amounts in excess of \$300 per occurrence for workers' compensation claims with statutory limits are maintained through participation in the CSAC Excess Insurance Authority, Excess Worker's Compensation Program.

The County maintains "All Risk" coverage for physical loss and damage including flood and earthquake coverage (for certain structures) through participation in the CSAC Excess Insurance Authority with the following limits and deductibles: \$600,000 limit (shared) per occurrence and \$50 deductible for "All-Risk" and flood, earthquake limits of \$352 with a deductible at of 5% of the building value. Boiler and machinery coverage is included in the All-Risk coverage.

The County pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program's participant's ultimate liabilities. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

A summary of activity of the claims liability is as follows:

	<u>Fiscal Year Ended June 30, 2008</u>	<u>Fiscal Year Ended June 30, 2007</u>
Unpaid claims liability at beginning of year	\$ 43,924	\$ 44,464
Incurred claims	32,393	34,187
Claim payments	(33,171)	(34,727)
Unpaid claims liability at end of year	<u>\$ 43,146</u>	<u>\$ 43,924</u>

**NOTE 15 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Refuse Enterprise Fund follows the provisions of GASB Statement No. 18, “Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.” Under Statement No. 18, the Refuse Enterprise Fund estimated the current cost of closure and postclosure care based on 100% landfill capacity used to date as the County’s landfills no longer accept solid waste.

As of June 30, 2008, the estimated closure and postclosure liability increased to \$107,987. The significant increase is primarily due to revised estimates contained in the Preliminary Closure and Postclosure Maintenance Plan for the Central landfill. During the year ended June 30, 2006, the Central landfill stopped accepting solid waste and is currently operating as a transfer station. The North Coast Regional Water Quality Control Board is requiring the County to upgrade the landfill liner on the new expansion area at the Central landfill. Beginning October 1, 2005, the County began hauling all refuse out of the County which has resulted in a significant increase in cost. Federal and state laws require landfill operators to place a cover on their landfills when closed and to perform certain maintenance and monitoring functions for up to 30 years after closure. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, costs of materials, revisions of federal and state laws, changes in technology and other variables.

The estimated percentages of landfill capacity used are as follows:

	<u>Capacity Used</u>	<u>Closure Date</u>
Central	100%	2006
Annapolis	100%	1995
Healdsburg	100%	1989

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**(a) Economic Dependence—Enterprise Fund**

Four major customers of the Water Agency had water purchases amounting to \$22,853, or 80.0% of total water sales, for the year ended June 30, 2008. The accounts receivable for these customers totaled \$4,447 at June 30, 2008.

**(b) Medical Malpractice Claims**

The County of Sonoma participates in a joint purchase medical malpractice program through the CSAC Excess Insurance Authority. Coverage includes exposures within the Health Services Department, including the Mental Health Division and Oakcrest Inpatient Mental Health Facility. Limits of coverage are \$10,000 for each event with a \$5 deductible. The County has participated in this program since July 1, 1996. Excess coverage up to \$25,000 was maintained through participation in the CSAC Excess Insurance Authority Medical Malpractice “Med-MAL” Program. Funding for this program is actuarially determined and contributions are determined by exposures within each user department (number of patient visits). Upon leasing the Community Hospital in March 1996, the County discontinued the self-insurance program, although the Insurance internal service fund is maintained to pay

outstanding claims and claims which have occurred but have not been reported. At June 30, 2008, the estimated claims liability totaled \$570. No additional contributions have been made to the internal service fund during the fiscal year ended June 30, 2008. As the funding requirements decrease, the estimated claims liability will be reduced and eventually eliminated.

**(c) Line of Credit**

In accordance with Article XVI, Section 6 of the California State Constitution, the Board of Supervisors authorized the County to extend a line of credit to the Library. The Library may draw down funds as needed, but the outstanding borrowings may not exceed the greater of \$1,500 or 85% of the Library's revenue during the fiscal year. Interest is charged at a rate equal to the rate of return of the Treasury pool. There was no outstanding balance related to the line of credit as of June 30, 2008.

**(d) Grants and Subventions**

Receipts from federal, state and local sources are subject to audit by representatives of those agencies to determine if the monies were expended in accordance with appropriate statutes, grant terms, and regulations. Such audits could lead to a request for reimbursement to the grantor agencies. The County believes that no significant liabilities will be incurred as a result of these audits.

**(e) Pending Litigation, Claims and Assessments**

The Water Agency is directly and indirectly involved in various claims, legal actions and complaints relating principally to violations of the Clean Water Act, environmental protection laws, property damage and disputes over water rights. The ultimate amount of liability is contingent upon the final settlement of these claims. The County and Water Agency is unable to determine the extent of such liabilities at this time and whether any may be covered by insurance.

The Water Agency is liable for clean-up costs related to lead-contaminated fill involving a certain parcel in connection with its flood control project, purchased by the Water Agency as part of a litigation settlement in 2000, and the possible clean-up of the adjacent properties for some lengthy distance. The North Coast Regional Water Control Board (NC Regional Board) is requiring the Water Agency to perform an updated Human Health Risk Assessment and an Ecological Risk Assessment as a condition of obtaining site closure for the purchased parcel. The Water Agency is in the process of developing its work plan for submittal to the NC Regional Board. The Water Agency will be liable for clean-up costs for at least the purchased parcel. However, the NC Regional Board has not yet specified the level of clean-up which will be required, nor whether the Water Agency may be required to perform further work beyond the boundary of the purchased parcel. Accordingly, costs are unknown, although they are expected to be substantial. Liability could reach into the millions, depending on the extent of contamination and the direction of the NC Regional Board.

The contractors of the Wohler-Forestville Pipeline, the Pumphouse and Connecting Pipeline for Wohler Collector 6, and one of the Water Agency's water storage tanks filed claims for extensions of time and extra work costs plus relief for assessed liquidated damages, which were rejected by the Water Agency. After mediation the Water Agency settled the matter upon payment of \$225 (release of liquidated damages and remaining contract amount). Payment of the settlement amount was made in March.

The contractors of the Wohler-Forestville Pipeline, the Pumphouse and Connecting Pipeline for Wohler Collector 6, have also filed supplemental claims in February 2007 in excess of \$4,000. At the required mediation the contractor offered to settle the claim for \$2,000. This offer was rejected by the Water Agency. The parties are currently conducting discovery and it is too early to predict the outcome of this litigation. The ultimate amount of liability is contingent upon the final settlement of the claims.

The contractor hired to construct an above-ground fuel storage tank at the Airport-Larkfield-Wikiup wastewater treatment plant has filed claims against the Water Agency that exceed \$450. However, the Water Agency has filed claims and assessed liquidated damages against the contractor in excess of \$400. Negotiations with the contractor

and required mediation both failed to produce a settlement and litigation has started. The parties are currently conducting discovery, and it is too early to predict the outcome of this matter.

The contractor hired to re-coat one of the Water Agency's water storage tanks filed a claim in December, 2004 for \$577 and also sought relief from liquidated damages assessed totaling about \$105. The Water Agency and contractor were unable to resolve the claim. The contractor may litigate its claim and the claim, together with costs and expenses of litigation could exceed \$1,000.

The minimum cost of liabilities related to these claims is estimated by management at \$1,200 of which, \$500 was accrued in the Water Agency special revenue fund, and \$700 was accrued in the Water Agency enterprise fund.

**(f) Other Regulatory Matters**

In June 2005, the NC Regional Board issued an Administrative Civil Liability (ACL) to the Water Agency with a mandatory penalty for violations of effluent limitations that occurred during periods of discharge to receiving waters from January 2000 through August 2004. A mandatory penalty was assessed against the Water Agency. However, the majority of the penalty is eligible to be permanently suspended if the Executive Officer of the NC Regional Board determines that reasonable progress is being made toward completion of a compliance project and the suspended amount is spent toward completion of the compliance project within five years from the date of the ACL. Annual reports are being submitted to the NC Regional Board to report the progress on the selected compliance project

The Water Agency is subject to Section VII of the Endangered Species Act. Section VII requires that all affected agencies, including the Water Agency, 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 Water Agency is also subject to Section X of the Endangered Species Act which deals with habitat conservation planning.

The Endangered Species Act also affects the manner and the extent to which the Water Agency can maintain flood control channels. Water Agency staff and its contractors cannot disrupt environmentally sensitive areas to perform flood control work to the levels that were appropriate in previous years. This development increases the Water Agency's degree of exposure to individual property owners and possible litigation in the event of wet weather and possibility of flooding.

**(g) Lease of Community Hospital**

On March 25, 1996, the County transferred operational control of the Community Hospital to an independent third party. The transfer included a 20-year lease of the facility, for which the County received a discounted prepayment of the entire amount of \$1,925. The Community Hospital has recorded this prepayment as deferred revenue, which will be amortized over the life of the lease, which ends in 2016. In connection with the lease agreement, the Community Hospital also reduced the carrying value of its operating property, plant, and equipment to the value of the lease prepayment plus its cost basis in the land. The new carrying value, net of the cost of the land, will be amortized over the life of the lease.

In addition to the lease of the facility, the Community Hospital also transferred all working capital assets and liabilities to the hospital operator in exchange for a payment of \$12,588. The working capital transfer included all liabilities associated with providing services under third-party payor arrangements such as the Medicare and Medical programs in periods prior to the transfer. Net cash received in excess of recorded working capital amounts at the date of the transfer was \$3,487. The proceeds from this working capital transfer have been set aside in the Community Hospital fund to help fund certain retirement benefits (primarily pension and medical benefits) of the Community Hospital employees terminated by the County as a result of the transfer of operational control. A related liability estimated at approximately \$10,700 was recorded by the Community Hospital prior to the transfer. This amount is reduced as severance/liability payments are made to hospital employees. This liability has been retained by the County and is \$4,012 at June 30, 2008. If actual costs exceed this amount, they will be paid by the County through an adjustment of future benefit rates.

**(h) Construction Contracts**

The Water Agency has entered into contracts for the construction of certain projects. At June 30, 2008 the unexpended balance of the contract commitments is \$3,368. The commitments for the projects are being financed by revenue bonds, and a construction loan provided by the State of California Department of Water Resources secured by water and wastewater revenues. These projects are also being funded by existing resources from the business-type activities.

**(i) South Park Sanitation District**

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 on February 27, 1996 and amended February 1998, June 2000 and April 1, 2004. Under this agreement 1) the District will be dissolved no later than June 30, 2011, 2) the City of Santa Rosa shall acquire the unused capacity of the District, and 3) the District will upgrade the collection system to meet City of Santa Rosa standards. The agreement requires the District to replace, slip-line, or repair 41,610 feet of the collection system and upgrade the Todd Road lift station before transfer of the District to the City of Santa Rosa.

**(j) Other**

The County from time to time is a party to various claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of the County's administration, except for the matters previously discussed, the various claims, legal actions, and complaints would have no material effect on the financial position of the County.

**NOTE 17 – SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Note**

On October 30, 2008, the County issued tax and revenue anticipation notes (TRANS) totaling \$115,000 due October 29, 2009 at a net interest cost of 3.00%. Proceeds from the note will be used to meet fiscal year ended June 30, 2009 cash flow requirements. The notes are collateralized by fiscal year 2008-2009 unrestricted revenues.

**Final Closure and Post-Closure Maintenance Plan**

The County hired a consultant to reevaluate the estimated closure and post-closure care costs for the Central Landfill. The Final Closure & Post-Closure Maintenance Plan prepared by the consultant, dated July 29, 2008, is being evaluated by the State of California (State) and is subject to its approval. The County expects the State to amend and approve the plan which will likely result in a material change in estimate to the liability reported in the Refuse enterprise fund.

**Other Postemployment Health Benefits (OPEB)**

Beginning in August 2008 the Sonoma County Board of Supervisors imposed or reached agreement on a series of contracts changing the terms of active employee health care and future Other Post Employment Benefits (OPEB) to a monthly flat rate of \$500. The change is effective on June 2, 2009. Management believes that this will materially reduce the outstanding future OPEB obligation. While the OPEB liability is expected to decrease, management is not able to determine at this time the exact amount of the reduction until a new actuarial valuation is performed. There is currently outstanding litigation related to contract changes to other postemployment benefits.

**NOTE 18 – TEMPORARY IMPAIRMENT**

In October 2005 the County suspended landfill operations and construction projects at the central landfill disposal site as a result of environmental concerns. In May 2007, the County began exploring options of a lease or divestiture of the landfill to a party who will re-open and operate. Certain capital assets related to central landfill activities are considered temporarily impaired. The approximate remaining carrying value of the capital assets which are temporarily impaired at June 30, 2008 is \$5,815

**NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standard Board (GASB) has released the following new standards:

Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued in November 2006. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any of five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. GASB Statement No. 49 is effective for financial statements for fiscal years beginning after December 15, 2007.

Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*, issued in June 2007. This statement establishes accounting and financial requirements for intangible assets to reduce inconsistencies in the accounting and financial reporting of such assets among state and local governments. This statement also provides authoritative guidance that specifically addresses the nature of the intangible assets including internally generated intangible assets. GASB Statement No. 51 is effective for financial statements for fiscal years beginning after June 15, 2009.

Statement No. 52 – *Accounting and Financial Reporting for Derivative Instruments*, issued in June 2008. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB Statement No. 53 is effective for financial statements for fiscal years beginning after June 15, 2009.

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

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# REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress -  
County Defined Benefit Pension Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL - Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as A Percentage Of Covered Payroll ((b-a)/c)
12/31/2005	\$ 1,276,771	\$ 1,352,635	\$ 75,864	94.4%	\$ 265,248	28.6%
12/31/2006	1,369,669	1,509,083	139,414	90.8%	273,548	51.0
12/31/2007	1,476,496	1,653,847	177,351	89.3%	292,772	60.6

**Schedule of Funding Progress -  
CalPERS Library Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL - Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as A Percentage Of Covered Payroll ((b-a)/c)
6/30/04	\$ 26,622	\$ 28,814	\$ 2,192	92.4%	\$ 6,189	35.4%
6/30/05	29,015	32,219	3,204	90.1%	6,308	50.8
6/30/06	31,729	35,231	3,502	90.1%	6,961	50.3

**Schedule of Funding Progress -  
County Postemployment Healthcare Plan (PH Plan)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL - Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as A Percentage Of Covered Payroll ((b-a)/c)
6/30/07	\$ 7,000	\$ 414,419	\$ 407,419	1.7%	\$ 286,742	142.1%

**Schedule of Funding Progress -  
Library Postemployment Healthcare Plan (Library Plan)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL - Entry Age) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as A Percentage Of Covered Payroll ((b-a)/c)
11/1/06	\$ --	\$ 14,057	\$ 14,057	0.0%	\$ 7,439	189.0%



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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are established to finance particular governmental activities and are financed by specific taxes or other revenues. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. Included in the Special Revenue classification are the following funds:

### ADVERTISING

This fund was established in 1973 to account for revenues generated by the County Transient Occupancy Tax. The fund was established to finance both the Economic Development Board and the Advertising Program pursuant to Government Code Section 26100. Tax revenues are derived from a 9 percent tax on the rental of hotel, motel, Bed and Breakfast, inns, and campgrounds in unincorporated (noncity) areas.

### FIRE SERVICES

This fund was established to finance fire service activity in the unincorporated areas of Sonoma County. The fire services fund receives property tax revenue.

### ROAD

This fund is the financing vehicle for road maintenance and construction activities. The Road Fund is reimbursed by highway user tax (gas tax) distributions from the state, federal and state reimbursement for road-related construction and improvement projects, and by billing other county departments and non-county entities for time and materials spent on activities not related to roads.

### REALIGNMENT

The Health and Welfare Realignment Act of 1991 provided the county's Health and Human Services Departments with state revenues from sales tax and vehicle license fees. These revenues were previously accounted for under the Trust and Agency Funds. The special revenue funds were established during 1997-98, with Board approval, to more accurately reflect the fact that Realignment revenues, while restricted in use, are under the control and discretion of the Board of Supervisors.

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## WATER AGENCY

This fund is used to account for various Water Agency functions including staffing and operation support for the water transmission system, flood control, sanitation zones and districts, and the agency's administration. This fund is financed primarily by taxes.

## LIBRARY

This fund is used to account for the resources used to provide library services on an equal basis to county residents.

The Sonoma County Library (the Library) is a joint powers agency established between the County and cities to provide library services on an equal basis throughout the county. The Library Joint Powers Authority (JPA) is overseen by a seven-member Library Commission, which includes five appointees of the Board of Supervisors and one each from the cities of Petaluma and Santa Rosa. There are currently ten regional libraries, two rural library stations, and the Santa Rosa Central Library. The Commission provides policy direction over the staffing, budget, operations, and expansion of the Library system. The Board of Supervisors is responsible for final approval of the Library budget pursuant to the JPA agreement. Current programs are financed through property tax revenues, fees, fines, and state and federal aid.

## AGRICULTURAL PRESERVATION AND OPEN SPACE

This fund is used to account for accounts for the expenditure of the proceeds of the voter approved Measure F Tax Revenue Bonds. The proceeds of the bonds will be applied to finance and refinance the acquisition of parkland and other real property interests for the agricultural land use and open space preservation purposes.

## SPECIAL DISTRICTS

Special Districts are independent units of local government organized to perform a single government function or a restricted number of related functions. This fund, which is governed by the Board of Supervisors, is used to account for the activities of Special Districts operation within the unincorporated area of the county. Many of the Special Districts receive property tax revenue.

## OTHER SPECIAL REVENUE

The primary objective of the Fish and Wildlife Advisory Board is the conservation and enhancement of fish and wildlife in Sonoma County. These programs are financed from the County share (40%) of Fish and Game court levies within the county for violation of Fish and Game laws. The Fish and Wildlife Advisory Board advises the Board of Supervisors on matters of Fish and Game propagation and conservation and recommends expenditures from the Fish and Game Fund.

The Fish and Wildlife Advisory Board also administers the Abalone Fund. Court ordered restitution monies from convicted violators of Fish and Game laws related to abalone are deposited into the Abalone Fund. The Fish and Wildlife Advisory Board recommends expenditures from this fund to enhance the abalone population of the North Coast.

The Tobacco Tax Fund was established to finance the delivery of indigent health care prevention and education services. This fund is responsible for a portion of the physician services, which includes educational and preventative programs to deter smoking. Indigent health care is administered by the State while educational and preventative services are provided by the County. Current programs are financed through a portion of the state tobacco tax revenue.

The Trial Court Operations Fund was established as a result of the Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233) which ended the bifurcated State/County funding system for trial courts. The State of California is now responsible for approval and funding of all trial court "operations" costs as defined by California Rules of Court, Rule 810, including court security services provided by the Sheriff's Department. The Trial Court Operations Fund operates as an agency fund and the Presiding Judge has statutory responsibility over the Trial Court Operations budget.

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## DEBT SERVICE FUND

The County Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the County is obligated in some manner for the payment.

**COUNTY OF SONOMA, CALIFORNIA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2008

(Dollars in Thousands)

	Special Revenue Funds	Debt Service Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS:</b>			
Cash and investments	\$ 127,680	\$ 3,639	\$ 131,319
Cash and investments with trustee	-	23,671	23,671
Receivables (net of allowance for doubtful accounts)			
Accounts	161	2,641	2,802
Interest and other	177	-	177
Due from other funds	2,802	-	2,802
Inventories	723	-	723
Due from other governments	10,531	-	10,531
Advances to other funds	1,042	-	1,042
Prepaid items and deposits	106	-	106
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 143,222</u>	<u>\$ 29,951</u>	<u>\$ 173,173</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 7,441	\$ 25	\$ 7,466
Due to other funds	3,100	-	3,100
Deferred revenue	9,801	2,641	12,442
Advances from other funds	-	977	977
Other liabilities	1,086	-	1,086
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>21,428</u>	<u>3,643</u>	<u>25,071</u>
 Fund balances:			
Reserved for:			
Encumbrances	10,934	-	10,934
Inventories	723	-	723
Advances to other funds	1,042	-	1,042
Prepaid items and deposits	25	-	25
Debt service	-	26,308	26,308
Unreserved:			
Designated	4,916	-	4,916
Undesignated	104,154	-	104,154
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>121,794</u>	<u>26,308</u>	<u>148,102</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 143,222</u>	<u>\$ 29,951</u>	<u>\$ 173,173</u>

**COUNTY OF SONOMA, CALIFORNIA**  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2008  
 (Dollars in Thousands)

	Special Revenue Funds	Debt Service Fund	Total
<b>REVENUES:</b>			
Taxes	\$ 43,710	\$ 1,236	\$ 44,946
Licenses, permits and franchise fees	980	-	980
Fines , forfeitures and penalties	966	-	966
Use of money and property	5,313	751	6,064
Intergovernmental	61,000	2,965	63,965
Charges for services	6,130	27,139	33,269
Other revenue	5,095	2,515	7,610
	<u>123,194</u>	<u>34,606</u>	<u>157,800</u>
<b>EXPENDITURES:</b>			
Current:			
General government	10,108	-	10,108
Public protection	5,962	-	5,962
Public ways and facilities	24,723	-	24,723
Health and sanitation	56,756	-	56,756
Public assistance	22,529	-	22,529
Education	15,606	-	15,606
Recreation and cultural services	134	-	134
Capital outlay	27,937	-	27,937
Debt service:			
Principal	36,859	13,964	50,823
Interest and other	672	25,006	25,678
	<u>201,286</u>	<u>38,970</u>	<u>240,256</u>
Total expenditures			
	<u>(78,092)</u>	<u>(4,364)</u>	<u>(82,456)</u>
Other financing sources (uses):			
Transfers in	177,435	280	177,715
Transfers out	(66,238)	(84,393)	(150,631)
Issuance of long-term debt	-	96,885	96,885
Premium on long-term debt	-	4,752	4,752
	<u>111,197</u>	<u>17,524</u>	<u>128,721</u>
Total other financing sources and uses			
	<u>33,105</u>	<u>13,160</u>	<u>46,265</u>
<b>NET CHANGE IN FUND BALANCES</b>			
Fund balances, beginning of year	88,689	13,148	101,837
	<u>88,689</u>	<u>13,148</u>	<u>101,837</u>
<b>FUND BALANCES, END OF YEAR</b>			
	<u>\$ 121,794</u>	<u>\$ 26,308</u>	<u>\$ 148,102</u>

**COUNTY OF SONOMA, CALIFORNIA**  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2008  
 (Dollars in Thousands)

	Advertising	Fire Services	Road	Realignment	Water Agency
<b>ASSETS</b>					
Cash and investments	\$ 2,874	\$ 3,927	\$ 22,334	\$ 4,684	\$ 42,730
Receivables (net of allowance for doubtful accounts)					
Accounts	-	-	-	-	126
Interest and other	-	-	177	-	-
Due from other funds	-	-	-	1,420	1,382
Inventories	-	-	723	-	-
Due from other governments	15	451	4,149	5,745	-
Advances to other funds	-	-	-	-	1,042
Prepaid items and deposits	-	-	81	-	-
	<u>          </u>				
Total assets	<u>\$ 2,889</u>	<u>\$ 4,378</u>	<u>\$ 27,464</u>	<u>\$ 11,849</u>	<u>\$ 45,280</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 11	\$ 878	\$ 3,979	\$ -	\$ 1,502
Due to other funds	-	-	-	3,100	-
Deferred revenue	-	641	9,138	-	22
Other liabilities	-	-	121	-	500
	<u>          </u>				
Total liabilities	<u>11</u>	<u>1,519</u>	<u>13,238</u>	<u>3,100</u>	<u>2,024</u>
Fund balances:					
Reserved for:					
Encumbrances	374	92	2,826	-	6,278
Inventories	-	-	723	-	-
Advances to other funds	-	-	-	-	1,042
Prepaid items and deposits	-	-	-	-	-
Unreserved:					
Designated for future projects and contingencies	-	-	-	-	575
Designated for economic uncertainty	269	-	-	-	-
Designated for emergencies and other	150	10	-	-	-
Designated for equipment replacement	-	-	-	-	-
Undesignated	2,085	2,757	10,677	8,749	35,361
	<u>          </u>				
Total fund balances	<u>2,878</u>	<u>2,859</u>	<u>14,226</u>	<u>8,749</u>	<u>43,256</u>
	<u>          </u>				
Total liabilities and fund balances	<u>\$ 2,889</u>	<u>\$ 4,378</u>	<u>\$ 27,464</u>	<u>\$ 11,849</u>	<u>\$ 45,280</u>

<u>Library</u>	<u>Agricultural Preservation &amp; Open Space</u>	<u>Special Districts</u>	<u>Other Special Revenue</u>	<u>Total</u>
\$ 11,540	\$ 26,979	\$ 11,984	\$ 628	\$ 127,680
34	-	1	-	161
-	-	-	-	177
-	-	-	-	2,802
-	-	-	-	723
-	-	93	78	10,531
-	-	-	-	1,042
-	-	25	-	106
<u>\$ 11,574</u>	<u>\$ 26,979</u>	<u>\$ 12,103</u>	<u>\$ 706</u>	<u>\$ 143,222</u>
\$ 905	\$ -	\$ 152	\$ 14	\$ 7,441
-	-	-	-	3,100
-	-	-	-	9,801
-	-	-	465	1,086
<u>905</u>	<u>-</u>	<u>152</u>	<u>479</u>	<u>21,428</u>
-	-	1,364	-	10,934
-	-	-	-	723
-	-	-	-	1,042
-	-	25	-	25
-	-	-	-	575
-	-	-	-	269
-	-	-	-	160
3,912	-	-	-	3,912
<u>6,757</u>	<u>26,979</u>	<u>10,562</u>	<u>227</u>	<u>104,154</u>
<u>10,669</u>	<u>26,979</u>	<u>11,951</u>	<u>227</u>	<u>121,794</u>
<u>\$ 11,574</u>	<u>\$ 26,979</u>	<u>\$ 12,103</u>	<u>\$ 706</u>	<u>\$ 143,222</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Advertising	Fire Services	Road	Realignment	Water Agency
<b>REVENUES:</b>					
Taxes	\$ 5,991	\$ 2,563	\$ 50	\$ -	\$ 19,343
Licenses, permits and franchise fees	-	-	-	-	-
Fines, forfeitures and penalties	-	-	289	-	-
Use of money and property	182	153	668	893	1,890
Intergovernmental	127	848	14,886	36,289	1,197
Charges for services	-	1,183	4,165	-	432
Other revenue	174	245	4,093	-	189
	<u>6,474</u>	<u>4,992</u>	<u>24,151</u>	<u>37,182</u>	<u>23,051</u>
<b>EXPENDITURES:</b>					
Current:					
General government	3,675	-	-	-	3,022
Public protection	-	5,385	-	-	-
Public ways and facilities	-	-	24,714	-	-
Health and sanitation	-	-	-	45,361	9,367
Public assistance	-	-	-	21,203	-
Education	-	-	-	-	-
Recreation and cultural services	-	-	-	-	-
Capital outlay	-	178	5,974	-	146
Debt service:					
Principal	-	-	41	-	-
Interest	-	-	4	-	-
	<u>3,675</u>	<u>5,563</u>	<u>30,733</u>	<u>66,564</u>	<u>12,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,799</u>	<u>(571)</u>	<u>(6,582)</u>	<u>(29,382)</u>	<u>10,516</u>
Other financing sources (uses):					
Transfers in	6	203	8,255	26,537	-
Transfers out	(2,413)	(10)	(2)	(169)	(5,462)
	<u>(2,407)</u>	<u>193</u>	<u>8,253</u>	<u>26,368</u>	<u>(5,462)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>392</u>	<u>(378)</u>	<u>1,671</u>	<u>(3,014)</u>	<u>5,054</u>
Fund balances, beginning of year	<u>2,486</u>	<u>3,237</u>	<u>12,555</u>	<u>11,763</u>	<u>38,202</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 2,878</u></u>	<u><u>\$ 2,859</u></u>	<u><u>\$ 14,226</u></u>	<u><u>\$ 8,749</u></u>	<u><u>\$ 43,256</u></u>

Library	Agricultural Preservation & Open Space	Special Districts	Other Special Revenue	Total
\$ 14,534	\$ -	\$ 1,229	\$ -	\$ 43,710
-	-	980	-	980
624	-	1	52	966
423	567	516	21	5,313
857	-	6,116	680	61,000
381	-	(31)	-	6,130
108	-	286	-	5,095
<u>16,927</u>	<u>567</u>	<u>9,097</u>	<u>753</u>	<u>123,194</u>
-	-	3,411	-	10,108
-	-	517	60	5,962
-	-	9	-	24,723
-	-	1,377	651	56,756
-	-	1,326	-	22,529
15,606	-	-	-	15,606
-	-	134	-	134
219	-	21,420	-	27,937
-	-	36,818	-	36,859
-	-	668	-	672
<u>15,825</u>	<u>-</u>	<u>65,680</u>	<u>711</u>	<u>201,286</u>
<u>1,102</u>	<u>567</u>	<u>(56,583)</u>	<u>42</u>	<u>(78,092)</u>
-	84,393	58,041	-	177,435
-	(57,981)	(201)	-	(66,238)
-	<u>26,412</u>	<u>57,840</u>	-	<u>111,197</u>
1,102	26,979	1,257	42	33,105
9,567	-	10,694	185	88,689
<u>\$ 10,669</u>	<u>\$ 26,979</u>	<u>\$ 11,951</u>	<u>\$ 227</u>	<u>\$ 121,794</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**Advertising Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 5,306	\$ 5,306	\$ 5,991	\$ 685
Use of money and property	100	100	182	82
Intergovernmental	151	151	127	(24)
Other revenue	158	158	174	16
Total revenues	<u>5,715</u>	<u>5,715</u>	<u>6,474</u>	<u>759</u>
<b>EXPENDITURES:</b>				
Current:				
General government	4,165	4,834	4,151	683
Total expenditures	<u>4,165</u>	<u>4,834</u>	<u>4,151</u>	<u>683</u>
Excess of revenues over expenditures	<u>1,550</u>	<u>881</u>	<u>2,323</u>	<u>1,442</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	8	8	6	(2)
Transfers out	(2,780)	(2,780)	(2,413)	367
Total other financing sources and uses	<u>(2,772)</u>	<u>(2,772)</u>	<u>(2,407)</u>	<u>365</u>
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<u>\$ (1,222)</u>	<u>\$ (1,891)</u>	(84)	<u>\$ 1,807</u>
<b>BASIS ADJUSTMENTS:</b>				
Encumbrances			374	
Reimbursements			<u>102</u>	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>			<u>\$ 392</u>	

**COUNTY OF SONOMA, CALIFORNIA**  
**Fire Services Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,605	\$ 2,605	\$ 2,563	\$ (42)
Use of money and property	10	109	153	44
Intergovernmental	682	1,086	848	(238)
Charges for services	1,232	1,232	1,183	(49)
Other revenue	272	308	245	(63)
Total revenues	<u>4,801</u>	<u>5,340</u>	<u>4,992</u>	<u>(348)</u>
<b>EXPENDITURES:</b>				
Current:				
Public protection	<u>5,938</u>	<u>6,580</u>	<u>5,655</u>	<u>925</u>
Total expenditures	<u>5,938</u>	<u>6,580</u>	<u>5,655</u>	<u>925</u>
Deficiency of revenues under expenditures	<u>(1,137)</u>	<u>(1,240)</u>	<u>(663)</u>	<u>577</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,161	1,161	203	(958)
Transfers out	<u>(966)</u>	<u>(966)</u>	<u>(10)</u>	<u>956</u>
Total other financing sources and uses	<u>195</u>	<u>195</u>	<u>193</u>	<u>(2)</u>
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<u>\$ (942)</u>	<u>\$ (1,045)</u>	(470)	<u>\$ 575</u>
<b>BASIS ADJUSTMENTS:</b>				
Encumbrances			<u>92</u>	
<b>NET CHANGE IN FUND BALANCES, GAAP BASIS</b>			<u>\$ (378)</u>	

**COUNTY OF SONOMA, CALIFORNIA**  
**Road Special Revenue Fund**  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 50	\$ 50	\$ 50	\$ -
Fines, forfeitures and penalties	270	270	289	19
Use of money and property	585	585	668	83
Intergovernmental	28,137	28,166	14,886	(13,280)
Charges for services	4,950	4,950	4,165	(785)
Other revenue	8,394	8,394	4,093	(4,301)
	42,386	42,415	24,151	(18,264)
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Public ways and facilities	66,420	67,951	46,475	21,476
	66,420	67,951	46,475	21,476
Deficiency of revenues under expenditures	(24,034)	(25,536)	(22,324)	3,212
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	8,255	8,255
Transfers out	-	-	(2)	(2)
	-	-	8,253	8,253
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<b>\$ (24,034)</b>	<b>\$ (25,536)</b>	<b>(14,071)</b>	<b>\$ 11,465</b>
<b>BASIS ADJUSTMENTS:</b>				
Encumbrances			2,826	
Reimbursements			12,916	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>			<b>\$ 1,671</b>	

**COUNTY OF SONOMA, CALIFORNIA**  
**Realignment Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Use of money and property	\$ 681	\$ 852	\$ 893	\$ 41
Intergovernmental	32,932	37,142	36,289	(853)
<b>Total revenues</b>	<b>33,613</b>	<b>37,994</b>	<b>37,182</b>	<b>(812)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Health and sanitation - public health	48,396	48,579	45,361	3,218
Public assistance - realignment	17,374	21,871	21,203	668
<b>Total expenditures</b>	<b>65,770</b>	<b>70,450</b>	<b>66,564</b>	<b>3,886</b>
Deficiency of revenues under expenditures	(32,157)	(32,456)	(29,382)	3,074
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	48,396	48,579	26,537	(22,042)
Transfers out	(17,374)	(21,871)	(169)	21,702
<b>Total other financing sources and uses</b>	<b>31,022</b>	<b>26,708</b>	<b>26,368</b>	<b>(340)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (1,135)</b>	<b>\$ (5,748)</b>	<b>\$ (3,014)</b>	<b>\$ 2,734</b>

**COUNTY OF SONOMA, CALIFORNIA**  
Water Agency Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 15,989	\$ 15,989	\$ 19,343	\$ 3,354
Fines, forfeitures and penalties	1	1	-	(1)
Use of money and property	767	767	1,890	1,123
Intergovernmental	242	550	1,197	647
Charges for services	527	677	432	(245)
Other revenue	593	593	189	(404)
Total revenues	<u>18,119</u>	<u>18,577</u>	<u>23,051</u>	<u>4,474</u>
<b>EXPENDITURES:</b>				
Current:				
General government	5,015	6,473	1,723	4,750
Health and sanitation	19,134	20,644	16,944	3,700
Capital outlay	210	210	146	64
Contingencies	500	-	-	-
Total expenditures	<u>24,859</u>	<u>27,327</u>	<u>18,813</u>	<u>8,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,740)</u>	<u>(8,750)</u>	<u>4,238</u>	<u>12,988</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	<u>(8,936)</u>	<u>(11,213)</u>	<u>(5,462)</u>	<u>5,751</u>
Total other financing sources	<u>(8,936)</u>	<u>(11,213)</u>	<u>(5,462)</u>	<u>5,751</u>
<b>NET CHANGE IN FUND BALANCE, BUDGETARY BASIS</b>	<u>\$ (15,676)</u>	<u>\$ (19,963)</u>	(1,224)	<u>\$ 18,739</u>
<b>BASIS ADJUSTMENTS:</b>				
Encumbrances			<u>6,278</u>	
<b>NET CHANGE IN FUND BALANCE, GAAP BASIS</b>			<u>\$ 5,054</u>	

**COUNTY OF SONOMA, CALIFORNIA**

Library Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 14,389	\$ 14,389	\$ 14,534	\$ 145
Fines, forfeitures and penalties	607	607	624	17
Use of money and property	171	171	423	252
Intergovernmental	824	824	857	33
Charges for services	70	70	381	311
Other revenue	93	93	108	15
Total revenues	<u>16,154</u>	<u>16,154</u>	<u>16,927</u>	<u>773</u>
<b>EXPENDITURES:</b>				
Current:				
Education - library	15,766	15,766	15,606	160
Retirement- long-term debt	18	18	-	18
Capital outlay	295	330	219	111
Contingencies	25	25	-	25
Total expenditures	<u>16,104</u>	<u>16,139</u>	<u>15,825</u>	<u>314</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 50</u>	<u>\$ 15</u>	<u>\$ 1,102</u>	<u>\$ 1,087</u>

**COUNTY OF SONOMA, CALIFORNIA**  
Agricultural Preservation & Open Space Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 600	\$ 567	\$ (33)
OTHER FINANCING SOURCES:				
Long-term debt issuance	-	84,986	84,393	(593)
Transfers out	-	(58,559)	(57,981)	578
Total other financing sources	-	26,427	26,412	(15)
NET CHANGE IN FUND BALANCE	\$ -	\$ 27,027	\$ 26,979	\$ (48)

**COUNTY OF SONOMA, CALIFORNIA**  
Special Districts Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,128	\$ 1,128	\$ 1,229	\$ 101
Licenses, permits and franchise fees	896	896	980	84
Fines, forfeitures and penalties	-	-	1	1
Use of money and property	358	358	516	158
Intergovernmental	44,568	44,568	6,116	(38,452)
Charges for services	244	244	(31)	(275)
Other revenue	-	-	286	286
Total revenues	47,194	47,194	9,097	(38,097)
<b>EXPENDITURES:</b>				
Current:				
General government:				
Open Space District	44,097	106,932	63,802	43,130
Public protection:				
County Services Area # 41:				
Roseland	103	103	50	53
Airport Business Center	24	24	23	1
Airport-Larkfield-Wikiup	45	45	38	7
Lighting-Meadowlark	1	1	1	-
Belmont Terrace Lighting	6	6	5	1
Carmet Lighting	5	5	3	2
Cinnabar Lighting	8	8	6	2
Countryside Manor Lighting	2	2	2	-
Forestville Lighting	11	11	7	4
Geyserville Lighting	11	11	8	3
Graton Lighting	7	7	4	3
Guerneville Lighting	186	200	106	94
Jenner Lighting	13	13	2	11
Madrone Acres Lighting	13	13	7	6
Monte Rio Lighting	56	56	42	14
Pacific View Lighting	-	1	-	1
Penngrove Lighting	13	13	9	4
Rio Nido Lighting	32	32	22	10
South Park Lighting	7	7	6	1
Summer Home Park Lighting	5	5	4	1
Valley of the Moon Lighting	336	337	163	174
West Side Lighting	4	4	3	1
Woodside Lighting	-	1	-	1
CFD #7 Mayacamas	23	24	19	5
Rio Nido GHAD	10	10	3	7

**COUNTY OF SONOMA, CALIFORNIA**  
Special Districts Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued):				
Public ways and facilities:				
Bittner Lane Permanent Road	1	1	-	1
Mill Creek Lane Permanent Road	4	5	5	-
Mirabel Heights Permanent Road	1	1	1	-
Monte Rosa Permanent Road	1	1	1	-
Peaks Pike Permanent Road	4	4	3	1
Health and sanitation:				
North Air Pollution Control District	1,681	2,196	1,884	312
Public assistance:				
IHSS Public Authority	1,347	1,347	1,326	21
Recreation and cultural services:				
County Services Area # 41	157	163	158	5
Total expenditures	<u>48,214</u>	<u>111,589</u>	<u>67,713</u>	<u>43,876</u>
Deficiency of revenues under expenditures	<u>(1,020)</u>	<u>(64,395)</u>	<u>(58,616)</u>	<u>5,779</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	193	62,734	58,041	(4,693)
Transfers out	<u>(361)</u>	<u>(361)</u>	<u>(201)</u>	<u>160</u>
Total other financing sources and uses	<u>(168)</u>	<u>62,373</u>	<u>57,840</u>	<u>(4,533)</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (1,188)</u>	<u>\$ (2,022)</u>	(776)	<u>\$ 1,246</u>
BASIS ADJUSTMENTS:				
Encumbrances			1,364	
Reimbursements			<u>669</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 1,257</u>	

**COUNTY OF SONOMA, CALIFORNIA**

Others Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Fines, forfeitures and penalties	\$ 50	\$ 50	\$ 52	\$ 2
Use of money and property	12	32	21	(11)
Intergovernmental	210	680	680	-
Total revenues	272	762	753	(9)
EXPENDITURES:				
Current:				
Public protection:				
Fish and Game	76	76	60	16
Tobacco tax program	215	70	651	(581)
Total expenditures	291	146	711	(565)
NET CHANGE IN FUND BALANCE	\$ (19)	\$ 616	\$ 42	\$ (574)



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# NONMAJOR ENTERPRISE FUNDS

## COMMUNITY HOSPITAL

This fund was established to account for the operations of the Community Hospital, which is located in Santa Rosa. On March 25, 1996, the county transferred operational control to an independent third party.

## FAIR

This fund was established to account for the activities of the Sonoma County Fair and Exposition, Inc., which operates through an agreement with the county to act as its agent with regard to the operation of the County Fair and year-round operations of the Fairgrounds. The operating results of the Fair are accounted for on a calendar-year basis.

## AIRPORT

This fund reports the transactions for the commercial service airport with facilities for airline passenger service, business, recreational, law enforcement, emergency medical service, and fire-fighting aircraft. The Airport maintains a 1,000-acre facility with more than 10 miles of runways and taxiways, covered storage facilities for 311 aircraft, and uncovered tie-down spaces for 416 aircraft.

## TRANSIT

The Transit Enterprise Fund provides local and intercity fixed-route services and demand-responsive paratransit services throughout the County. Through cooperative agreements with each of the cities, the present transportation network consists of ten intercity, two express, and ten local bus routes.

## RUSSIAN RIVER COUNTY SANITATION DISTRICT

The Russian River County Sanitation District is responsible for maintaining and operating the local sanitation collection systems, pump stations and treatment plants.

## SOUTH PARK SANITATION DISTRICT

The South Park Sanitation District is responsible for maintaining and operating the local sanitation collection systems, pump stations and treatment plants.

## OCCIDENTAL COUNTY SANITATION DISTRICT

The Occidental County Sanitation District is responsible for maintaining and operating the local sanitation collection systems, pump stations and treatment plants.

## OTHER DISTRICTS

This fund was established to account for the activities of various small enterprise funds. The six components of this fund are four small water systems within the County Service Area (CSA), Sea Ranch Zone #2, and Porto Bodega. Fitch Mountain, Salmon Creek, Freestone, and Jenner are the small water systems within CSA. The CSA zones provide water services and are under the control of the Board of Supervisors. These CSA zones provide for the operation, maintenance, and improvement of small water systems. Sea Ranch Zone #2 was formed in 1986 to provide for an on-site waste disposal operation for the Sea Ranch subdivision. The sport-fishing center at Porto Bodega currently has five permanent berths in addition to the transient dock. Porto Bodega is operated and maintained by the regional parks department for party boat use. This fund is financed through user charges.

**COUNTY OF SONOMA, CALIFORNIA**  
 Nonmajor Enterprise Funds  
 Combining Statement of Net Assets  
 June 30, 2008  
 (Dollars in Thousands)

	Community Hospital	Fair	Airport	Transit	Russian River County Sanitation District	South Park Sanitation District	Occidental County Sanitation District	Other Districts	Total
<b>ASSETS:</b>									
<b>Current assets:</b>									
Cash and investments	\$ 5,104	\$ 3,727	\$ 52	\$ 1,709	\$ 3,851	\$ 5,443	\$ 238	\$ 1,678	\$ 21,802
Receivables, net									
Accounts	1,091	602	197	893	375	1,342	-	36	4,536
Interest and other	-	-	-	-	-	-	-	12	12
Inventories	-	98	-	522	-	-	-	-	620
Due from other governments	-	-	1,798	-	-	-	1,820	6	3,624
Other assets	-	37	-	-	-	83	-	-	120
<b>Total current assets</b>	<b>6,195</b>	<b>4,464</b>	<b>2,047</b>	<b>3,124</b>	<b>4,226</b>	<b>6,868</b>	<b>2,058</b>	<b>1,732</b>	<b>30,714</b>
<b>Noncurrent assets:</b>									
Restricted cash and investments	-	1,144	117	570	623	980	1	-	3,435
<b>Capital assets:</b>									
Nondepreciable	-	549	13,276	4,171	1,826	363	138	270	20,593
Depreciable, net	1,005	12,961	11,925	21,587	25,552	9,265	3,230	4,518	90,043
<b>Total noncurrent assets</b>	<b>1,005</b>	<b>14,654</b>	<b>25,318</b>	<b>26,328</b>	<b>28,001</b>	<b>10,608</b>	<b>3,369</b>	<b>4,788</b>	<b>114,071</b>
<b>Total assets</b>	<b>7,200</b>	<b>19,118</b>	<b>27,365</b>	<b>29,452</b>	<b>32,227</b>	<b>17,476</b>	<b>5,427</b>	<b>6,520</b>	<b>144,785</b>
<b>LIABILITIES:</b>									
<b>Current liabilities:</b>									
Accounts payable	-	308	1,156	1,210	57	113	82	28	2,954
Due to other funds	-	-	-	-	20	-	1,382	-	1,402
Unearned revenue	412	-	13	623	-	-	-	-	1,048
Compensated absences	-	30	10	-	-	-	-	-	40
Advances from other governments	-	144	314	-	160	-	-	-	618
Interest payable	-	-	74	-	49	-	-	21	144
<b>Current liabilities payable from restricted assets:</b>									
Bonds payable	-	-	-	-	65	126	1	-	192
Other	-	-	70	-	13	32	-	-	115
<b>Total current liabilities</b>	<b>412</b>	<b>482</b>	<b>1,637</b>	<b>1,833</b>	<b>364</b>	<b>271</b>	<b>1,465</b>	<b>49</b>	<b>6,513</b>
<b>Noncurrent liabilities:</b>									
Compensated absences	-	274	86	-	-	-	-	-	360
Advances from other governments	-	3,774	2,485	-	3,185	-	-	2,394	11,838
Bonds payable, net	-	-	-	-	2,320	2,703	-	-	5,023
Long-term post-retirement benefits	4,012	-	-	-	-	-	-	-	4,012
<b>Total noncurrent liabilities</b>	<b>4,012</b>	<b>4,048</b>	<b>2,571</b>	<b>-</b>	<b>5,505</b>	<b>2,703</b>	<b>-</b>	<b>2,394</b>	<b>21,233</b>
<b>Total liabilities</b>	<b>4,424</b>	<b>4,530</b>	<b>4,208</b>	<b>1,833</b>	<b>5,869</b>	<b>2,974</b>	<b>1,465</b>	<b>2,443</b>	<b>27,746</b>
<b>NET ASSETS:</b>									
Invested in capital assets, net of related debt	-	9,592	22,402	25,758	21,628	6,799	1,985	2,394	90,558
<b>Restricted for:</b>									
Debt service	-	1,116	-	-	108	948	-	-	2,172
Scholarships	-	28	-	-	-	-	-	-	28
Capital projects	-	-	47	570	-	-	-	-	617
<b>Unrestricted</b>	<b>2,776</b>	<b>3,852</b>	<b>708</b>	<b>1,291</b>	<b>4,622</b>	<b>6,755</b>	<b>1,977</b>	<b>1,683</b>	<b>23,664</b>
<b>Total net assets</b>	<b>\$ 2,776</b>	<b>\$ 14,588</b>	<b>\$ 23,157</b>	<b>\$ 27,619</b>	<b>\$ 26,358</b>	<b>\$ 14,502</b>	<b>\$ 3,962</b>	<b>\$ 4,077</b>	<b>\$ 117,039</b>

**COUNTY OF SONOMA, CALIFORNIA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2008**  
(Dollars in Thousands)

	Community Hospital	Fair	Airport	Transit	Russian River County Sanitation District	South Park Sanitation District	Occidental County Sanitation District	Other Districts	Total
<b>OPERATING REVENUES:</b>									
Charges for services	\$ 7	\$ -	\$ 103	\$ 1,843	\$ 32	\$ 38	\$ 25	\$ 504	\$ 2,552
Flat charges	-	-	-	-	2,935	2,855	325	15	6,130
Rents and concessions	75	9,296	3,059	-	-	-	-	4	12,434
Sales and miscellaneous	1,091	-	-	-	-	98	-	408	1,597
Total operating revenues	1,173	9,296	3,162	1,843	2,967	2,991	350	931	22,713
<b>OPERATING EXPENSES:</b>									
Services and supplies	611	4,172	2,231	12,684	2,052	1,842	884	722	25,198
Salaries and employee benefits	-	5,322	960	-	-	-	-	-	6,282
Depreciation and amortization	126	896	709	2,374	1,027	255	45	150	5,582
Total operating expenses	737	10,390	3,900	15,058	3,079	2,097	929	872	37,062
Operating income (loss)	436	(1,094)	(738)	(13,215)	(112)	894	(579)	59	(14,349)
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Taxes	-	55	-	-	182	-	-	-	237
Investment income	292	153	43	147	191	245	10	69	1,150
Intergovernmental	-	2,206	1,108	10,749	-	2	691	10	14,766
Interest expense	(300)	(30)	(195)	-	(142)	(134)	-	(85)	(886)
Miscellaneous, net	-	-	135	85	-	-	-	-	220
Gain on disposal of capital assets	-	1	-	-	-	-	-	-	1
Total nonoperating revenue (expenses)	(8)	2,385	1,091	10,981	231	113	701	(6)	15,488
Income (loss) before capital contributions and transfers	428	1,291	353	(2,234)	119	1,007	122	53	1,139
Capital contributions	-	66	-	1,857	35	157	2,702	-	4,817
Transfers in	-	-	-	6	-	-	-	-	6
Change in net assets	428	1,357	353	(371)	154	1,164	2,824	53	5,962
Net assets, beginning of year	2,348	13,231	22,804	27,990	26,204	13,338	1,138	4,024	111,077
Net assets, end of year	\$ 2,776	\$ 14,588	\$ 23,157	\$ 27,619	\$ 26,358	\$ 14,502	\$ 3,962	\$ 4,077	\$ 117,039

**COUNTY OF SONOMA, CALIFORNIA**

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Community Hospital	Fair	Airport	Transit	Russian River County Sanitation District	South Park Sanitation District	Occidental County Sanitation District	Other Districts	Total
<b>Cash flows from operating activities:</b>									
Cash received from customers	\$ 6	\$ 9,044	\$ 3,067	\$ 1,995	\$ 2,900	\$ 2,904	\$ 353	\$ 924	\$ 21,193
Cash payments to other sources	-	-	(1,784)	-	-	-	-	-	(1,784)
Cash payment to suppliers for goods and services	(752)	(4,299)	(948)	(13,321)	(496)	(1,668)	(103)	(721)	(22,308)
Cash payment to employees for services	(847)	(5,356)	-	-	-	-	-	-	(6,203)
Cash payment for interfund services used	-	-	(378)	-	(1,526)	(61)	(738)	-	(2,703)
Net cash provided by (used in) operating activities	(1,593)	(611)	(43)	(11,326)	878	1,175	(488)	203	(11,805)
<b>Cash flows from noncapital financing activities:</b>									
Transfers received	-	-	-	6	-	-	-	-	6
Taxes	-	55	-	-	182	-	-	-	237
Intergovernmental	-	-	532	10,795	-	3	691	18	12,039
Other	-	-	42	85	-	-	-	-	127
Net cash provided by noncapital financing activities	-	55	574	10,886	182	3	691	18	12,409
<b>Cash flows from capital and related financing activities:</b>									
Proceeds from long term borrowings	-	2,828	-	-	-	-	-	-	2,828
Capital contributions	-	66	-	1,857	51	493	882	-	3,349
Utility Grants	-	2,206	-	-	-	-	-	-	2,206
Received from other funds	-	-	-	-	-	-	1,383	-	1,383
Proceeds from sale of capital assets	-	1	-	-	-	-	-	-	1
Acquisition and construction of capital assets	-	(5,148)	(882)	(1,857)	(478)	(213)	(2,284)	(26)	(10,888)
Interest paid	(300)	(30)	(155)	-	(215)	(134)	-	(86)	(920)
Receipts from passenger facility charges	-	-	95	-	-	-	-	-	95
Repayments to other funds	-	-	-	-	(66)	-	-	-	(66)
Principal paid on advances from other governments	-	(140)	(307)	-	(156)	-	-	(133)	(736)
Principal paid on bonds and certificates	-	-	-	-	(165)	(110)	(1)	-	(276)
Net cash provided by (used in) capital and related financing activities	(300)	(217)	(1,249)	-	(1,029)	36	(20)	(245)	(3,024)
<b>Cash flows from investing activities:</b>									
Interest received on investments	292	167	43	147	192	245	10	63	1,159
Net increase (decrease) in cash and cash equivalents	(1,601)	(606)	(675)	(293)	223	1,459	193	39	(1,261)
Cash and cash equivalents, beginning of year	6,705	5,477	844	2,572	4,251	4,964	46	1,639	26,498
Cash and cash equivalents, end of year	\$ 5,104	\$ 4,871	\$ 169	\$ 2,279	\$ 4,474	\$ 6,423	\$ 239	\$ 1,678	\$ 25,237
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>									
Operating income (loss)	\$ 436	\$ (1,094)	\$ (738)	\$ (13,215)	\$ (112)	\$ 894	\$ (579)	\$ 59	\$ (14,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Depreciation and amortization	126	896	709	2,374	1,027	255	45	150	5,582
Changes in operating assets and liabilities:									
Decrease (increase) in:									
Accounts receivable	(1,091)	(270)	(92)	158	(67)	(86)	2	(7)	(1,453)
Inventories	-	(13)	-	(40)	-	-	-	-	(53)
Prepaid items, deposits and other	-	(25)	-	-	46	-	1	-	22
Increase (decrease) in:									
Accounts payable	(141)	(131)	69	(597)	(16)	112	43	1	(660)
Deposits from others	-	-	(3)	-	-	-	-	-	(3)
Compensated absences	-	26	12	-	-	-	-	-	38
Unearned revenue	(76)	-	-	(6)	-	-	-	-	(82)
Long-term post retirement benefits	(847)	-	-	-	-	-	-	-	(847)
Net cash provided by (used in) operating activities	\$ (1,593)	\$ (611)	\$ (43)	\$ (11,326)	\$ 878	\$ 1,175	\$ (488)	\$ 203	\$ (11,805)
<b>Reconciliation of cash and cash equivalents to the Statement of net assets:</b>									
Cash and investments	\$ 5,104	\$ 3,727	\$ 52	\$ 1,709	\$ 3,851	\$ 5,443	\$ 238	\$ 1,678	\$ 21,802
Restricted cash and investments	-	1,144	117	570	623	980	1	-	3,435
Total cash and cash equivalents	\$ 5,104	\$ 4,871	\$ 169	\$ 2,279	\$ 4,474	\$ 6,423	\$ 239	\$ 1,678	\$ 25,237
<b>Noncash investing, capital and financing activities:</b>									
Acquisition of equipment on account	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 11	\$ 21	\$ -	\$ 49
Capital contributions received on prior year receivable	-	-	-	-	16	336	-	-	352
Capital contributions due from other governments	-	-	-	-	-	-	1,820	-	1,820

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# INTERNAL SERVICE FUNDS

These funds are established to account for services furnished to the County and various other governmental agencies. They are exempt from legal compliance for budgetary control and follow commercial accounting principles for a determination of operating, rather than budgetary, results. Their major source of revenue consists of charges to user departments for services rendered. These charges are based upon standard rates calculated on an estimated cost recovery basis. A more detailed description of the funds established and used by the County follows:

## INSURANCE

This fund was established to account for the operations of the County's self-insurance programs, which cover general liability, medical malpractice, workers' compensation, health, and unemployment insurance.

## HEAVY EQUIPMENT REPLACEMENT

This fund was established for the dual purposes of (1) paying General Services Fleet Operations for the cost of heavy equipment maintenance and operations based on usage, and (2) accumulating funds for the future replacement of heavy equipment. Revenue is primarily derived from equipment rental charges to the Road Department, which utilizes the heavy equipment.

## WATER AGENCY

This fund was established to allow for the full utilization of fleet vehicles and equipment and to record facilities costs by Flood Control, Sanitation, and Water Transmission operations. Costs associated with vehicle and equipment maintenance and operation along with facilities costs are charged out to the various divisions of the Water Agency, based on usage.

**COUNTY OF SONOMA, CALIFORNIA**  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2008

	Insurance	Heavy Equipment Replacement	Water Agency	Total
<b>ASSETS:</b>				
Current assets:				
Cash and investments	\$ 72,260	\$ 1,504	\$ 9,608	\$ 83,372
Cash and investments with trustee	1,250	-	-	1,250
Accounts receivable	-	-	113	113
Due from other governments	1,370	8	-	1,378
Other assets	-	-	438	438
<b>Total current assets</b>	<b>74,880</b>	<b>1,512</b>	<b>10,159</b>	<b>86,551</b>
Noncurrent assets:				
Restricted cash	-	-	682	682
Capital assets:				
Nondepreciable	-	-	2,816	2,816
Depreciable, net	15	3,592	30,891	34,498
<b>Total noncurrent assets</b>	<b>15</b>	<b>3,592</b>	<b>34,389</b>	<b>37,996</b>
<b>Total assets</b>	<b>74,895</b>	<b>5,104</b>	<b>44,548</b>	<b>124,547</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	1,956	104	172	2,232
Self-funded insurance	13,826	-	-	13,826
Current liabilities payable from restricted assets:				
Interest payable	-	-	112	112
Capital leases	-	-	682	682
<b>Total current liabilities</b>	<b>15,782</b>	<b>104</b>	<b>966</b>	<b>16,852</b>
Noncurrent portion of long-term liabilities:				
Self-funded insurance	29,320	-	-	29,320
Advances from other governments	-	-	5,085	5,085
Advances from other funds	-	-	1,078	1,078
Capital leases	-	-	10,408	10,408
<b>Total noncurrent liabilities</b>	<b>29,320</b>	<b>-</b>	<b>16,571</b>	<b>45,891</b>
<b>Total liabilities</b>	<b>45,102</b>	<b>104</b>	<b>17,537</b>	<b>62,743</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	15	3,592	17,532	21,139
Restricted for debt service	-	-	570	570
Unrestricted	29,778	1,408	8,909	40,095
<b>Total net assets</b>	<b>\$ 29,793</b>	<b>\$ 5,000</b>	<b>\$ 27,011</b>	<b>\$ 61,804</b>

**COUNTY OF SONOMA, CALIFORNIA**  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	Water Agency	Total
Operating revenues:				
Charges for services	\$ 48,723	\$ 2,341	\$ 11,967	\$ 63,031
Operating expenses:				
Services and supplies	9,023	2,328	8,280	19,631
Salaries and employee benefits	2,378	-	-	2,378
Claims expenses	32,393	-	-	32,393
Depreciation	-	558	1,433	1,991
Total operating expenses	43,794	2,886	9,713	56,393
Operating income (loss)	4,929	(545)	2,254	6,638
Nonoperating revenues (expenses):				
Investment income	2,894	62	361	3,317
Interest expense	-	-	(787)	(787)
Miscellaneous	252	149	-	401
Gain on sale of fixed assets	-	45	30	75
Total nonoperating revenues (expenses)	3,146	256	(396)	3,006
Income (loss) before transfers	8,075	(289)	1,858	9,644
Transfers in	17	-	4,534	4,551
Transfers out	(5)	-	-	(5)
Change in net assets	8,087	(289)	6,392	14,190
Net assets (deficit), beginning of year	21,706	5,289	20,619	47,614
Net assets (deficit), end of year	\$ 29,793	\$ 5,000	\$ 27,011	\$ 61,804

**COUNTY OF SONOMA, CALIFORNIA**  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2008  
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	Water Agency	Total
Cash flows from operating activities:				
Cash receipts from interfund services provided	\$ 50,754	\$ 2,343	\$ 11,866	\$ 64,963
Cash receipts from other sources	252	149	-	401
Cash paid to suppliers for goods and services	(44,909)	(2,264)	(7,453)	(54,626)
Cash paid to employees for services	(2,378)	-	-	(2,378)
Cash paid for interfund services used	-	-	(1,226)	(1,226)
Net cash provided by operating activities	<u>3,719</u>	<u>228</u>	<u>3,187</u>	<u>7,134</u>
Cash flows from noncapital financing activities:				
Transfers received	17	-	-	17
Transfers paid	(5)	-	-	(5)
Net cash provided by noncapital financing activities	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	45	17	62
Acquisition and construction of capital assets	-	(357)	(416)	(773)
Principal paid on capital leases	-	-	(675)	(675)
Proceeds from interfund borrowings	-	-	1,000	1,000
Interest paid	-	-	(1,232)	(1,232)
Net cash used in capital and related financing activities	<u>-</u>	<u>(312)</u>	<u>(1,306)</u>	<u>(1,618)</u>
Cash flows from investing activities:				
Repayment on advances to other funds - Principal	-	-	132	132
Repayment on advances to other funds - interest	-	-	17	17
Interest received on investments	2,894	62	344	3,300
Net cash provided by investing activities	<u>2,894</u>	<u>62</u>	<u>493</u>	<u>3,449</u>
Net increase (decrease) in cash and cash equivalents	6,625	(22)	2,374	8,977
Cash and cash equivalents, beginning of year	66,885	1,526	7,916	76,327
Cash and cash equivalents, end of year	<u>\$ 73,510</u>	<u>\$ 1,504</u>	<u>\$ 10,290</u>	<u>\$ 85,304</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 4,929	\$ (545)	\$ 2,254	\$ 6,638
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	558	1,433	1,991
Miscellaneous nonoperating revenues	252	149	-	401
Changes in operating assets and liabilities:				
Increase in:				
Accounts receivable	2,031	2	(100)	1,933
Prepays	-	-	(429)	(429)
Increase (decrease) in:				
Accounts payable	(2,715)	64	29	(2,622)
Self-funded insurance	(778)	-	-	(778)
Net cash provided by operating activities	<u>\$ 3,719</u>	<u>\$ 228</u>	<u>\$ 3,187</u>	<u>\$ 7,134</u>
Statement of Net Assets:				
Cash and investments	\$ 72,260	\$ 1,504	\$ 9,608	\$ 83,372
Cash and investments with trustee	1,250	-	-	1,250
Restricted cash	-	-	682	682
Total cash and cash equivalents	<u>\$ 73,510</u>	<u>\$ 1,504</u>	<u>\$ 10,290</u>	<u>\$ 85,304</u>
Noncash investing, capital and financing activities:				
Acquisition of equipment on account	\$ -	\$ -	\$ 29	\$ 29
Transfer of capital assets	-	-	12,603	12,603
Transfer of outstanding capital lease obligation	-	-	(2,573)	(2,573)
Advances from other funds in exchange for capital assets	-	-	(5,496)	(5,496)

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# AGENCY FUND

This fund accounts for assets held by the County as an agent for various local governments and individuals.

**COUNTY OF SONOMA, CALIFORNIA**  
 Agency Fund  
 Statement of Changes in Fiduciary Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2008  
 (Dollars in Thousands)

	Balance, June 30, 2007	Additions	Deletions	Balance, June 30, 2008
<b>ASSETS:</b>				
Cash and investments	\$ 6,377	\$ 1,417,887	\$ (1,254,944)	\$ 169,320
Receivables:				
Taxes	26,006	58,928	(44,386)	40,548
Interest and other	10,107	58,387	(60,145)	8,349
Total assets	<u>\$ 42,490</u>	<u>\$ 1,535,202</u>	<u>\$ (1,359,475)</u>	<u>\$ 218,217</u>
<b>LIABILITIES:</b>				
Advances from other funds	\$ 2,924	\$ -	\$ -	\$ 2,924
Due to other agencies	39,566	1,535,201	(1,359,474)	215,293
Total liabilities	<u>\$ 42,490</u>	<u>\$ 1,535,201</u>	<u>\$ (1,359,474)</u>	<u>\$ 218,217</u>

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# STATISTICAL SECTION



# STATISTICAL SECTION

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

## CONTENTS

	<b>Pages</b>
<b>Financial Trends</b>	
This segment contains trend information to help the reader understand how the County's financial performance and well-being have change over time.	<b>114-119</b>
<b>Revenue Capacity</b>	
This segment contains information to help the reader assess the County's most significant local revenue source, the property tax.	<b>120-123</b>
<b>Debt Capacity</b>	
This segment contains information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	<b>124-126</b>
<b>Economic and Demographic Information</b>	
This segment contains demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	<b>127-128</b>
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	<b>129-131</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**COUNTY OF SONOMA, CA**  
Net Assets By Category (Unaudited)  
Last Seven Fiscal Years (In Thousands)  
(Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 423,679	\$ 466,396	\$ 499,356	\$ 564,178	\$ 602,520	\$ 649,596	\$ 638,123
Restricted	167,002	185,151	164,003	244,788	260,435	264,793	239,285
Unrestricted	129,805	(88,420)	122,587	30,488	21,361	4,950	47,391
Total governmental activities net assets	<u>\$ 720,486</u>	<u>\$ 563,127</u>	<u>\$ 785,946</u>	<u>\$ 839,454</u>	<u>\$ 884,316</u>	<u>\$ 919,339</u>	<u>\$ 924,799</u>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 263,852	\$ 272,563	\$ 295,706	\$ 304,577	\$ 321,115	\$ 320,253	\$ 310,006
Restricted	7,785	21,309	23,413	21,060	20,257	14,244	16,585
Unrestricted	79,831	75,253	70,672	63,779	(19,328)	(19,681)	(10,229)
Total business-type activities net assets	<u>\$ 351,468</u>	<u>\$ 369,125</u>	<u>\$ 389,791</u>	<u>\$ 389,416</u>	<u>\$ 322,044</u>	<u>\$ 314,816</u>	<u>\$ 316,362</u>
<b>Total government</b>							
Invested in capital assets, net of related debt	\$ 687,531	\$ 738,959	\$ 795,062	\$ 868,755	\$ 923,635	\$ 969,849	\$ 948,129
Restricted	174,787	206,460	187,416	265,848	280,692	279,037	255,870
Unrestricted	209,636	(13,167)	193,259	94,267	2,033	(14,731)	37,162
Total government net assets	<u>\$ 1,071,954</u>	<u>\$ 932,252</u>	<u>\$ 1,175,737</u>	<u>\$ 1,228,870</u>	<u>\$ 1,206,360</u>	<u>\$ 1,234,155</u>	<u>\$ 1,241,161</u>

**Notes:**

- (1) Trend information is available only for the last seven fiscal years due to the implementation of GASB 34.
- (2) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Expenses By Function (Unaudited)  
Last Seven Fiscal Years (In thousands)  
(Accrual Basis of Accounting)

Expenses	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Governmental activities							
General government	\$ 73,660	\$ 104,417	\$ 79,812	\$ 79,721	\$ 83,541	\$ 94,498	99,168
Public safety	185,087	273,730	217,451	223,824	240,852	247,425	259,154
Public ways and facilities	27,926	30,737	29,751	31,825	32,698	48,129	50,542
Health and sanitation	95,028	151,081	105,196	111,054	115,700	124,455	129,519
Public assistance	142,953	196,984	168,622	173,700	176,642	190,649	216,274
Education	10,533	11,927	12,879	13,819	14,847	15,681	19,148
Culture and recreation	8,920	14,732	10,998	11,161	12,529	14,096	15,944
Interest on long-term debt	15,415	11,970	26,977	28,600	38,772	31,912	31,016
Total governmental activities expenses	<u>\$ 559,522</u>	<u>\$ 795,578</u>	<u>\$ 651,686</u>	<u>\$ 673,704</u>	<u>\$ 715,581</u>	<u>\$ 766,845</u>	<u>\$ 820,765</u>
Business-type activities							
Refuse	\$ 32,195	\$ 27,225	\$ 31,248	\$ 33,630	\$ 114,814	\$ 43,712	40,407
Spud Point Marina	1,352	1,426	1,881	1,976	2,460	1,957	2,115
Water Agency	25,345	28,460	35,964	34,263	31,491	40,616	52,086
Sonoma Valley County Sanitation District	12,488	12,313	12,963	12,769	7,688	9,055	10,027
Other business-type activities	20,930	24,011	27,631	25,746	32,192	34,947	37,948
Total business-type activities expenses	<u>\$ 92,310</u>	<u>\$ 93,435</u>	<u>\$ 109,687</u>	<u>\$ 108,384</u>	<u>\$ 188,645</u>	<u>\$ 130,287</u>	<u>\$ 142,583</u>
Total primary government	<u>\$ 651,832</u>	<u>\$ 889,013</u>	<u>\$ 761,373</u>	<u>\$ 782,088</u>	<u>\$ 904,226</u>	<u>\$ 897,132</u>	<u>\$ 963,348</u>

**Notes:**

(1) Trend data is available only for the last seven fiscal years due to the implementation of GASB 34.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CA**  
Changes in Net Assets (Unaudited)  
Last Seven Fiscal Years (In Thousands)  
(Accrual Basis of Accounting)

	<b>Fiscal Year</b>						
	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
<b>Program Revenue</b>							
<i>Governmental Activities</i>							
Charges for services							
General government	\$ 33,061	\$ 30,646	\$ 38,198	\$ 45,465	\$ 40,571	\$ 59,522	\$ 52,920
Public protection	38,735	35,846	38,653	43,433	41,868	53,054	53,080
Public ways and facilities	6,140	6,053	7,665	8,639	11,407	8,503	5,404
Health and sanitation	16,661	17,208	16,678	18,592	19,374	16,749	11,937
Public assistance	2,823	3,473	7,285	3,847	2,299	8,078	2,176
Education	606	604	781	743	661	674	1,056
Recreation and cultural services	3,975	5,000	5,388	5,534	5,985	4,387	3,573
Total Charges for services	102,001	98,830	114,648	126,253	122,165	150,967	130,146
Operating grants and contributions	288,581	293,178	305,981	323,643	342,370	318,315	357,581
Capital Grants and contributions	6,204	3,126	22,753	40,175	46,087	27,821	18,063
Total governmental activities program revenues	396,786	395,134	443,382	490,071	510,622	497,103	505,790
 <i>Business - type activities</i>							
Charges for services							
Refuse	30,266	31,532	33,504	33,645	32,226	35,252	34,234
Spud Point Marina	1,311	1,259	1,382	1,514	1,538	1,729	1,928
Water Agency	27,233	29,720	31,380	29,637	32,254	40,414	45,742
Sonoma Valley County Sanitation District	11,245	12,369	14,115	12,769	8,997	9,223	9,570
Other business-type activities	12,772	12,938	13,542	25,746	20,263	20,387	22,933
Total Charges for services	82,827	87,818	93,923	103,311	95,278	107,005	114,407
Operating grants and contributions	7,727	301,147	9,588	12,179	12,092	19,398	16,263
Capital Grants and contributions	6,184	10,766	5,898	5,322	3,022	7,215	5,683
Total business - type activities program revenues	96,738	399,731	109,409	120,812	110,392	133,618	136,353
Total primary government program revenues	\$ 493,524	\$ 794,865	\$ 552,791	\$ 610,883	\$ 621,014	\$ 630,721	\$ 642,143
 <b>Net (Expense) Revenue</b>							
Governmental activities	\$ (162,736)	\$ (400,474)	\$ (208,304)	\$ (186,082)	\$ (204,959)	\$ (269,742)	\$ (314,975)
Business - type activities	4,428	9,992	(278)	1,861	(76,435)	3,331	(6,230)
Total primary government net expenses:	\$ (158,308)	\$ (390,482)	\$ (208,582)	\$ (184,221)	\$ (281,394)	\$ (266,411)	\$ (321,205)

**Notes:**

(1) Trend data is available only for the last seven fiscal years due to the implementation of GASB 34.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Net Expense By Function (Unaudited)  
Last Seven Fiscal Years (In thousands)  
(Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>Net (expense) revenue</b>							
Governmental activities	\$ (162,736)	\$ (400,474)	\$ (208,304)	\$ (183,633)	\$ (204,959)	\$ (269,742)	\$ (314,975)
Business-type activities	4,428	9,992	(278)	2,019	(76,435)	3,331	(6,230)
Total primary government net expense	<u>(158,308)</u>	<u>(390,482)</u>	<u>(208,582)</u>	<u>(181,614)</u>	<u>(281,394)</u>	<u>(266,411)</u>	<u>(321,205)</u>
General Revenues and Other Changes in Net Assets:							
<b>Governmental activities:</b>							
Taxes							
Property	120,041	134,818	177,501	181,882	214,908	234,022	250,770
Documentary transfer	4,539	5,190	6,313	7,312	7,765	10,844	3,867
Transit occupancy	5,565	5,422	5,268	5,551	6,206	1,791	1,997
Sales tax in-lieu	-	-	-	2,900	-	-	-
Grants and other governmental revenues not restricted to specific programs	62,963	85,877	24,432	24,569	14,258	37,034	19,209
Unrestricted investment earnings	20,473	20,877	3,830	15,317	9,515	25,523	37,044
Gain on sale of capital assets	-	-	-	-	-	-	45
Other	10,144	2,008	5,083	816	552	3,127	17,870
Special item	65,837	-	-	-	-	-	-
Transfers	(2,500)	(2,803)	(3,453)	(1,151)	(3,507)	(5,055)	(2,343)
Total governmental activities	<u>287,062</u>	<u>251,389</u>	<u>218,974</u>	<u>237,196</u>	<u>249,697</u>	<u>307,286</u>	<u>328,459</u>
<b>Business-type activities</b>							
Taxes							
Property	204	266	269	300	300	272	295
Unrestricted investment earnings	5,222	4,432	2,112	2,835	4,550	5,864	5,057
Gain on sale of capital assets	-	-	-	-	-	1,201	81
Other	-	-	-	-	830	-	-
Special item							
Dissolution of Graton Sanitation Zone	-	-	-	(2,820)	-	-	-
Dissolution of Forestville Sanitation District	-	-	-	(3,862)	-	-	-
Forgiveness of debt	-	-	-	-	-	7,753	-
Transfers	2,500	2,803	3,453	1,151	3,507	5,055	2,343
Total business-type activities	<u>7,926</u>	<u>7,501</u>	<u>5,834</u>	<u>(2,396)</u>	<u>9,187</u>	<u>20,145</u>	<u>7,776</u>
Total primary government	<u>\$ 294,988</u>	<u>\$ 258,890</u>	<u>\$ 224,808</u>	<u>\$ 234,800</u>	<u>\$ 258,884</u>	<u>\$ 327,431</u>	<u>\$ 336,235</u>
<b>Changes in Net Assets:</b>							
Governmental activities	124,326	(149,085)	10,670	53,563	44,738	37,544	13,484
Business-type activities	12,718	17,675	5,556	(377)	(67,248)	23,476	1,546
Total primary government	<u>\$ 137,044</u>	<u>\$ (131,410)</u>	<u>\$ 16,226</u>	<u>\$ 53,186</u>	<u>\$ (22,510)</u>	<u>\$ 61,020</u>	<u>\$ 15,030</u>

**Notes:**

(1) Trend Date is available only for the last seven fiscal years due to the implementation of GASB 34.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
**Fund Balances of Governmental Funds (Unaudited)**  
**Last Seven Fiscal Years (In thousands)**  
**(Modified Accrual Basis of Accounting)**

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
<b>General Fund</b>							
Reserved for:							
Encumbrances	\$ 8,759	\$ 4,260	\$ 4,826	\$ 5,140	\$ 5,284	\$ 4,393	\$ 3,146
Other Purposes	18,309	17,715	34,633	38,398	34,803	33,658	28,865
Unreserved:							
Designated	15,496	12,884	7,050	22,728	-	-	35,289
Undesignated	56,106	56,492	55,040	49,634	69,740	75,215	54,565
Total General Fund	<u>98,670</u>	<u>91,351</u>	<u>101,549</u>	<u>115,900</u>	<u>109,827</u>	<u>113,266</u>	<u>121,865</u>
<b>All Other Governmental Funds:</b>							
Reserved for:							
Encumbrances	20,568	45,565	45,421	16,560	23,512	23,814	19,740
Inventories	726	677	681	683	704	696	723
Long-term advances	613	1,368	1,620	250	-	-	1,042
Prepaid items and deposits	281	145	155	692	679	539	1,949
Debt service	73,926	82,055	91,123	93,189	89,270	90,161	107,748
Library programs	438	147	147	147	-	-	-
Unreserved, Reported in:							
Special Revenue Funds	144,223	161,748	160,904	168,199	176,176	190,584	233,840
Capital Projects Funds	60,089	20,134	12,288	23,610	31,097	16,749	15,846
Total Other Governmental Funds	<u>300,864</u>	<u>311,839</u>	<u>312,339</u>	<u>303,330</u>	<u>321,438</u>	<u>322,543</u>	<u>380,888</u>
	<u>\$ 399,534</u>	<u>\$ 403,190</u>	<u>\$ 413,888</u>	<u>\$ 419,230</u>	<u>\$ 431,265</u>	<u>\$ 435,809</u>	<u>\$ 502,753</u>

**Notes:**

(1) Reliable trend data is available only for the last seven fiscal years.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Changes in Fund Balances of Governmental Funds (Unaudited)  
Last Seven Fiscal Years (In thousands)  
(Modified Accrual Basis of Accounting)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Revenues (by source):</b>							
Taxes	\$ 139,442	\$ 151,068	\$ 160,088	\$ 198,566	\$ 227,021	\$ 249,548	\$ 260,652
Licenses, permits and franchise fees	13,248	13,045	15,172	16,945	17,302	18,243	18,463
Fines, forfeitures and penalties	9,412	8,846	10,848	11,526	11,147	11,922	11,674
Use of money and property	23,196	27,269	11,001	23,737	19,272	30,102	35,013
Intergovernmental	340,632	339,061	340,631	349,320	378,220	394,182	386,417
Charges for services	60,767	64,253	78,526	85,326	83,187	86,122	83,100
Other	12,481	11,939	17,822	19,998	22,886	21,529	23,006
Total revenues	599,178	615,481	634,088	705,418	759,035	811,648	818,325
<b>Expenditures (by function):</b>							
Current:							
General government	66,107	95,589	76,274	68,592	75,294	80,883	86,741
Public protection	178,559	267,610	187,868	209,273	227,516	242,532	236,146
Public ways and facilities	18,999	21,492	20,050	20,751	25,604	27,942	25,054
Health and sanitation	93,294	149,758	100,225	108,048	113,506	121,009	130,099
Public assistance	137,539	195,751	162,792	169,933	181,370	186,830	201,745
Education	10,293	11,792	12,697	13,639	14,813	15,651	16,752
Recreation and cultural services	8,184	14,010	10,069	10,266	11,630	13,016	14,270
Capital outlay	51,488	40,678	50,373	59,813	98,770	65,132	50,179
Debt service:							
Principal	9,184	9,157	11,822	14,458	19,170	23,253	57,948
Bond issuance cost	-	2,215	116	-	1,529	3,308	-
Refunded bond escrow	-	1,956	-	-	6,080	-	-
Interest	15,446	11,975	29,054	31,232	28,886	28,779	34,801
Total expenditures	589,093	821,983	661,340	706,005	804,168	808,335	853,735
Excess (deficiency) of revenues over (under) expenditures	10,085	(206,502)	(27,252)	(587)	(45,133)	3,313	(35,410)
<b>Other financing sources (uses):</b>							
Transfers in	54,239	46,363	53,337	54,021	77,265	58,047	213,115
Transfers out	(56,802)	(49,153)	(56,825)	(54,660)	(81,257)	(63,268)	(215,470)
Proceeds of refunding certificates of participation	1,555	-	19,366	-	-	-	-
Long-term debt issuance	4,946	226,286	28,372	6,644	125,575	6,213	99,957
Payment to refunded bond escrow agent	-	(14,095)	(16,862)	-	(61,849)	-	-
Discount on long term debt issuance	-	-	-	-	(2,576)	239	-
Premium on long term debt issuance	-	-	-	-	-	-	4,752
Capital lease financing	-	757	-	-	-	-	-
Total other financing sources and uses	3,938	210,158	27,388	6,005	57,158	1,231	102,354
Special item - tobacco settlements	65,837	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	79,860	3,656	136	5,418	12,025	4,544	66,944
Fund balances, beginning of year, as restated	319,674	399,534	413,752	413,832	419,240	431,265	435,809
<b>FUND BALANCES, END OF YEAR</b>	\$ 399,534	\$ 403,190	\$ 413,888	\$ 419,250	\$ 431,265	\$ 435,809	\$ 502,753
Debt service as a percentage of noncapital expenditures	4.58%	2.72%	6.69%	7.07%	6.89%	7.03%	11.54%

**Notes:**

- (1) Reliable trend data is available only for the last seven fiscal years.
- (2) By State Controller function.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
 Assessed Value of Taxable Property (Unaudited)  
 Last Seven Fiscal Years (Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>(2) Secured</u>	<u>(3) Unsecured</u>	<u>(4) Exempt</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2001-02	\$ 39,964,717	\$ 2,024,295	\$ (1,460,334)	\$ 40,528,678	1.00%
2002-03	43,690,124	2,148,241	(1,519,467)	44,318,898	1.00%
2003-04	47,083,924	2,213,111	(1,577,877)	47,719,158	1.00%
2004-05	51,543,743	2,243,581	(1,688,458)	52,098,866	1.00%
2005-06	55,940,931	2,293,079	(1,746,079)	56,487,931	1.00%
2006-07	61,859,643	2,445,351	(1,881,427)	62,423,567	1.00%
2007-08	63,025,727	2,351,474	(2,012,498)	63,364,703	1.00%

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) Secured property is generally real property, defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (3) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (4) Exempt properties include numerous full and partial exclusions/ exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.
- (5) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13) the County does not track the estimated actual value of all County properties. Under Prop 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Property Tax Rates - Direct and Overlapping Governments (Unaudited)  
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>County Direct Rates</u>		<u>Overlapping Rates</u>		<u>Total</u>
	<u>Sonoma County General</u>		<u>Cities (2)</u>	<u>Schools (3)</u>	
<b>2001 - 2002</b>	1.00000 %		0.00000 %	0.04468 %	1.04468 %
<b>2002 - 2003</b>	1.00000		0.06050	0.03570	1.09620
<b>2003 - 2004</b>	1.00000		0.05203	0.03038	1.08241
<b>2004 - 2005</b>	1.00000		0.05557	0.03225	1.08782
<b>2005 - 2006</b>	1.00000		0.03917	0.02901	1.06818
<b>2006 - 2007</b>	1.00000		0.05400	0.02900	1.08300
<b>2007 - 2008</b>	1.00000		0.07250	0.02729	1.09979

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) Rates shown represent a weighted average of the nine incorporated cities within the County of Sonoma for fiscal year ending 2002-2003 and thereafter.
- (3) Rates shown represent a weighted average of the various school district tax rate areas within the County Sonoma.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**

Principal Revenue Taxpayers (Unaudited)

June 30, 2008 and June 30 2002

(Dollar amounts in thousands)

**June 30, 2008:**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Taxes</u>	<u>(2) Percentage of Total County Taxes</u>
Geysers Power	Utility	\$ 7,754	0.00%
Pacific Gas and Electric Co.	Utility	6,728	0.00%
Pacific Bell	Utility	1,932	
Agilent Technologies	Technology	1,859	0.00%
	Commercial Real		
SC Sonoma Development LLC	Estate	921	0.00%
Constellation Wines US Inc	Winery	912	0.00%
	Commercial Real		
SMI Real Estate LLC	Estate	903	0.00%
	Real Estate		
Quarry Heights LLC	Development	857	0.00%
	Commercial Real		
EMI Santa Rosa LTD	Estate	790	0.00%
	Commercial Real		
Carinalli Clement C & Ann Marie	Estate	785	0.00%
<b>Total</b>		<u>23,441</u>	
<b>Total taxes of all Taxpayers</b>		<u>801,148</u>	

**June 30, 2002:**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>(1) Total Taxes</u>	<u>Percentage of Total County Taxes</u>
Geysers Power	Utility	\$ 7,916	1.55%
Agilent Technologies	Technology	3,927	0.77%
Pacific Gas and Electric Co.	Utility	3,995	0.78%
Pacific Bell	Utility	2,776	0.54%
Optical Coating	Technology	1,010	0.20%
	Commercial Real		
Codding Enterprises	Estate	986	0.19%
Jackson Family Estates	Winery	955	0.19%
	Commercial Real		
Crescent Real Estate Fund VIII LP	Estate	886	0.17%
	Commercial Real		
Redwood Business Park	Estate	730	0.14%
	Commercial Real		
EMI Santa Rosa LTD Partnership	Estate	707	0.14%
<b>Total</b>		<u>\$ 23,888</u>	
<b>Total taxes of all taxpayers</b>		<u>\$ 510,886</u>	

**Notes:**

(1) Reliable data is available only for fiscal year 2002.

(2) Taxable Assessed Secured amounts.

(3) See Assessed Value of Taxable Property. The June 30, 2008 total is based on secured \$63,025,727

less exemptions of \$2,012,498. The June 30, 2002 total is based on secured \$39,964,717 less

exemptions of \$1,460,334.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Property Tax Levies & Collections (Unaudited)  
Last Seven Fiscal Years (In thousands)

<u>Fiscal Year</u>	<u>(2)</u>		<u>(3)</u>		<u>Total Collections to Date</u>	
	<u>Taxes Levied</u>	<u>Amount</u>	<u>% of Levy</u>	<u>Collections in Subsequent Years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2001-02	\$ 405,287	\$ 397,181	98%	\$ 8,106	\$ 405,287	100%
2002-03	443,189	434,326	98%	8,863	443,189	100%
2003-04	477,189	469,554	98%	7,635	477,189	100%
2004-05	520,989	512,132	98%	8,857	520,989	100%
2005-06	564,879	551,322	98%	13,557	564,879	100%
2006-07	624,236	606,133	97%	18,103	624,236	100%
2007-08	673,897	646,267	96%	27,630	673,897	100%

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) Secured tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.
- (3) Included are amounts collected by the County on behalf of itself, school districts, cities, and special districts under the supervision of their own governing boards.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
**Ratios of Outstanding Debt (Unaudited)**  
**Last Seven Fiscal Years (In thousands)**

<b>Governmental Activities</b>									
<b>Fiscal Year</b>	Certificates of Participation	Long- Term Contract Payable	Pension Obligation Bonds	Loans Payable	Notes Payable	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Subtotal
2001-02	\$ 40,470	\$ 115,321	\$ 87,300	\$ -	\$ 450	\$ 2,575	\$ 9,103	\$ 6,033	\$ 261,252
2002-03	37,665	115,785	294,085	-	400	2,460	7,507	5,713	463,615
2003-04	43,420	116,264	311,020	63,965	1,032	2,335	5,871	4,656	548,563
2004-05	40,840	116,758	304,525	62,205	5,915	2,200	4,611	3,695	540,749
2005-06	37,645	117,268	296,535	83,060	1,000	2,050	8,815	2,960	549,333
2006-07	34,130	114,764	286,925	82,150	950	1,890	8,072	2,449	531,330
2007-08	33,236	112,180	275,540	80,950	900	98,600	6,693	2,058	610,157

<b>Business-Type Activities</b>								
<b>Fiscal Year</b>	Certificates of Participation	Sewer Bonds	Water Bonds	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income	Per Capita
2001-02	\$ 17,941	\$ 26,810	\$ 9,043	\$ 1,329	\$ 55,123	\$ 316,375	1.82%	\$ 675
2002-03	16,325	26,050	22,669	2,379	67,423	531,038	2.86%	1,125
2003-04	14,470	25,250	22,347	10,406	72,473	621,036	3.14%	1,307
2004-05	13,427	24,419	21,687	10,559	70,092	610,841	2.91%	1,281
2005-06	12,315	21,716	21,569	12,726	68,326	617,659	2.78%	1,292
2006-07	11,170	21,966	32,339	12,191	77,666	608,996	2.58%	1,263
2007-08	10,095	20,944	31,779	11,267	74,085	684,242	2.89%	1,420

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) See the "Assessed Value of Taxable Property and Actual Value of Property" table for total taxable assessed value. Assessed value does not include tax exempt property.
- (3) See the "Demographic and Economic Statistics" table for population figures. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
 Computation of Legal Debt Margin (Unaudited)  
 Last Seven Fiscal Years (Dollar amounts in thousands)

<b>Fiscal Year</b>	<b>(2) Assessed Value</b>	<b>(3) Legal Debt Limit</b>	<b>Debt Applicable to Limit</b>	<b>(4) Legal Debt Margin</b>	<b>Legal Debt Margin/Debt Limit</b>
2001-02	\$ 40,528,678	\$ 810,574	\$ 23,924	\$ 786,650	97%
2002-03	44,318,898	886,378	20,906	865,472	98%
2003-04	47,719,158	954,377	18,129	936,248	98%
2004-05	52,098,866	1,041,977	21,941	1,020,036	98%
2005-06	56,487,931	1,129,759	24,997	1,104,762	98%
2006-07	62,423,567	1,248,471	22,592	1,225,879	98%
2007-08	63,364,703	1,267,294	20,345	1,246,949	98%

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property" schedule.
- (3) The legal debt limit is 2.00% of Full Cash Value.
- (4) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Schedule of Direct And Overlapping Debt (Unaudited)  
Fiscal Year 2007-08

**2007-08 Assessed Valuation:** \$ **63,364,703**

<u>Overlapping Tax and Assessment Debt</u>	<u>Net Bonded Debt Outstanding (In thousands) (3)</u>	<u>Percentage Applicable to Sonoma County</u>
High School Districts	\$ 212,828	100%
Unified School Districts	199,052	100%
Elementary Districts	143,213	100%
Santa Rosa Junior College	215,568	100%
<b>Total Overlapping Tax and Assessment Debt</b>	<b>\$ 770,661</b>	

<u>Direct and Overlapping General Fund Obligation Debt</u>	<u>Net Bonded Debt Outstanding (In thousands)</u>	<u>Percentage Applicable to Sonoma County</u>
Sonoma County 1915 Act Bonds	\$ 20,345	100%
<b>Total Direct and Overlapping General Fund Obligation Debt</b>	<b>\$ 20,345</b>	
<b>Gross Combined Total Debt</b>	<b>\$ 791,006</b> (2)	

**Ratio of 2007-08 Assessed Valuation**  
**Total Overlapping Tax and Assessment Debt** 1.22%

**Ratio to Adjusted Assessed Valuation:**  
**Gross Combined Total Debt** 1.25%

**Notes:**

- (1) Excludes tax and revenue anticipation notes.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, tax allocation bonds, non bonded capital lease obligations and state contracted obligations within the Department of Water Resources.
- (3) Debt as of June 30, 2008.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
Demographics and Economic Statistics (Unaudited)  
Last Seven Fiscal Years

(2) Year	(3) Population	(4) Personal Income	(4) Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate
2002	468,600	\$ 17,390,873	\$ 37,331	72,867	5.1%
2003	469,500	18,587,714	39,314	72,964	5.5%
2004	472,700	19,784,555	28,633	72,799	4.9%
2005	478,400	20,981,396	41,298	72,295	4.3%
2006	479,900	22,178,237	45,264	71,868	4.5%
2007	481,765	23,642,001	49,152	71,412	4.3%
2008	484,470	23,663,256	48,891	70,994	5.5%

Detail of estimated population as of January 1, 2008:

Incorporated Cities

Cloverdale	8,577
Cotati	7,532
Healdsburg	11,706
Petaluma	57,418
Rohnert Park	43,062
Santa Rosa	159,981
Sebastopol	7,714
Sonoma	9,943
Town of Windsor	26,564
Total Incorporated	332,497
Total Unincorporated Areas	151,973
Total Population	484,470

**Notes:**

- (1) Data has been presented for only the last seven fiscal years.
- (2) Calendar year.
- (3) Population Estimate as of January 1.
- (4) Estimate
- (5) California Department of Education
- (6) Avg Unemployment Rate Through October 2008

**Sources:**

City-Data.com, 2006-07 Economic & Demographic Profile, Q2 2007 Local Economic Report, Economic Development Dept

**COUNTY OF SONOMA, CALIFORNIA**

Major Employers (Unaudited)

June 30, 2008 and June 30, 2002

<b>June 30, 2008(4)</b>			<b>June 30, 2002</b>		
<b>Employer</b>	<b>(2) Number of Employees</b>	<b>Percent of Total County Employment</b>	<b>Employer</b>	<b>(3) Number of Employees</b>	<b>Percent of Total County Employment</b>
St. Joseph Health System	2,775	1.09%	County of Sonoma	4,912	2.00%
Kaiser Permanente	2,437	0.96%	Agilent Technologies	3,900	1.59%
Sonoma Development Center	1,777	0.70%	State of California	3,886	1.58%
Safeway	1,615	0.63%	Santa Rosa Junior College	3,586	1.46%
Agilent Technologies	1,400	0.55%	Saint Joseph Health Care System	2,493	1.02%
Medtronic	1,200	0.47%	Sonoma Development Center	2,202	0.90%
Sutter Medical Center	1,081	0.42%	United States Government	2,145	0.87%
Amy's Kitchen	1,050	0.41%	Kaiser Permanente	1,850	0.75%
AT&T	900	0.35%	Santa Rosa City Schools	1,725	0.70%
Jackson Wine Estates	810	0.32%	Sonoma State University	1,614	0.66%
Ten largest Employer's	15,045	5.91%	Ten Largest Employer's	28,313	11.55%
All other employer's	239,455	94.09%	All other employer's	216,887	88.45%
Total Employers	254,500	100.00%	Total Employers	245,200	100.00%

**Notes:**

(1) Reliable data is available only for the last seven fiscal years.

(2) As of June 2008

(3) As of June 2002

(4) The Press Democrat, no longer includes government employers in their major employer listing as part of their Outlook annual report on County employment.

**Source:**

Press Democrat, Outlook 2008, Outlook 2002

EDD-Labor Market Information

**COUNTY OF SONOMA, CALIFORNIA**  
**County Employees By Function (Unaudited)**  
 Last Seven Fiscal Years

FTE'S:	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>General Government</b>							
County Administrator	15	15	14	15	15	15	-
Board of Supervisors / County Administrator	-	-	-	-	-	-	32
General Services	142	147	146	150	148	149	126
Treasurer-Tax Collector	36	36	36	36	36	-	-
County Clerk-Assessor-Recorder-PA	149	147	147	139	140	137	107
Auditor-Controller	71	71	71	70	72	-	-
Auditor-Controller / Treasurer-Tax Collector	-	-	-	-	-	107	100
County Counsel	34	33	34	34	34	36	38
Human Resources	32	33	33	31	35	34	55
Information Systems	135	129	129	130	130	131	122
<b>Public Protection</b>							
District Attorney	108	120	117	115	116	119	117
Public Defender	49	47	47	47	47	49	49
Sheriff	667	667	669	690	693	705	702
Probation	293	281	282	283	282	287	291
Permit and Resource Management	146	151	155	158	164	168	142
Emergency Services	22	22	22	21	21	23	17
<b>Public Assistance</b>							
Human Services	690	596	595	596	607	608	635
Office of Commission	8	8	8	7	1	1	1
In-Home Supportive Services (IHSS)	2	3	3	3	3	3	3
Child Support Services	193	167	169	164	152	152	135
Agricultural Commissioner	59	60	59	59	59	61	58
Community Development Commission	53	47	47	47	46	46	38
Economic Development	10	9	9	9	4	4	4
<b>Health Services</b>							
H.S.-Administration	51	54	54	54	56	57	53
Prevention & Planning	14	15	15	13	18	20	25
Environmental Health	31	31	31	31	31	31	32
Public Health	222	220	220	222	227	233	231
Mental Health	238	213	213	139	206	190	177
Alcohol, Drug & Tobacco	80	81	81	57	80	79	70
Special Revenue Funds	10	10	10	68	-	-	-
<b>Public Ways &amp; Facilities</b>							
Roads	195	195	195	188	175	175	154
Integrated Waste Enterprise Fund	54	58	58	58	55	52	44
Airport Enterprise Fund	9	9	9	9	8	8	9
Northern Sonoma County Air Pollution Control	6	6	6	6	6	6	5
Sonoma County Water Agency	216	207	205	198	200	206	199
<b>Cultural &amp; Recreational</b>							
Regional Parks	78	79	79	81	84	86	80
Marinas	5	5	5	5	5	5	3
Agricultural Preservation and Open Space District	16	16	16	18	18	18	15
Fairgrounds	40	41	41	41	40	40	37
<b>Education</b>							
U.C. Cooperative Extension	9	9	8	8	8	9	11
Library	130	130	130	130	130	131	138

**Notes:**

- (1) County Employees by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.
- (2) Actual Full-Time Equivalents: Number of full-time equivalents paid. For full-time and part-time, the full-time equivalent (FTE) used is from the employee's assigned work schedule. For extra help contractors, the FTE is calculated as the number of hours worked this pay period divided by 80.  
 Full-Time Equivalent: This number is equal to the number of work hours divided by 80 (the normal number of hours worked by a full-time employee). For example, for a part-time employee that works 40 hours each pay period, the FTE would be 50% or 0.500.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
**Operating Indicators by Function/Program (Unaudited)**  
**Last Seven Fiscal Years**

<b>Function/Program</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>(1)2004-05</b>	<b>(1)2005-06</b>	<b>(2)2006-07</b>	<b>2007-08</b>
<b>Law &amp; Justice</b>							
Filed Felonies-District Attorney	2,645	2,597	2,502	2,799	2,879	2,656	2,600
Court Appearances-District Attorney	127,200	131,280	127,040	133,999	148,826	141,077	143,000
New Cases Opened (Felony)-Public Defender	3,455	3,726	3,768	4,211	3,982	2,489	2,500
<b>Public Safety</b>							
Fire Investigations (Hours)-Emergency Services	180	150	194	150	100	65	45
Dispatch Calls-Sheriff	110,152	113,957	111,984	105,111	103,437	106,029	109,920
Adult Detention Facility Bookings-Sheriff	15,881	15,603	15,977	16,715	17,575	19,805	20,419
Juvenile Hall Average Daily Population	69	65	74	75	88	98	99
Probation Investigations and Reports	9,234	8,229	7,413	11,461	10,342	11,365	11,910
<b>Health &amp; Public Assistance</b>							
Birth Certificates Registered -Health Services	5,829	5,867	6,553	5,950	6,010	6,100	6,192
Emergency Medical Responses (3 County)-Health Services	50,691	49,763	59,545	69,399	66,000	53,365	54,000
General Assistance (Case Months)-Human Services	1,424	1,424	1,449	1,272	3,002	4,030	4,594
In-Home Support Services (Case Months)-Human Services	30,904	35,203	39,972	39,972	46,080	49,481	53,439
<b>Community Resources &amp; Public Facilities</b>							
Total Inspections-Permit & Resource Management	56,207	54,069	48,151	54,097	53,032	52,522	56,428
*Customers Served (Public Counter)-Permit & Resource Management	32,012	27,981	27,982	42,642	40,603	36,244	35,543
Plancheck/Engineering/Inspection Permits-Permit & Resource Management	24,431	23,206	22,556	31,854	32,735	31,588	31,617
County Maintained Miles-Transportation and Public Works	1,389	1,388	1,388	1,387	1,387	1,384	1,381
<b>Integrated Waste</b>							
Tonnage-Transportation & Public Works	498,814	493,176	493,176	373,048	377,112	363,000	350,000
Diverted Tonnage-Transportation & Public Works	81,426	90,103	90,103	94,409	122,642	135,000	125,000
<b>Regional Parks</b>							
Acreage-Regional Parks	4,855	5,199	5,502	7,300	7,296	7,299	7,806

**Notes:**

Operating Indicators by function/program is only available for the last seven fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.

(1) Revised to reflect Actuals for previous fiscal years (2) Indicators reflect projections for current fiscal year.

\*This metric replaced Environmental Services (Contract Hours) as PRMD ceased tracking this indicator.

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

**COUNTY OF SONOMA, CALIFORNIA**  
 Capital Assets Statistics By Function (Unaudited)  
 Last Seven Fiscal Years

Function	Fiscal Year						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Sheriff:</b>							
Stations	3	3	3	3	3	3	3
Sub-Stations	4	4	4	4	4	4	4
Patrol Units	113	114	121	141	142	142	143
Helicopter	1	1	1	1	1	1	1
Marine Craft	4	4	4	4	4	4	4
<b>Streets And Highways:</b>							
Streets (miles)	1,389	1,388	1,387	1,387	1,387	1,384	1,381
Bridges (2)	318	318	319	320	320	320	328
Traffic Lights - County Only	28	29	30	31	34	34	34
Traffic Lights - Shared With Cities	3	3	4	4	4	3	3
Traffic Lights - Shared With State	23	23	24	25	26	26	27
Total Traffic Lights	<u>54</u>	<u>55</u>	<u>58</u>	<u>60</u>	<u>64</u>	<u>63</u>	<u>64</u>
<b>Parks And Recreation:</b>							
Acreage:							
Developed	428	439	445	456	468	475	480
Undeveloped	4,427	4,760	5,057	6,843	6,828	6,824	7,326
Total Acreage	<u>4,855</u>	<u>5,199</u>	<u>5,502</u>	<u>7,299</u>	<u>7,296</u>	<u>7,299</u>	<u>7,806</u>
Park Visitors	3,714,400	3,464,841	3,314,311	4,396,711	4,320,407	4,545,595	4,738,489
Veterans/Community Center:							
Events	4,572	4,650	4,678	4,964	4,788	4,292	5,020
Attendance	415,435	399,363	422,987	384,234	372,211	297,821	310,000
<b>Water Agency:</b>							
Water Mains (miles)	95	95	95	95	95	110	110
Fire Hydrants	19	19	19	19	19	27	27
Storage Capacity (thousands of gallons)	128,800	128,800	128,800	128,800	128,800	128,800	128,800
<b>Sanitation:</b>							
Sanitary Sewers (miles)	228	228	228	228	228	250	250
Treatment Capacity (thousands of gallons)	13,291	13,291	13,291	13,291	13,291	13,439	13,439
<b>Transit:</b>							
Buses	73	69	64	59	65	63	73

**Notes:**

- (1) Reliable data is available only for the last seven fiscal years.
- (2) Bridges Longer than 20 feet

**Source:**

Sonoma County Auditor-Controller-Treasurer-Tax Collector

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# GLOSSARY

**ACCOUNTABILITY.** The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry – to justify the raising of public resources and the purposes for which they are used.

**ACCOUNTS PAYABLE.** A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

**ACCOUNTS RECEIVABLE.** An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

**ACCRUAL BASIS.** The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government during the periods in which those transactions, events, and circumstances occur, rather than only during the periods in which cash is received or paid by the government.

**ACCUMULATED DEPRECIATION.** A contra-asset account used to report the accumulation of periodic credits in order to reflect the expiration of the estimated service life of fixed assets.

**ADVANCE FROM OTHER FUNDS.** A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See **DUE TO OTHER FUNDS** and **INTERFUND RECEIVABLE/PAYABLE**.

**ADVANCE TO OTHER FUNDS.** An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See **DUE FROM OTHER FUNDS**.

**AGENCY FUND.** A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments, and/or other funds.

**AMORTIZATION.** (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

**APPROPRIATION.** A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time it may be expended.

**ASSESSED VALUATION.** A valuation set upon real estate or other property by a government as a basis for levying taxes.

**AUDITORS' REPORT.** In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

**BALANCE SHEET.** The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

**BASIS OF ACCOUNTING.** A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

**BOOK VALUE.** Value as shown by the books of account. In the case of assets subject to the reduction by valuation allowances, book value refers to cost or stated value less the appropriate allowance. Sometimes a distinction is made between gross book value and net book value, the former designating value before deduction of related allowances and the latter the value after their deduction. In the absence of any modifiers, however, book value is understood to be synonymous with net book value.

**BUDGET.** A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

**BUDGETARY CONTROL.** The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**CAPITAL ASSETS.** Long-lived tangible assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant, and equipment.

**CAPITAL OUTLAY.** Expenditures resulting in the acquisition of or addition to the government's capital assets.

**CAPITALIZATION POLICY.** The criteria used by a government to determine which outlays should be reported as capital assets.

**CAPITAL LEASE.** An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENT**.

**CAPITAL PROJECTS FUND.** A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CASH BASIS.** A basis of accounting under which transactions are recognized only when cash is received or disbursed.

**CASH EQUIVALENT.** Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value due to changes in interest rates.

**CASH WITH FISCAL AGENT.** An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM.** A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable CAFRs/CUFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

**COMPENSATED ABSENCES.** Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

**COMPONENT UNITS.** Legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**COMPONENT UNIT FINANCIAL REPORT (CUFR).** A report covering all funds and account groups of a component unit – including introductory section; appropriate combined, combining, and individual fund statements; notes to the financial statements; required supplementary information; schedules; narrative explanations; and statistical tables.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR).** The official annual report of a government. It includes (1) the five combined financial statements in the combined statements - overview and their related notes (the "liftable" GPFS) and (2) combining statements by fund type and individual fund and account group financial statements prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material, and a detailed statistical section. Every government reporting entity should prepare a CAFR.

**CONTINGENT LIABILITY.** Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgements under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility that a loss may have been

incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

**DEBT.** An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

**DEBT SERVICE FUND.** A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**DEFERRED CHARGES.** Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

**DEFERRED REVENUE.** Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, amounts that are measurable but not available are one example of deferred revenue

**DEFICIT.** (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**DEPRECIATION.** (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DESIGNATED FUND BALANCE.** A portion of an unreserved fund balance that has been "earmarked" by the chief executive officer or the legislative body for specified purposes.

**DUE FROM OTHER FUNDS.** An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

**DUE TO OTHER FUNDS.** A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

**ENCUMBRANCES.** Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures which will ultimately result if unperformed contracts in process are completed.

**ENTERPRISE FUND.** (1) A fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g., water, gas, and electric utilities; airports; parking garages; or transit systems). In this case, the governing body intends that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. (2) A fund established because the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**EXPENDITURES.** Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, intergovernmental grants, entitlement, and shared revenues.

**EXPENSES.** Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

**FIDUCIARY FUND TYPE.** The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

**FINANCIAL RESOURCES.** Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g. receivables, investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

**FISCAL AGENT.** A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

**FUND.** A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

**FUND BALANCE.** The difference between fund assets and fund liabilities of governmental and similar trust funds.

**FUND TYPE.** Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

**GENERAL FUND.** The fund used to account for all financial resources except those required to be accounted for in another fund.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).** Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the GASB.

**GOVERNMENTAL ACCOUNTING.** The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB).** The authoritative accounting and financial reporting standard-setting body for government entities.

**GOVERNMENTAL FUND TYPES.** Funds used to account for the acquisition, use, and balances of expendable financial resources and the related current liabilities - except those accounted for in proprietary funds and fiduciary funds. In essence, these funds are accounting segregations of financial resources. The measurement focus in these fund types is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than on net income determination. The statement of revenues, expenditures and changes in fund balance is the primary governmental fund type operating statement. Under current GAAP, there are four governmental fund types: general, special revenue, debt service, and capital projects.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**INTERFUND RECEIVABLE/PAYABLE.** Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

**INTERFUND TRANSFERS.** All interfund transactions except loans, quasi-external transactions, and reimbursements. Transfers can be classified as belonging to one of two major categories: residual equity transfers or operating transfers.

**INTERNAL SERVICE FUND.** A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**JOINT VENTURE.** A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

**LAPSE.** As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

**LEASE-PURCHASE AGREEMENTS.** Contractual agreements that are termed leases, but that in substance are purchase contracts.

**LEGAL LEVEL OF BUDGETARY CONTROL.** The level at which spending in excess of budgeted amounts would be a violation of law.

**LEVEL OF BUDGETARY CONTROL.** One of the three possible levels of budgetary control and authority to which organizations, programs, activities, and functions may be subject. These levels of budgetary control are (1) appropriated budget, (2) legally authorized nonappropriated budget review and approval process, which is outside the appropriated budget process, or (3) nonbudgeted financial activities, which are not subject to the appropriated budget and the appropriation process, or to any legally authorized nonappropriated budget review and approval process, but are still relevant for sound financial management and oversight.

**LIABILITIES.** Probable future sacrifices of economic benefits, arising from present obligation of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**LOANS RECEIVABLE.** An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

**MAJOR FUND.** A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets or liabilities are at least 10 percent of corresponding totals for all government or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**MANAGEMENT'S DISCUSSION AND ANALYSIS.** A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

**MODIFIED ACCRUAL BASIS.** The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is, when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting.

**OPERATING TRANSFERS.** All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

**OTHER FINANCING SOURCES.** Governmental fund general long-term debt proceeds, amounts equal to the present value of minimum lease payments arising from capital leases, proceeds from the sale of general fixed assets, and operating transfers in. Such amounts are classified separately from revenues on the governmental operating statement.

**OTHER FINANCING USES.** Governmental fund operating transfers out, and the amount of refunding bond proceeds deposited with the escrow agent. Such amounts are classified separately from expenditures on the governmental operating statement.

**OVERLAPPING DEBT.** The proportionate share property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**PENSION TRUST FUND.** A trust fund used to account for a Public Employee Retirement System (PERS). Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance focus.

**PROGRAM REVENUES.** Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the

reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

**PROPRIETARY FUND TYPES.** Sometimes referred to as income determination or commercial-type funds, the classification used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi-business activities are accounted for through proprietary funds. The GAAP used are generally those applicable to similar businesses in the private sector and the measurement focus is on determination of net income, financial position, and changes in financial position. However, where the GASB has issued pronouncements applicable to those entities and activities, they should be guided by these pronouncements.

**REPORTING ENTITY.** The oversight unit and all of its component units, if any, that are combined in the CAFR and/or GPFS.

**REPURCHASE AGREEMENT.** A generic term for an agreement in which a government entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities or for different securities.

**REQUIRED SUPPLEMENTARY INFORMATION.** Consists of statements, schedules, statistical data or other information which, according to the GASB, is necessary to supplement, although not required to be a part of, the general purpose financial statements.

**RESERVED FUND BALANCE.** Those portions of fund balance that are not appropriate for expenditure or that are legally segregated for a specific future use.

**RESTRICTED ASSETS.** Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**RESTRICTED NET ASSETS.** A component of net assets that is subject to restrictions beyond the government's control.

**RETAINED EARNINGS.** An equity account reflecting the accumulated earning of an enterprise or internal service fund.

**REVENUE BONDS.** Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

**REVENUES.** (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt

proceeds and operating transfers in are classified as "other financing sources," rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions, and residual equity transfers. Also, operating transfers in are classified separately from revenues.

**RISK MANAGEMENT.** All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**SELF-INSURANCE.** A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

**SINGLE AUDIT.** An audit performed in accordance with the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies.

**SPECIAL DISTRICT.** An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities, and electric power authorities.

**SPECIAL REVENUE FUND.** A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. GAAP only require the use of special revenue funds when legally mandated.

**TAX AND REVENUE ANTICIPATION NOTES (TRANS).** Notes (or warrants) issued in anticipation of the collection of taxes, usually retirable only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate.

**TRUST FUNDS.** Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

**UNDESIGNATED FUND BALANCE.** That portion of a fund balance which is available for spending or appropriation and has not been "earmarked" for specified purposes by the chief executive officer or the legislative body.

**UNQUALIFIED OPINION.** An auditor's opinion stating that the financial statements present fairly the financial position, results of operations, and (when applicable) changes in financial position in conformity with GAAP (which include adequate disclosure). This conclusion may be expressed only when the auditor has formed such an opinion on the basis of an examination made in accordance with Generally Accepted Auditing Standards (GAAS) or Generally Accepted Governmental Auditing Standards (GAGAS).

**UNRESERVED FUND BALANCE.** That portion of a fund balance available for spending or appropriation in the future.

**UNRESTRICTED NET ASSETS.** That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

**COUNTY OF SONOMA, CALIFORNIA**

Single Audit Reports

For the Fiscal Year Ended June 30, 2008

**COUNTY OF SONOMA, CALIFORNIA  
SINGLE AUDIT REPORTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-through Grantor/Program Name	Federal CFDA No.	Federal Agency/Pass-through Grant Award No.	Expenditures
<b>U.S. Department of Agriculture</b>			
<u>Direct Federal Programs</u>			
Sudden Oak Death and Strategic Response	10.680	06-DG-11052021-365	\$ 51,717
<u>Passed through the State Department of Social Services</u>			
Foodstamps	10.551	11609	\$ 19,735,096
State Administrative Matching Grant for Food Stamp Program	10.561	11609	<u>2,314,873</u>
Subtotal Foodstamps Cluster - Passed through the State Department of Social Services			22,049,969
<u>Passed through the State Department of Public Health</u>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	05-45803	1,580,555
Local Incentive Award	10.561	05-45538	136,399
Subtotal Passed through State Department of Public Health			<u>1,716,954</u>
<u>Passed through the State Department of Agriculture</u>			
School Breakfast Program	10.553	02836-FN-39-R	779,024
<u>Passed through the Natural Resources Conservation Service</u>			
Odd Fellows Park Emergency Bank Repair	10.904	69-9104-8-294	<u>89,250</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>24,686,914</u></b>
<b>U.S. Department of Commerce</b>			
<u>Direct Federal Program</u>			
Habitat Conservation	11.463	NA04NMF4630069	<u>82,237</u>
<b>Total U.S. Department of Commerce</b>			<b><u>82,237</u></b>
<b>U.S. Department of Defense</b>			
<u>Direct Federal Program</u>			
Navigation Projects	12.107	W912P7-07-C-0009,0001	<u>116,168</u>
<b>Total U.S. Department of Defense</b>			<b><u>116,168</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
<u>Passed through the State Department of Public Health - Office of AIDS</u>			
Housing Opportunities For Persons With AIDS	14.241	07-65542	<u>320,856</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>320,856</u></b>
<b>U.S. Department of Interior</b>			
<u>Passed through U.S. Bureau of Reclamation</u>			
Water Reclamation and Reuse	15.504	02FC200141	<u>294,634</u>
<b>Total U.S. Department of Interior</b>			<b><u>294,634</u></b>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Grant Name	Federal CFDA No.	Federal Agency/Pass-through Grant Award No.	Expenditures
<b>U.S. Department of Justice</b>			
<u>Direct Federal Programs</u>			
Edward Byrne Memorial State and Local Law Enforcement Assistance			
Discretionary Grants Program - Domestic Cannabis Eradication	16.580	SF7A4107048	60,000
Justice Assistance Grants	16.738	2007-DJBX0422	109,049
State Criminal Alien Assistance Program	16.606	2008-APBX0330	1,115,778
Subtotal Direct Federal Programs			<u>1,284,827</u>
<u>Passed through the State Office of Emergency Services</u>			
Edward Byrne Memorial Formula Grant Program			
Marijuana Suppression Program	16.579	MS07150490	177,169
Narcotics Elimination Task Force	16.579	DC07180490	215,055
Subtotal Edward Byrne Memorial Formula Grant Programs			<u>392,224</u>
Subtotal Passed through the State Office of Emergency Services			<u>392,224</u>
<b>Total U.S. Department of Justice</b>			<b><u>1,677,051</u></b>
<b>U.S. Department of Labor</b>			
<u>Passed through the State Employment Development Department</u>			
Workforce Investment Act - Adult Program	17.258	R865494, R760358	629,926
Workforce Investment Act - Adult Program - DPN	17.258	R865494	37,064
Workforce Investment Act - Youth Activities	17.259	R865494, R760358	701,770
Workforce Investment Act - Dislocated Workers	17.260	R865494, R760358	1,014,524
Workforce Investment Act - Dislocated Workers 25%	17.260	R865494, R692510	44,841
Workforce Investment Act - Dislocated Workers - Rapid Response	17.260	R865494	222,871
Workforce Investment Act - Dislocated Workers - NEG	17.260	R865494	14,698
Subtotal Workforce Investment Act Cluster passed through the State Employment Development Department			<u>2,665,694</u>
<b>Total U.S. Department of Labor</b>			<b><u>2,665,694</u></b>
<b>U.S. Department of Transportation</b>			
<u>Direct Federal Program</u>			
Federal Aviation Administration - Airport Improvement Program	20.106	N/A	503,548
Federal Aviation Administration - Airport Improvement Program	20.106	3-06-0241-31	25,337
Federal Aviation Administration - Airport Improvement Program	20.106	3-06-0241-30	401,609
Federal Aviation Administration - Airport Improvement Program	20.106	3-06-0241-29	120,531
Subtotal Federal Aviation Administration - Airport Improvement Program			<u>1,051,025</u>
<u>Passed through the State Department of Transportation</u>			
Highway Planning and Construction	20.205	ER 3644 (001)	65,693
Highway Planning and Construction	20.205	ER 4442 (086)	341,528
Highway Planning and Construction	20.205	DE-STPL A041 (801)	51,002
Highway Planning and Construction	20.205	STPLZ 5920 (035)	6,323
Highway Planning and Construction	20.205	STPLZ 5920 (027)	629,480
Highway Planning and Construction	20.205	STPLZ 5920 (030)	108,890
Highway Planning and Construction	20.205	STPLZ 5920 (059)	36,253
Highway Planning and Construction	20.205	CML 5920(099)	515,000
Highway Planning and Construction	20.205	BRLO-5920(020)	274,831
Highway Planning and Construction	20.205	BHLO 5920 (075)	21,632
Subtotal - Highway Planning and Construction passed through the State Department of Transportation			<u>2,050,632</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Grant Name	Federal CFDA No.	Federal Agency/Pass-through Grant Award No.			Expenditures
<b>U.S. Department of Transportation (Continued)</b>					
<u>Passed through the State of California Office of Traffic Safety</u>					
State and Community Highway Safety	20.600	EM807		219,450	
Real Driver's Education	20.600	AL0723		137,769	
Subtotal passed through the State of California Office of Traffic Safety				357,219	
<b>Total U.S. Department of Transportation</b>					<b>3,458,876</b>
<b>U.S. Department of Education</b>					
<u>Passed through the State Department of Alcohol &amp; Drug Programs</u>					
Safe and Drug-Free Schools and Communities - Project Success Partnership	84.186	SDF 07-01		52,623	
Safe and Drug Free Schools and Communities	84.186	SDF 03-01		13,693	
Subtotal passed through the State Department of Alcohol & Drug Programs				66,316	
<u>Passed through State Department of Rehabilitation</u>					
Rehabilitation Services Vocational Rehabilitation Grants	84.126	26428			86,745
<b>Total U.S. Department of Education</b>					<b>153,061</b>
<b>U.S. Election Assistance Commission</b>					
<u>Direct Federal Programs</u>					
Help America Vote Act - Section 301	90.401	07G30142, Amd#1			151,536
<b>Total U.S. Election Assistance Commission</b>					<b>151,536</b>
<b>U.S. Department of Health and Human Services</b>					
<u>Passed through the National Association of County and City Health Officials</u>					
Medical Reserve Corps Small Grant Program	93.008	MRC080048			5,000
<u>Direct Federal Programs</u>					
Ryan White CARE Act Title IV Program	93.153	6H12HA23035-07-04			313,668
HIV Emergency Relief Project Grants - Minority AIDS Initiative	93.914	H89HA00042		1,028,104	
HIV Emergency Relief Project Grants - Minority AIDS Initiative	93.914	H3MHA08435-01-00		42,802	
Subtotal HIV Emergency Relief Project Grants				1,070,906	
HIV Outpatient Early Intervention Services	93.918	6H76HA00580-08-01			429,753
Subtotal Direct Federal Programs				1,814,327	
<u>Passed through the State Department of Aging -</u>					
<u>Special Programs for the Aging</u>					
			<u>State Funds</u>		
Title VII B - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-0708-27	\$ 330		7,401
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0708-27	4,586		26,500
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-0708-27	1,261		29,243
Title III, Part E - National Family Caregiver Support	93.052	AP-0708-27	-		221,119
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-0708-27	66,324	648,023	
Title III, Part C - Nutrition Services	93.045	AP-0708-27	127,951	652,250	
Nutrition Services Incentive Program	93.053	AP-0708-27	-	167,179	
Subtotal Aging Cluster				1,467,452	
Title XIX Medicaid Waiver	93.778	MS-0708-11	-		857,000
Special Program for the HICAP	93.779	AP 0708-27	307,038		89,152
Subtotal Passed through State Department of Aging			\$ 507,490		2,697,867

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Grant Name	Federal CFDA No.	Federal Agency/Pass-through Grant Award No.	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
<u>Passed through the State Department of Mental Health</u>			
Projects for Assistance in Transition from Homelessness	93.150	N/A	59,522
Block Grants for Community Mental Health Services (SAMHSA)	93.958	N/A	245,349
Subtotal passed through the State Department of Mental Health			304,871
<u>Passed through the State Department of Public Health</u>			
Tuberculosis Prevention & Control	93.116	TBCB-49	20,000
Immunization Grants	93.268	07-65254	126,967
Community Challenge	93.558	05-45253-A01	209,836
National Bioterrorism Hospital Preparedness	93.889	U3RHS05953-01-01	300,371
CDC - Investigations and Technical Assistance:			
Preparedness and Response to Bioterrorism	93.283	N/A	939,276
Medical Assistance Program - Childhood Lead Poisoning	93.778	05-45175	33,520
Medical Assistance Program - Adolescent Family Life	93.778	2007-049	217,670
Medical Assistance Program - Maternal Child and Adolescent Health Grant	93.778	2007-049	386,206
Subtotal Medical Assistance Program			637,396
Maternal and Child Health Services Block Grants	93.994	2007-49	139,796
Maternal and Child Health Services Block Grants - Adolescent Family Life - Title V	93.994	2007-49	146,973
Subtotal Maternal and Child Health Services Block Grants			286,769
Subtotal Passed through the State Department of Public Health			2,520,615
<u>Passed through the State Department of Health Care Services</u>			
Prevention Health and Health Services Block Grant	93.991	N/A	660,424
State Children's Insurance Program	93.767	N/A	302,155
Medical Assistance Program - Children	93.778	N/A	966,390
Medical Assistance Program - Targeted Case Management	93.778	49-0712	113,015
Subtotal Medical Assistance Program			1,079,405
Subtotal passed through the State Department of Health Care Services			2,041,984
<u>Passed through the State Department of Education</u>			
Child Care	93.596	CAPP-7080	141,063
<u>Passed through the State Department of Public Health - Office of AIDS</u>			
HIV Care Formula Grants	93.917	07-65088-A01	322,741
HIV Care Formula Grants - Part B	93.917	06-55778	212,000
Subtotal HIV Care Formula Grants			534,741
HIV Early Intervention	93.940	07-65088-A01	13,200
Subtotal Passed through State Department of Public Health - Office of AIDS			547,941
<u>Passed through the State Department of Rehabilitation</u>			
Promoting Safe and Stable Families	93.556	N/A	286,126
Refugee and Entrant Assistance	93.566	N/A	10,609
Subtotal Passed through the State Department of Rehabilitation			296,735
<u>Passed through the California Secretary of State</u>			
Help America Vote Act - Disabilities	93.617	07G26128	106

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SONOMA, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Grant Name	Federal CFDA No.	Federal Agency/Pass-through Grant Award No.	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
<u>Passed through the State Department of Alcohol and Drug Programs</u>			
Substance Abuse and Mental Services -			
Projects of Regional and National Significance	93.243	SIG04-01	163,973
Block Grants for Prevention and Treatment of Substance Abuse	93.959	07-NNA49	2,621,199
Subtotal passed through the State Department of Alcohol and Drug Programs			<u>2,785,172</u>
<u>Passed through the State Department of Social Services</u>			
Temporary Assistance for Needy Families - Program Administration	93.558	11001	18,074,168
Temporary Assistance for Needy Families - FGU	93.558	11001	14,992,388
Subtotal Temporary Assistance for Needy Families			33,066,556
Child Support Enforcement	93.563	N/A	10,108,517
Child Welfare Services - Title IV-B	93.645	12313	300,892
Foster Care Assistance - Title IV-E	93.658	12307	2,155,139
Foster Care Assistance Administration - Title IV-E	93.658	0601CA1401	3,980,241
Foster Care - Title IV-E	93.658	12307	2,439,644
Subtotal Foster Care			8,575,024
Social Services Block Grant	93.667	N/A	1,045,109
Adoption Assistance Administration	93.659	12402	1,913,443
Adoption Assistance Administration	93.659	12402	594,678
Subtotal Adoption Assistance			2,508,121
Chafee Foster Care Independent Program	93.674	12332	127,459
Medical Assistance Program - Administration	93.778	N/A	3,081,517
Medical Assistance Program	93.778	05-45175	11,074,003
Subtotal Medical Assistance Program Grants			14,155,520
Subtotal Passed through the State Department of Social Services			<u>69,887,198</u>
Subtotal Passed through			<u>81,228,552</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>83,042,879</u></b>
<b>U.S. Department of Homeland Security</b>			
<u>Passed through the State Office of Emergency Services</u>			
Public Disaster Assistance (President declared)	97.036	DR - 1628	1,042
Public Disaster Assistance (President declared)	97.036	DR - 1646	602,824
Subtotal Public Disaster Assistance (President declared)			603,866
Emergency Management Performance Grants	97.042	2007-6	25,276
Emergency Management Performance Grants	97.042	2008-9	78,622
Subtotal Emergency Management Performance Grants			103,898
Assistance to Firefighters	97.044	EMW-2007-FO-10434	403,905
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2005-FF0253	69,185
State Homeland Security Program (SHSP)	97.073	2006-71	513,598
State Homeland Security Program (SHSP)	97.073	2007-0008	415,798
Subtotal Homeland Security Grant Program			929,396
Subtotal Passed through the State Office of Emergency Services			<u>2,110,250</u>
<b>Total U. S. Department of Homeland Security</b>			<b><u>2,110,250</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 118,760,156</u></b>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 – GENERAL**

The accompanying schedule of expenditures of federal awards (SEFA) for the fiscal year ended June 30, 2008, presents the activity of all federal award programs of the County of Sonoma, California (County) with the exception of the federal award programs of the Sonoma County Community Development Commission and the County of Sonoma Transportation Project Fund (Transit), which were subject to separate audits by independent auditors.

The expenditures incurred under federal award programs audited by other auditors are as follows:

Sonoma County Community Development Commission	\$ 30,763,206
Sonoma County Transportation Project Fund	698,190

The County reporting entity is defined in Note 1 to the County’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

**NOTE 2 – BASIS OF ACCOUNTING**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the County’s basic financial statements.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

**NOTE 4 – FOOD STAMPS**

Food stamps expenditures of \$19,735,096 represent the face value of food stamps distributed in the County. They do not represent cash expenditures and accordingly are not reported in the County’s basic financial statements for the fiscal year ended June 30, 2008.

**COUNTY OF SONOMA, CALIFORNIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5 – AMOUNT PROVIDED TO SUBRECIPIENTS**

Of the total federal expenditures presented in the SEFA, the following amounts were passed through to subrecipients:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
State Administrative Matching Grant for Food Stamp Program	10.561	\$ 85,278
Housing Opportunities for Persons with AIDS	14.241	296,631
Workforce Investment Act Cluster	17.259	580,035
State and Community Highway Safety	20.600	9,750
Title VII A - Long Term Care Ombudsman Services for Older Individuals	93.042	26,107
Title III-Part D - Disease Prevention and Health Promotion Services	93.043	18,829
Title III, Part E - National Family Caregiver Support Aging Cluster	93.052 93.044-45/53	166,412 1,082,815
Ryan White CARE Act Title IV Program	93.153	173,170
Substance Abuse and Mental Services - Projects of Regional and National Significance	93.243	146,601
Immunization Grants	93.268	102,796
Promoting Safe and Stable Families	93.556	170,989
Temporary Assistance for Needy Families	93.558	484,083
Medical Assistance Program	93.778	90,311
Special Program for the HICAP	93.779	81,051
National Bioterrorism Hospital Preparedness	93.889	110,907
HIV Emergency Relief Project Grants	93.914	502,141
HIV Outpatient Early Intervention Services	93.918	54,945
Block Grants for Community Mental Health Services	93.958	249,393
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,107,151
Maternal Child & Adolescent Health-Title V	93.994	10,000
Total		<u>\$ 5,549,395</u>

**COUNTY OF SONOMA, CALIFORNIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 6 – PROGRAM TOTALS**

The schedule of expenditure of federal awards does not summarize programs that cross agency funding sources. The following summarizes those programs that cross agency funding sources:

<u>Program/Cluster</u>	<u>CFDA#</u>	<u>Pass Through Agency</u>	<u>Amount</u>
Foodstamps Cluster			
Foodstamps	10.551	State Department of Social Services	\$ 19,735,096
State Administrative Matching	10.561	State Department of Social Services	2,314,873
Grant for Food Stamp Program	10.561	State Department of Public Health	136,399
		Total Foodstamps Cluster	<u>\$ 22,186,368</u>
 Medical Assistance Program			
	93.778	State Department of Aging	\$ 857,000
	93.778	State Department of Health Care Services	1,079,405
	93.778	State Department of Public Health	637,396
	93.778	State Department of Social Services	14,155,520
		Program Total	<u>\$ 16,729,321</u>
 Temporary Assistance for Needy Families			
	93.558	State Department of Social Services	\$ 33,066,556
	93.558	State Department of Public Health	209,836
		Program Total	<u>\$ 33,276,392</u>

**NOTE 7 – SCHEDULE OF STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES  
GRANT EXPENDITURES**

The following represents the State of California Office of Emergency Services grant expenditures, by department, for the fiscal year ended June 30, 2008. Budgets are established at the combined grant level.

Vertical Prosecution – Grant No. VB 07050490

<u>Department/Category</u>	<u>State Funded Expenditures</u>		
	2008		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
District Attorney:			
Personal services	\$ 316,079	\$ 308,357	\$ 7,722

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 7 – SCHEDULE OF STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES**  
**GRANT EXPENDITURES (CONTINUED)**

Narcotics Elimination Task Force - Grant No. DC 07180490

<u>Department/Category</u>	<i>Federally Funded Expenditures</i>		
	<u>Budget</u>	<u>2008 Actual</u>	<u>Variance</u>
<b>Sheriff:</b>			
Personal services	\$ 39,488	\$ 39,410	\$ 78
Operating expenses	5,049	5,049	-
Equipment	11,479	11,479	-
<b>Subtotal Sheriff</b>	<u>56,016</u>	<u>55,938</u>	<u>78</u>
<b>District Attorney:</b>			
Personal services	36,041	36,119	(78)
<b>Probation:</b>			
Personal services	122,998	122,998	-
<b>Totals:</b>			
Personal services	198,527	198,527	-
Operating expenses	5,049	5,049	-
Equipment	11,479	11,479	-
<b>Total</b>	<u>\$ 215,055</u>	<u>\$ 215,055</u>	<u>\$ -</u>

California Multi-Jurisdictional Meth Enforcement Team - Grant No. MH-07020490

<u>Department/Category</u>	<i>State Funded Expenditures</i>		
	<u>Budget</u>	<u>2008 Actual</u>	<u>Variance</u>
<b>Sheriff:</b>			
Personal services	\$ 306,434	\$ 306,434	\$ -
Operating expenses	47,293	47,293	-
<b>Total</b>	<u>\$ 353,727</u>	<u>\$ 353,727</u>	<u>\$ -</u>

**COUNTY OF SONOMA, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 7 – SCHEDULE OF STATE OF CALIFORNIA OFFICE OF EMERGENCY SERVICES**  
**GRANT EXPENDITURES (CONTINUED)**

Marijuana Suppression Program - Grant No. MH 07150490

<u>Department/Category</u>	<u>Federally Funded Expenditures</u>		
	<u>Budget</u>	<u>2008 Actual</u>	<u>Variance</u>
<b>Sheriff:</b>			
Personal services	\$ 35,380	\$ 35,475	\$ (95)
Operating expenses	4,241	4,241	-
Equipment	34,245	34,245	-
<b>Subtotal Sherriff</b>	<b>73,866</b>	<b>73,961</b>	<b>(95)</b>
<b>District Attorney:</b>			
Personal services	103,303	103,208	95
<b>Totals:</b>			
Personal services	138,683	138,683	-
Operating expenses	4,241	4,241	-
Equipment	34,245	34,245	-
<b>Total</b>	<b>\$ 177,169</b>	<b>\$ 177,169</b>	<b>\$ -</b>

California Multi-Jurisdictional Meth Enforcement Team- Grant No. MH 06010490

<u>Department/Category</u>	<u>Budget</u>	<u>State Funded Expenditures</u>		<u>Total</u>	<u>Variance</u>
		<u>2007 Actual</u>	<u>2008 Actual</u>		
<b>Sheriff:</b>					
Personal services	\$ 211,056	\$ 160,391	\$ 50,665	\$ 211,056	\$ -
Operating expenses	93,308	77,358	15,950	93,308	-
Equipment	75,658	74,860	798	75,658	-
<b>Total</b>	<b>\$ 380,022</b>	<b>\$ 312,609</b>	<b>\$ 67,413</b>	<b>\$ 380,022</b>	<b>\$ -</b>

**COUNTY OF SONOMA, CALIFORNIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 8 – ADDITIONAL INFORMATION FOR CALIFORNIA DEPARTMENT OF AGING**

The following represents the State of California Department of Aging grant expenditures, for the fiscal year ended June 30, 2008.

Community Based Services Programs and Special Deposit

Contract AP-0708-27 - State Funded

	<b>Amount</b>
Alzheimers' Day Care Resource Center Program	\$ 73,789
Brown Bag Program	23,557
Linkages Program	227,962
Respite Purchase of Service	10,394
Administrations	37,300
Ombudsman Initiative (Special Deposit)	26,107
	<u>\$ 399,109</u>



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WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

To the Honorable Members of the  
 Board of Supervisors  
 County of Sonoma, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sonoma, California (the County), as of and for the fiscal year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 19, 2008. We did not audit the financial statements of the Sonoma County Community Development Commission major Special Revenue Fund. Also, we did not audit the financial statements of the Sonoma County Library, the Sonoma County Fair and Exposition, Inc., and the County of Sonoma Transportation Project Fund (Transit) which represent the following percentages of assets, net assets/fund balances and revenues as of and for the fiscal year ended June 30, 2008:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Net assets/ fund balance</u>	<u>Revenues</u>
Governmental Activities	4.4%	8.1%	7.4%
Business-type Activities	8.7%	13.3%	18.7%
Aggregate Remaining Fund Information	4.1%	4.9%	16.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. Our report contained an explanatory paragraph describing the County's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007. We conducted our audit 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. Other auditors audited the financial statements of the Sonoma County Community Development Commission major Special Revenue fund, Sonoma County Library and the Sonoma Transportation Project Fund, as described in our report on the County's financial statements. This report does not include the results of other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Sonoma County Fair and Exposition, Inc, were not audited in accordance with *Government Auditing Standards*.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-A and 2008-B to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Item 2008-A to be a material weakness.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the County'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*.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, express no opinion on it. Certain additional matters were communicated to the Board of Supervisors in a separate letter.

This report is intended solely for the information and use of the County Board of Supervisors, County management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macinn Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California

December 19, 2008



**MACIAS GINI & O'CONNELL** LLP  
 Certified Public Accountants & Management Consultants

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NEWPORT BEACH

SAN MARCOS

SAN DIEGO

To the Honorable Members of the  
 Board of Supervisors  
 County of Sonoma, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
 APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 IN ACCORDANCE WITH OMB CIRCULAR A-133**

*Compliance*

We have audited the compliance of County of Sonoma, California (County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the following entities, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2008:

<u>Entity</u>	<u>Federal Expenditures</u>
Sonoma County Community Development Commission	\$ 30,763,206
Sonoma County Transportation Project Fund	698,190

Our audit, described below, did not include the operations of those entities as those entities were audited by other auditors in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

### *Internal Control Over Compliance*

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not to the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. We did not audit the financial statements of the Sonoma County Community Development Commission major Special Revenue Fund. Also, we did not audit the financial statements of the Sonoma County Library, the Sonoma County Fair and Exposition, Inc., and the County of Sonoma Transportation Project Fund (Transit), which represent the following percentages of assets, net assets/fund balances and revenues as of and for the fiscal year ended June 30, 2008:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Net assets/ fund balance</u>	<u>Revenues</u>
Governmental Activities	4.4%	8.1%	7.4%
Business-type Activities	8.7%	13.3%	18.7%
Aggregate Remaining Fund Information	4.1%	4.9%	16.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The schedule of expenditures of federal awards does not include the expenditures of federal awards made by the Sonoma County Community Development Commission or the Sonoma County Transportation Project Fund as those entities are audited by other auditors in accordance with OMB Circular A-133. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Board of Supervisors, County management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maclean Mini & O'Connell LLP*

Certified Public Accountants

Sacramento, California

March 16, 2009, except for the  
schedule of expenditures of federal awards,  
as to which the date is December 19, 2008

**COUNTY OF SONOMA, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor’s Results**

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	
<u>Program Title</u>	<u>CFDA</u>
Foodstamps Cluster	10.551/10.561
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	No

**COUNTY OF SONOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**Item: 2008-A CAPITALIZATION OF CONSTRUCTION IN PROGRESS**

**Condition:**

During our audit we discovered that expenses related to certain maintenance projects over a five-year period had been incorrectly capitalized, primarily during the Water Agency's implementation for the retroactive reporting of infrastructure pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34.

**Effect:**

As a result, the Water Agency recorded a prior period adjustment and restated beginning net assets for governmental activities and reduced capital assets by \$8,023,704.

**Cause:**

The project costs were inappropriately capitalized as construction in progress because the projects were incorrectly established within the Water Agency's Project Cost Accounting System (PCAS).

**Recommendation:**

We recommended that a formal process be established which would require the approval from the Sonoma County Auditor-Controller's Office before inputting new projects into the PCAS. The approval process would ensure that at the inception of the projects undertaken by the County, such project costs are properly identified as either capital projects or ongoing repairs and maintenance projects.

**Management Response:**

The audit of the 2006-2007 financial statements revealed that there had been a misclassification of project costs associated with certain maintenance projects. This discovery led to several changes to our project classification process during 2007-2008. The changes to our processes, which should be sufficient to prevent this type of error from occurring again, are listed below:

The Fiscal Services Unit has revised the "Project Request Form". This form includes more detail for capital projects and asset ownership. All requests will be forward to the County of Sonoma Auditor-Controller's Office for approval before project numbers are assigned. These improvements will more accurately identify and communicate proper classification of all projects at the start. The Auditor-Controller's Office and Agency staff have reviewed and updated the capitalization policy and have worked closely with all Agency managers and project managers to assure understanding of the basic requirements for capitalizing projects.

Semi-annual meetings have been set-up with Administration, Fiscal Services, Engineering and all project managers to review current expenditures, activity and to provide additional training and review of the capitalization policy. The Fiscal Services Unit is currently developing a project completion notification process to add a final decision point on classification and to assure the timely close-out of projects.

**COUNTY OF SONOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**Item: 2008-B RECONCILIATION OF CASH & INVESTMENTS**

**Condition:**

During our audit we discovered that the County did not identify certain cash and investment accounts for reconciliation purposes totaling \$1,360,406. Furthermore, the total County's cash and investments balance was not reconciled to the general ledger.

**Effect:**

The County's cash and investment accounts and related notes to the financial stated were inaccurate when provided to auditor, resulting in adjustments to the financial statements.

**Cause:**

The County does not have proper internal controls in place over its financial reporting of its cash and investments to ensure all bank accounts held by the County are accurately recorded and disclosed in its financial statements in accordance with Generally Accepted Accounting Principles.

**Recommendation:**

We recommend the County design and implement procedures and internal controls for identifying all bank and investment accounts managed by the County Treasurer and reconcile the balances to the general ledger.

**Management Response:**

Management agrees with the recommendation and will design and implement internal controls and processes to ensure financial reporting of the County's cash and investments is complete and accurate in accordance with Generally Accepted Accounting Principles.

**COUNTY OF SONOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Section III – Federal Award Findings and Questioned Costs**

None.

**COUNTY OF SONOMA**  
**STATUS OF PRIOR YEEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Reference Number:** 2007-A

**Audit Finding:** During our audit, we noted that the Water Agency, a blended component unit of the County had incorrectly capitalized certain costs incurred in prior year associated with the Mumford Dam and Crocker Creek fish passages projects.

**Status of Corrective Action:** The Water Agency implemented a new process for assigning project numbers in its project cost accounting system which utilizes a control form that is to be completed prior to the issuance of a projected number.. Included on the form is a field that requires a description of the project and whether or not the project should be classified as Capitalizable. The Auditor Controller's Office is consulted when a final determination is required.

**Reference Number:** 2007-B

**Audit Finding:** During our audit, we noted that the County had \$19,047,041 related to the landfill's expansion that was incorrectly recorded as land rather than site improvements. It was also determined that \$13,588,976 related to completed projects and \$1,802,671 other non-capital activities were inappropriately included in construction in progress rather than site improvements and expense, respectively. The County recorded accumulated depreciation related to the above reclassifications in the amount of \$26,951,722.

**Status of Corrective Action:** The Auditor-Controller's Office now works with project supervisors to review and approve the accounting treatment of project costs prior to inputting new projects into its CAS.

**Reference Number:** 2007-01

**Federal Catalog Number/  
Program Name:** 93.778 Medical Assistance Program

**Audit Finding:** During our review of 40 participant files, we noted five cases in which the required annual re-determinations had not been conducted and/or documented and three cases in which the IEVS form was not signed and dated.

**Status of Corrective Action:** Per our audit of the medical program, participants selected for testing annual re-determinations were properly conducted and all IEVS forms were signed, dated and properly uploaded to the CalWin system.