

COUNTY OF SONOMA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended
June 30, 2010



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
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ASSISTANT TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR-AUDITOR

December 16, 2010

To the Board of Supervisors and Citizens of Sonoma County:

The Comprehensive Annual Financial Report (CAFR) of the County of Sonoma (County) for the fiscal year ended June 30, 2010, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent auditor's report is located at the front of the financial section of this report. Macias Gini & O'Connell LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the County's financial statements for the fiscal year ended June 30, 2010.

The Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Incorporated in 1850, the County of Sonoma is located in the northwestern part of the State of California, approximately 55 miles north of San Francisco. The County of Sonoma currently occupies over one million acres of land and water serving a population of 493,285. Open space and agricultural land account for a great majority of this acreage. Nine incorporated cities are within the County: Santa Rosa, Petaluma, Rohnert Park, Town of Windsor, Healdsburg, Sonoma, Cloverdale, Sebastopol, and Cotati. The largest employment categories include health services, retail trade, manufacturing, construction and public administration. The climate and diverse geographic regions, especially its world-renowned wine and scenic wineries, make the County a popular tourist and recreational area.

The 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 (Board) 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, with an average of 3,883 full-time equivalent employees, provides a full range of services to its residents. Citizens residing in unincorporated areas of the County receive all municipal services from the County including law enforcement, fire protection, land use and zoning, building permits, local road building and maintenance, animal care and control, and public libraries. Every resident of the County, directly or indirectly, benefits from these services. In addition, most services performed by the County are provided for all residents, regardless of whether those residents live in cities or unincorporated areas. The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. The State and federal governments mandate certain minimum levels of services in the public assistance and health areas. A major challenge to the County during fiscal year 2009/2010 and future years is the maintenance of these services to the extent feasible within the County's financial resources.

Included in operations are various component units which provide specific services County-wide or to distinct geographic areas within the County. 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 either (i) 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 County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District, Occidental County 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), the Sonoma County Tobacco Securitization Corporation and the Sonoma County Public Financing Authority. 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.

The County is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds. The County maintains budgetary controls to assure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the general and special revenue funds are included in the annually 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 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 ECONOMIC CONDITION

Economy

Sonoma County showed continued declines in key economic areas during fiscal year (FY) 09-10. The lingering effects of the recession are still being felt in Sonoma County; the recovery is expected to gather strength in 2011 with technology being the driving force behind the recovery.

Employment

- The County's unemployment rate increased from 9.7% (2009 Annual) to 10.8% through June 2010. This is higher than the national unemployment rate of 9.7% and significantly lower than the California unemployment rate of 12.5%.
- By October 2010, the national economy had seen five quarters of positive gross domestic product (GDP) growth, yet the national unemployment rate remains essentially unchanged at 9.65%. Sonoma County and especially California lag the national economy; the County's unemployment rate decreased slightly to 10.6% with California unemployment at 12.4%.

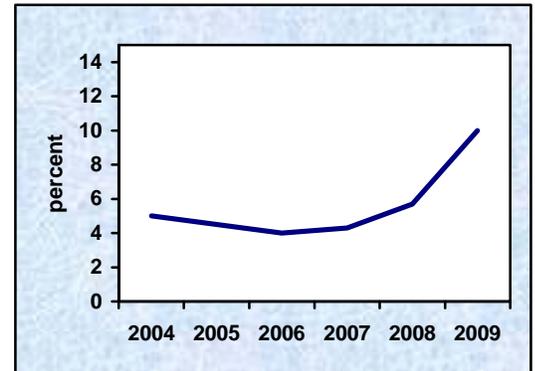
Income

- Per capita personal income decreased from \$46,792 in 2009 to \$44,019 in 2010, a decrease of 5.93%.

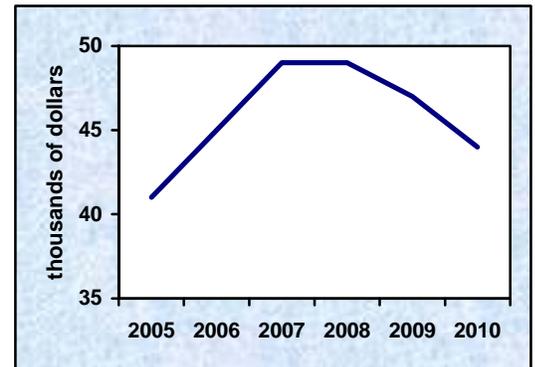
Retail Sales

- Retail sales County-wide decreased 15.84% to \$6.3 billion for the 2009 calendar year from \$7.5 billion in 2008 but it has increased 3.22% to \$3.0 billion for the first two quarters of 2010 compared to \$2.9 billion for the first two quarters of 2009.
- County unincorporated area local retail sales tax decreased 18.44% to \$11.2 million for the 2009 calendar year from \$13.8 million in 2008 but it has increased 3.29% to \$5.4 million for the first two quarters of 2010 compared to \$5.2 million for the first two quarters of 2009.

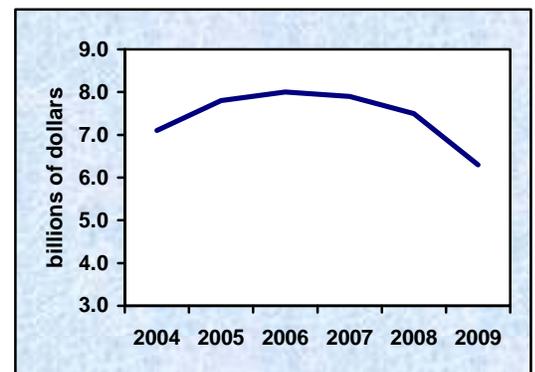
Annual Unemployment Rate



Annual Per Capita Income



Annual Retail Sales

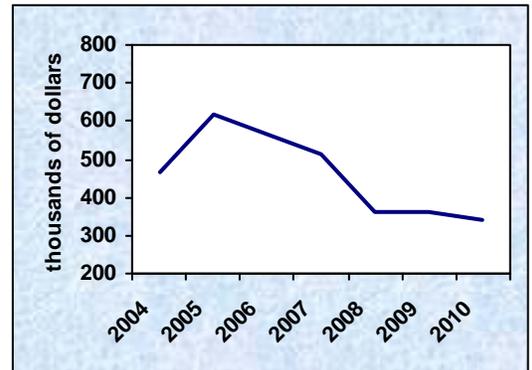


FACTORS AFFECTING ECONOMIC CONDITION-CONTINUED

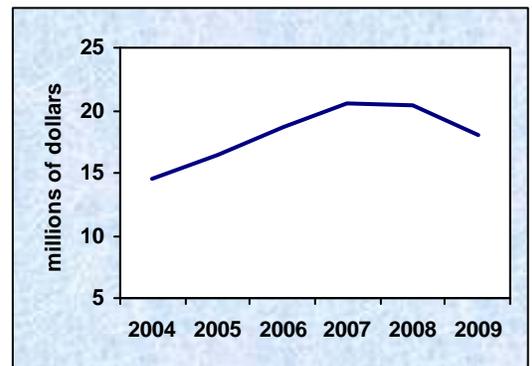
Real Estate

- The County-wide median home price has decreased a significant 44.67% to \$342,500 for October 2010 from its high of \$619,000 in August 2005. It appeared that in October of 2009 that the median home price was leveling off yet, the year-over-year median home price further decreased from October 2009 to October 2010 by \$17,500 or 4.86%, which may be a reflection of continuing economic fears. In addition the federal homebuyer’s tax credit was slated for expiration in November 2009 leading to increased demand and sales. It is expected that the drop in the median home price will help rekindle house sales in the spring as housing affordability levels are now at their highest levels in over two decades.
- Certified valuation of secured and unsecured property which includes residential and non-residential decreased 1.33% to \$67.6 billion for FY 09-10 from \$68.5 billion for FY 08-09.
- Certified valuation of non-residential increased 2.89% to \$19.3 billion for FY 09-10 from \$18.8 billion for FY 08-09.
- Certified valuation of residential decreased 2.92% to \$48.2 billion for FY 09-10 from \$49.7 billion for FY 08-09.

Median Home Price



Annual Transient Occupancy Tax



Tourism

- The County’s lodging occupancy rate was relatively stable through 2007. The continued effects of the economy coming out of a severe recession and decreases in business and leisure travel worldwide is clearly evidenced as the rate has fallen further in 2009 to 56.1% from 61.3% in 2008.
- Transient occupancy tax (TOT) decreased 12.68% to \$18.02 million in 2009 when adjusted for inflation. TOT has increased 4.31% to \$7.9 million for the first two quarters of 2010 as compared to \$7.5 million for the first two quarters of 2009.

FACTORS AFFECTING ECONOMIC CONDITION – CONTINUED

ECONOMIC INDICATORS

The national economy has posted five quarters of positive GDP growth, but the effects of the recession are still being felt throughout most of the United States. California still lags the nation but signs of an emerging recovery are being seen in certain segments of Sonoma County especially the technology sector. California has been severely impacted by the real estate collapse and has lost jobs at a significant rate. Home prices have been significantly affected throughout the County. Retail sales county-wide have been declining for three years but the first two quarters of 2010 show positive growth as compared to the first two quarters of 2009. Tourism is a vital component of the County and has seen negative growth in 2009. Indicators for 2010 expect that trend to continue with some moderation in the pace of the decline. California has faced and continues to face a significant budget crisis and government pension funds including Sonoma County's incurred significant losses in the investment market. Although the effects of the recession are still being felt in Sonoma County, the recovery is expected to gather strength in 2011 with technology being the driving force behind the recovery. The unknowns in the economy include uncertainty related to unemployment, mortgage defaults, credit tightening, lack of consumer confidence, consumer spending, and tourism spending decreases. All of these factors will impact the County's revenue and tax base.

FINANCIAL INDICATORS

In FY 09-10, County tax revenues were again under stress with significant declines year-over-year in Prop. 172 public safety sales tax (6.83%), realignment sales tax (20.36%), transient occupancy tax (4.28%) and interest earnings on funds that comprise the Treasury Pool (61.36%). Additionally, secured property tax, the County's largest revenue source, had declined 1.42%. On a more positive note, local sales tax to county-wide taxing jurisdictions increased by 20.92%. The County proactively addressed the declining revenue in FY 09-10 with many departments implementing a 15% reduction of their General Fund dollars for expenditures.

For FY 10-11, the anticipated secured property tax revenue is expected to decline by 2.35% based on declines in secured valuation, from \$65.1 billion in FY 09-10 to \$63.6 billion in FY 10-11; however, the decrease is smaller than what many counties throughout the State are facing. Other tax revenues are projected to remain flat. To ensure a balanced budget, the departments were required to reduce their General Fund spending up to 20% for FY 10-11. As part of this reduction, the County implemented Mandatory Time Off (MTO), a furlough program for employees, which is projected to save approximately \$9.0 million. The continuing California budget issues have resulted in State program reductions and shifts of revenue from County government to the State. The County also employed an innovative cost savings initiative requesting that its vendors consider a voluntary price reduction of 10% in exchange for a one year extension to their contracts. Over 217 vendors participated resulting in savings of \$1.86 million.

MAJOR INITIATIVES

A major challenge to the County during FY 09-10 and future years is the maintenance of services to the extent feasible within the County's financial resources. This section lists only a select number of the many major accomplishments, major programs (initiatives) implemented and challenges met by County and agency staff while maintaining essential services during FY 09-10. This truncated list does not do justice to the many accomplishments of the Sonoma County organization. In FY 09-10, Sonoma County:

- Funded \$30.4 million of energy and water efficiency improvements through the Sonoma County Energy Independence Program (SCEIP) with an additional \$10.1 million approved but not yet funded. The tangible benefits include job creation, reducing energy and water use, and achieving greenhouse gas reductions.
- Proactively applied for federal funding through the American Recovery and Reinvestment Act (ARRA) receiving \$33.45 million through September 30, 2010. The funding has either saved or created 704.75 full time equivalent positions, with 94% or 659 positions in the private sector.

FACTORS AFFECTING ECONOMIC CONDITION – CONTINUED

- Began the Comprehensive Energy Project for County facilities including the installation of a \$22 million fuel cell to complete attainment of our own commitment to reduce greenhouse gas emissions related to county facilities to 20% below 2000-2001 levels in 2010.
- Secured \$450,000 Homeland Security Grant to begin replacing radio equipment working toward greater interoperability between all public safety radio users in the county.
- Updated the County’s American with Disabilities Act Transition Plan for County facilities and began the first year of a new multi-year effort to remove barriers to access. The coming year will see the completion of the first and second year’s set of projects to remove identified barriers.
- Completed first full year of Early Case Resolution Court. More than 1,000 felony cases were filed in this court during the first year and approximately 70% of the cases filed in the first six months were resolved in an average of 21 days as compared to an average of 120 days prior to the establishment of this court.
- Developed an effective plan and vaccination campaign, including vaccinating 9,800 residents against the emerging H1N1 flu pandemic.
- Completed 9 land conservation projects totaling over 7,000 acres including the largest conservation acquisition in Sonoma County to date, the Jenner Headlands at 5,360 acres.
- Assisted 2,772 households and 215 mostly homeless clients with rents; awarded over \$4 million in affordable housing loan proceeds to 7 local projects to build 193 new affordable housing units in the county.
- Achieved greater than 25% reduction in water diversion from the Russian River and managed the low flow conditions necessitated by multiple years of dry conditions.
- Implemented a subsidized employment program for low income individuals with federal stimulus funding and, in partnership with the Water Agency, the Office of Education, New Ways to Work and other non-profit agencies, employed more than 300 low income youth in a Summer Jobs Program.
- Delivered educational programs to over 13,000 children from over 60 schools with emphasis on new health and environmental programs, including 45 field trips serving 2,000 youth to the Healthy Earth, Healthy Bodies program at Tolay Lake Regional Park.

LONG-TERM FINANCIAL PLANNING

The FY 10-11 Budget was prepared using a number of assumptions including the County share of “current” property tax revenues which were projected to decrease 2.6% from \$146.4 million in FY 09-10 to \$142.6 million in FY 10-11. By way of comparison, FY 09-10 “current” property tax revenues decreased by 1.22% from \$148.0 million in FY 08-09 to \$146.2 million in FY 09-10. This decrease reflects the declining real estate values. Other property related revenue sources, like the Documentary Transfer Tax and the Supplemental Property Tax, track more closely to the current real estate activity and have dropped from highs of \$7.7 million and \$11.4 million in FY 05-06 to an estimated \$2.4 million and \$1.2 million for FY 10-11. We believe these reductions in Documentary Transfer Tax and Supplemental Property Tax are markers for what the “current” property tax growth will look like beyond FY 10-11. We have projected other tax revenues to remain flat, including local sales tax and Proposition 172 public safety sales tax revenue. State/federal revenues in County operating funds are projected to be essentially flat even after considering projected caseload and assistance payments, state reductions and federal stimulus monies. Once again most state and federal programs are not receiving increases in on-going funding to cover the increased costs of local administration. As such, we believe FY 11-12 will be a challenging year; perhaps even more so than FY 10-11.

FACTORS AFFECTING ECONOMIC CONDITION – CONTINUED

Fixed costs of doing business, primarily driven by salaries, health insurance, retirement, and other benefit cost increases continue to grow. The budget is also absent a cost of living adjustment for most employees and reflects reductions in County contributions for employee health insurance and a phased reduction for some of the retiree health plans. It is important to note that by reducing contributions for employee and retiree health insurance, the County has effectively capped the future liability for these costs. This provides the Board more direct control of these costs and the ability to weigh any future adjustments against other factors including the Board's public service priorities. Also of note, the County issued Pension Obligation Bonds (POB) during FY 10-11 to address the increasing unfunded actuarial accrued liability. The POB is expected to save the County \$93 million over the life of the bonds, though it is expected that the retirement system will have to increase their rates to the County in order to gradually recoup their losses due to the economic downturn.

RELEVANT FINANCIAL POLICIES

Balanced Budget

The budget must balance expenditure appropriations with resources. The county must live within its own means and avoid disturbing other local jurisdictions' revenue sources to resolve its deficiencies. Furthermore, any deviation from a balanced budget is not permitted by the California State Government Code, which states: "In the recommended, adopted, and final budgets the funding sources shall equal the financing uses." (Government Code §29009).

Multi-year Financial Forecasting

Budget growth will be based on 3-year projections of revenues to anticipate and minimize short-term fluctuations in revenues.

Expenditure Management & Control

Federal and State program reductions will not be backfilled with county discretionary revenues except by Board of Supervisors direction. The Board typically does not backfill these programs due to their sheer size and magnitude on the county's financial position.

Debt Management

For over 10 years the County has had an established Debt Advisory Committee (DAC) to provide guidance and support related to all County debt issuance and management. The DAC provides the County Administrator and the Board of Supervisors a review process to ensure that all potential debt obligations are evaluated for cost effectiveness, optimal structure and the ability to maintain post issuance compliance requirements. In addition, the County is in the final stages of preparing a debt capacity review and debt policy, which are expected to be completed by February 28, 2011.

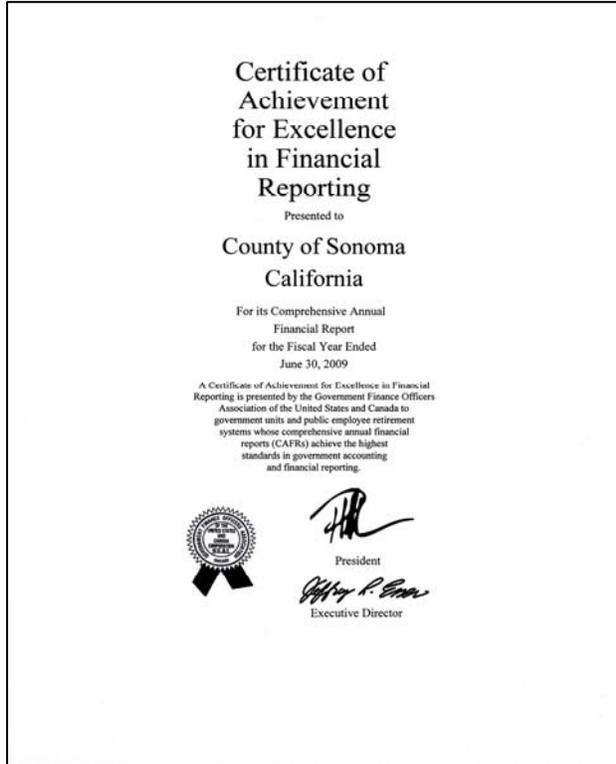
Fund Balance Reserve

Sonoma County will create and maintain a prudent level of financial resources to protect against the need to reduce service levels or raise fees due to temporary revenue shortfalls or unpredicted one-time expenditures. Reserves will also be created and maintained to fund anticipated future one-time expenditure needs and to allow time for the county to respond to major actions of the State of California that materially affect the county's financial position. Consistent with best practice recommendations from the Government Finance Officers Association of the United States and Canada, the county will strive to maintain total General Fund discretionary reserves equal to 5%-15% of annual General Fund operating revenues. This range will be further subdivided into "traffic light" increments where 5-10% represents the red light signaling that no further use of reserves should be made except in dire emergencies, or where almost immediate replenishment is assured. Further, priority should be given to increase reserve levels. The 10-15% increment of the range represents the yellow light signaling that caution should be exercised in the use of reserves and only for one-time costs. In addition, consideration should be given to increase reserve levels should resources become available. Above 15%, a green light is given and adequate reserve levels have been achieved.

FACTORS AFFECTING ECONOMIC CONDITION – CONTINUED

AWARDS AND ACKNOWLEDGMENTS

Financial Reporting Certificate of Achievement: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County’s CAFR for the fiscal year ended June 30, 2009. This was the eighteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.



A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Budget Presentation Award: The County received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2009. This was the fifteenth consecutive year that the County has achieved this prestigious award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

Popular Financial Reporting Award: The County received the GFOA’s Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The County has achieved this prestigious award thirteen times. This award is a national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this

award, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report was achieved through the combined efforts of numerous individuals. We are especially grateful to the Auditor-Controller-Treasurer-Tax Collector’s Office 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. We would also like to thank all the County departments who participated in its preparation and the Board for its leadership, responsibility, and action that ensure the general fiscal health and integrity of the County.

Respectfully Submitted,

Veronica A. Ferguson
County Administrator

Rodney A. Dole
Auditor-Controller-Treasurer-Tax Collector

DIRECTORY OF ELECTIVE AND APPOINTIVE OFFICERS

Appointive Officers & Department Heads

Agricultural Commissioner.....	Cathy Neville
Agricultural Preservation & Open Space District General Manager.....	Bill Keene
Community Development Commission Director.....	Kathleen Kane
County Administrator.....	Veronica A. Ferguson
County Counsel.....	Steven Woodside
Economic Development Director.....	Ben Stone
Fair Manager.....	Tawny Tesconi
Emergency Services Director.....	Mark Aston
General Services Director.....	José Obregón
Health Services Director.....	Rita Scardaci
Human Resources Director.....	Julee Murphy (Interim)
Human Services Director.....	Jo Weber
Information Systems Director (Interim).....	Ken Hightower (Interim)
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>).....	Jose Guillen
Transportation & Public Works Director.....	Phillip Demery
U.C. Cooperative Extension Director.....	Stephanie Larson
Water Agency Director.....	Grant Davis (Interim)

DIRECTORY OF ELECTIVE AND APPOINTIVE OFFICERS

Elective Officers

Auditor-Controller-Treasurer-Tax Collector.....	Rodney A. Dole
County Clerk\Recorder\Assessor.....	Janice Atkinson
District Attorney.....	Stephan Passalacqua
Judges (<i>Superior Court Of California</i>):	
Presiding Superior Court Judge.....	Gary Nadler
Assistant Presiding Superior Court Judge.....	Rene Auguste Chouteau
Supervising Criminal Court Judge.....	Kenneth Gness
Supervising Civil Court Judge.....	Elaine Rushing
Supervising Family Law Court Judge.....	James G. Bertoli
Presiding Judge of the Juvenile Court.....	Allan D. Hardcastle
Superior Court Judge.....	Lawrence Antolini
Superior Court Judge.....	Shelly J. Averill
Superior Court Judge.....	Raima Ballinger
Superior Court Judge.....	Robert S. Boyd
Superior Court Judge.....	Elliot Lee Daum
Superior Court Judge.....	Robert M. LaForge
Superior Court Judge.....	Virginia Marcoida
Superior Court Judge.....	Gary A. Medvivy
Superior Court Judge.....	Dana Beernink Simonds
Superior Court Judge.....	Mark Tansil
Superior Court Judge.....	Arthur A. Wick
Superior Court Judge.....	Cerena Wong
Sheriff-Coroner.....	William Cogbill
Supervisors:	
District One.....	Valerie Brown
District Two.....	Mike Kerns
District Three.....	Shirlee Zane
District Four.....	Paul Kelley
District Five.....	Efren Carrillo



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, 2010, 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, 2010:

Opinion Unit	Assets	Net assets/fund balances	Revenues
Governmental Activities	5.4%	8.0%	7.4%
Business-type Activities	8.8	11.9	19.0
Aggregate Remaining Fund Information	4.4	5.4	16.0

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, 2010, 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 fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, effective July 1, 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

In accordance with *Government Auditing Standards*, we have issued our report dated December 16, 2010, 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 schedules of funding progress as listed in the table of contents 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.

Macinn Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 16, 2010

Management's Discussion and Analysis (Unaudited)

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, 2010. 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 \$1,384.3 (*net assets*). Of this amount, \$262,463 is restricted for specific purpose (restricted net assets), and \$1,006,323 is invested in capital assets, net of related debt. Unrestricted net assets had a balance of \$115,474.
- The County's total net assets increased by \$44,232.
- As of June 30, 2010, the County's governmental funds reported combined fund balances of \$454,516, a decrease of \$57,751. Approximately 64 percent of the combined fund balances, \$291,743 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 \$73,497 or 21 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 decreased by \$46,812 or 4.8 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required 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, the Sonoma County Water Agency (Water Agency), the Sonoma Valley County Sanitation District, the Energy Independence Program the Community Hospital of Sonoma County (Community Hospital), the Sonoma County Fair and Exposition, Inc. (Fair), Airport, Spud Point Marina, 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 County Sanitation District, the Occidental County Sanitation District, the Sonoma County Tobacco Securitization Corporation and the Sonoma County Public Financing Authority. 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.

Governmental 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, 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. A budgetary comparison schedule has 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, the Water Agency, Sonoma Valley County Sanitation District, the Energy Independence Program, the Community Hospital, the Fair, the Airport, Spud Point Marina, Transit, Russian River County Sanitation District, South Park County Sanitation District, Occidental County Sanitation District and other districts. *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 the 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, the Water Agency, the Sonoma Valley County Sanitation District and the Energy Independence Program,, 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, 2010
(in thousands)
Analysis of Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009(1)	2010	2009(1)	2010	2009(1)
Assets:						
Current and other assets	\$ 998,985	\$ 1,083,700	\$ 146,446	\$ 122,162	\$ 1,145,431	\$ 1,205,862
Capital assets	940,166	899,228	431,872	434,331	1,372,038	1,333,559
Total assets	1,939,151	1,982,928	578,318	556,493	2,517,469	2,539,421
Liabilities:						
Current and other liabilities	198,983	211,688	17,629	19,697	216,612	231,385
Long-term liabilities	729,725	741,477	191,471	226,531	921,196	968,008
Total liabilities	928,708	953,165	209,100	246,228	1,137,808	1,199,393
Net assets:						
Invested in capital assets, net of related debt	679,921	647,043	326,402	316,858	1,006,323	963,901
Restricted net assets	249,264	266,458	13,199	15,053	262,463	281,511
Unrestricted net assets	85,857	116,262	29,617	(21,646)	115,474	94,616
Total net assets	\$ 1,015,042	\$ 1,029,763	\$ 369,218	\$ 310,265	\$ 1,384,260	\$ 1,340,028

(1) 2009 Capital Assets and Net assets Invested in capital assets, net of related debt have been restated to reflect the implementation of GASB 51.

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 \$1,384,260 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.

An additional portion of the County's net assets, \$262,463 (19.1 percent), represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reports total unrestricted net assets in the amount of \$115,474.

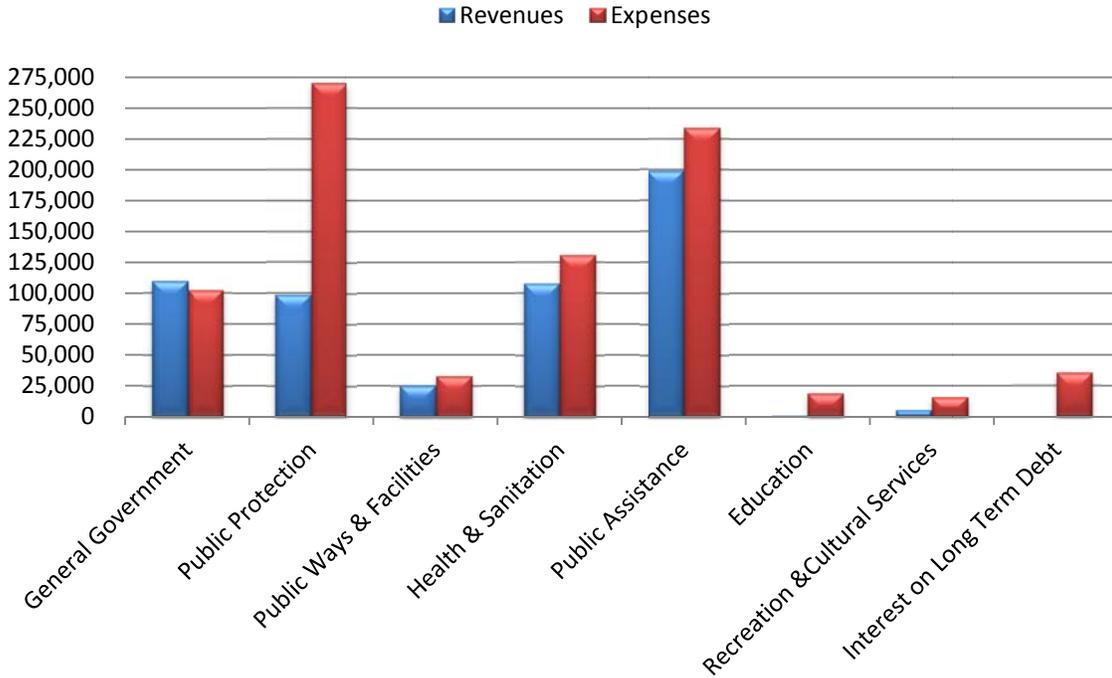
The County's net assets increased by \$44,232 during the current fiscal year primarily due to the Refuse enterprise fund gain on remeasurement for its closure and postclosure care liability.

**Changes in Net Assets
June 30, 2010
(in thousands)**

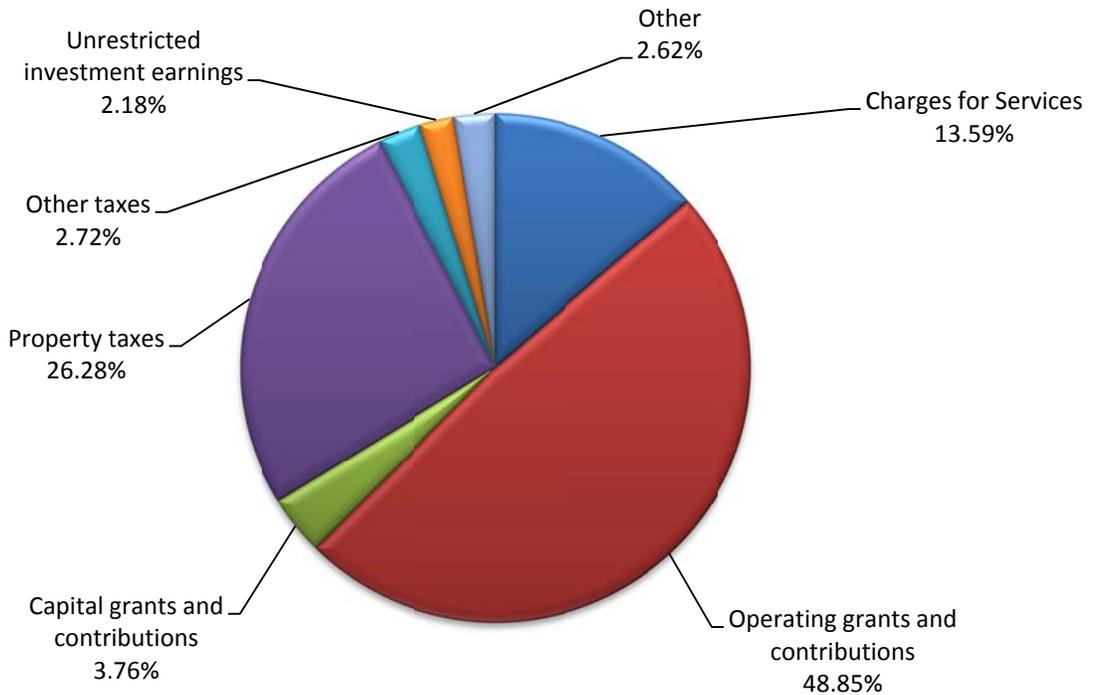
	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009(1)	2010	2009(1)	2010	2009(1)
Revenues:						
Program revenues:						
Charges for services	\$ 116,524	\$ 146,680	\$ 112,407	\$ 110,609	\$ 228,931	\$ 257,289
Operating grants and contributions	403,381	365,332	12,594	14,175	415,975	379,507
Capital grants and contributions	31,048	16,864	9,888	4,214	40,936	21,078
General revenues:						
Property taxes	216,904	220,995	205	238	217,109	221,233
Documentary transfer taxes	3,114	3,117	-	-	3,114	3,117
Transient occupancy taxes	7,139	7,457	-	-	7,139	7,457
Sales tax	12,208	16,337	-	-	12,208	16,337
Unrestricted investment earnings	17,979	25,117	1,229	2,927	19,208	28,044
Gain on sale of capital assets	2,113	42	81	134	2,194	176
Other	19,472	21,669	1,104	572	20,576	22,241
Total revenues	829,882	823,610	137,508	132,869	967,390	956,479
Expenses						
General government	102,272	98,084	-	-	102,272	98,084
Public protection	270,306	260,005	-	-	270,306	260,005
Public ways and facilities	32,958	35,382	-	-	32,958	35,382
Health and sanitation	130,761	137,012	-	-	130,761	137,012
Public assistance	233,972	220,082	-	-	233,972	220,082
Education	18,409	18,933	-	-	18,409	18,933
Recreation and cultural services	15,290	15,475	-	-	15,290	15,475
Interest on long-term debt	35,320	31,962	-	-	35,320	31,962
Refuse	-	-	(24,419)	36,398	(24,419)	36,398
Water Agency	-	-	53,651	53,009	53,651	53,009
Sonoma Valley County Sanitation District	-	-	13,242	11,798	13,242	11,798
Energy Independence Program	-	-	1,742	71	1,742	71
Community Hospital	-	-	1,513	1,040	1,513	1,040
Fair	-	-	9,985	10,662	9,985	10,662
Airport	-	-	3,632	3,667	3,632	3,667
Spud Point Marina	-	-	1,638	1,995	1,638	1,995
Transit	-	-	14,661	15,735	14,661	15,735
Sanitation	-	-	7,283	6,738	7,283	6,738
Other	-	-	942	1,039	942	1,039
Total expenses	839,288	816,935	83,870	142,152	923,158	959,087
Excess (deficiency) before transfers	(9,406)	6,675	53,638	(9,283)	44,232	(2,608)
Transfers	(5,315)	(3,987)	5,315	3,987	-	-
Change in net assets	(14,721)	2,688	58,953	(5,296)	44,232	(2,608)
Net assets at beginning of year, as previously reported	1,029,763	1,019,726	309,768	316,362	1,339,531	1,336,088
Restatements	-	7,349	497	(1,298)	497	6,051
Net assets at beginning of year, as restated	1,029,763	1,027,075	310,265	315,064	1,340,028	1,342,139
Net assets at end of year	\$ 1,015,042	\$ 1,029,763	\$ 369,218	\$ 309,768	\$ 1,384,260	\$ 1,339,531

(1) Certain 2009 amounts have been reclassified in order to be consistent with the current year's presentation.

Expenses and Program Revenues-Governmental Activities



Revenues by Source-Governmental Activities



Governmental activities Governmental activities decreased the County's net assets by \$14.7 million, which is a decrease of \$17.4 million from last year's increase of \$2.7 million. The County's governmental activities net assets ended at \$1,015.0 million. Major changes in governmental activities, include the following:

Function/program activities:

- General government's net revenue, which includes administration, tax collection, utilities, and maintenance, increased by \$15.8 million to \$11.9 million mainly due to an increase in various and capital grant funding.
- Public protection's net expense, which includes sheriff, adult detention, district attorney, probation/juvenile institutions, and the public defender increased by \$10.9 million to \$171.8 million. The majority of the increase is related to an increase in employee pay, related benefit costs, and expanded operational costs.
- Public ways and facilities' net expense decreased by \$3.9 million to \$7.7 million due to increases in various operating and capital grant funding and a decrease in operating related expenditures.
- Public assistance net expenses increased by \$0.3 million to \$34.9 million due to an increase in operating expenses and new programs.
- Interest on long-term debt increased by \$3.4 million to \$35.3 million due to new debt issuances from prior fiscal periods.

General revenues:

- Property tax revenues decreased by \$4.1 million to \$217.0 million due to a decline in assessed values as a result of a decrease in property values across the County.
- Unrestricted investment earnings decreased by \$7.1 million to \$17.9 million due to smaller investment balances held by the County through the year and a decline in interest rates.
- Other revenues decreased by \$2.2 million to \$19.4 million due to a decrease in non-program related revenues.

Business-type activities Business-type activities net assets increased by \$58.9 million, which is an increase of \$64.2 million from last year's decrease of \$5.3 million. The increase in net assets was due primarily to the remeasurement of the County's landfill closure and postclosure care liability. The County's business-type activities net assets ended at \$369.2 million. Other major changes in business activities include the following:

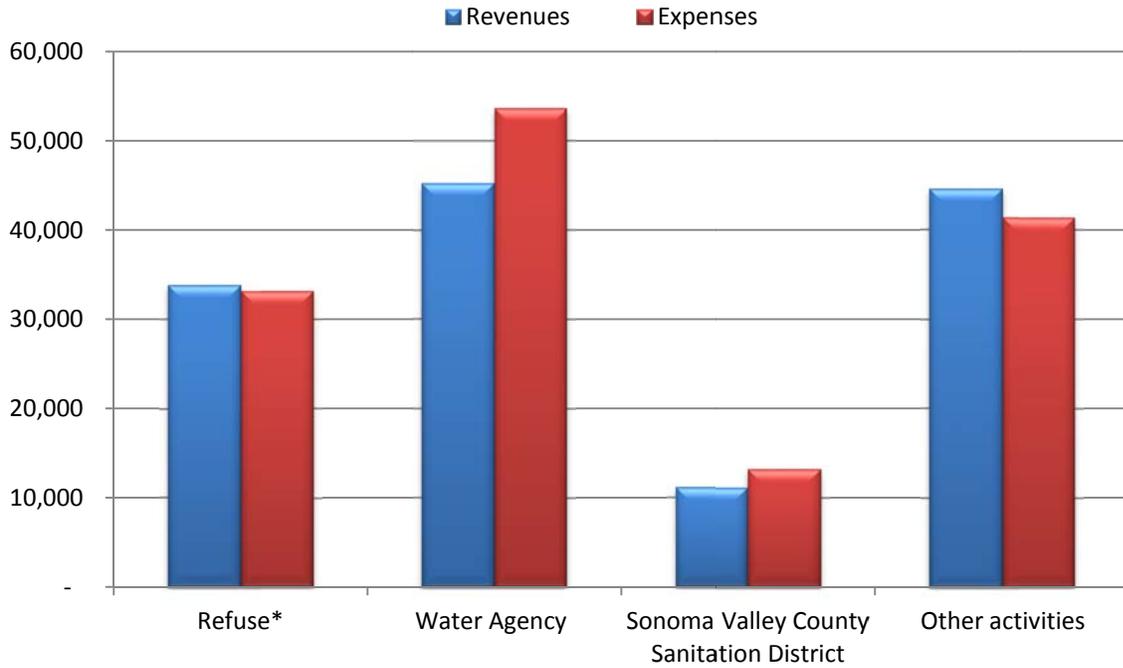
Function/program activities:

- Refuse net revenues, which finance the Sonoma County integrated waste management activities, increased by \$60.8 million to \$58.3 million due to decrease in the estimated landfill closure and postclosure care liability.
- Water Agency net expenses which, includes the transportation of water, and generation of electrical power for services, increased by \$1.2 million, to \$8.4 million, due to decrease in charges for services and a decrease in investment income.
- Sonoma Valley Sanitation District net expenses increased by \$0.5 million, to \$2.1 million, primarily due to increases in miscellaneous nonoperating expenses.
- The net revenues for Community Hospital, Fair, Airport, Spud Point Marina, Transit, Sanitation and other business-type activities had an increase of \$4.3 million totaling \$3.7 million primarily related to an increase in capital grant revenues for the Transit enterprise fund and a reduction in service and supplies related expenses for the Sonoma County Fair enterprise fund.

General revenues:

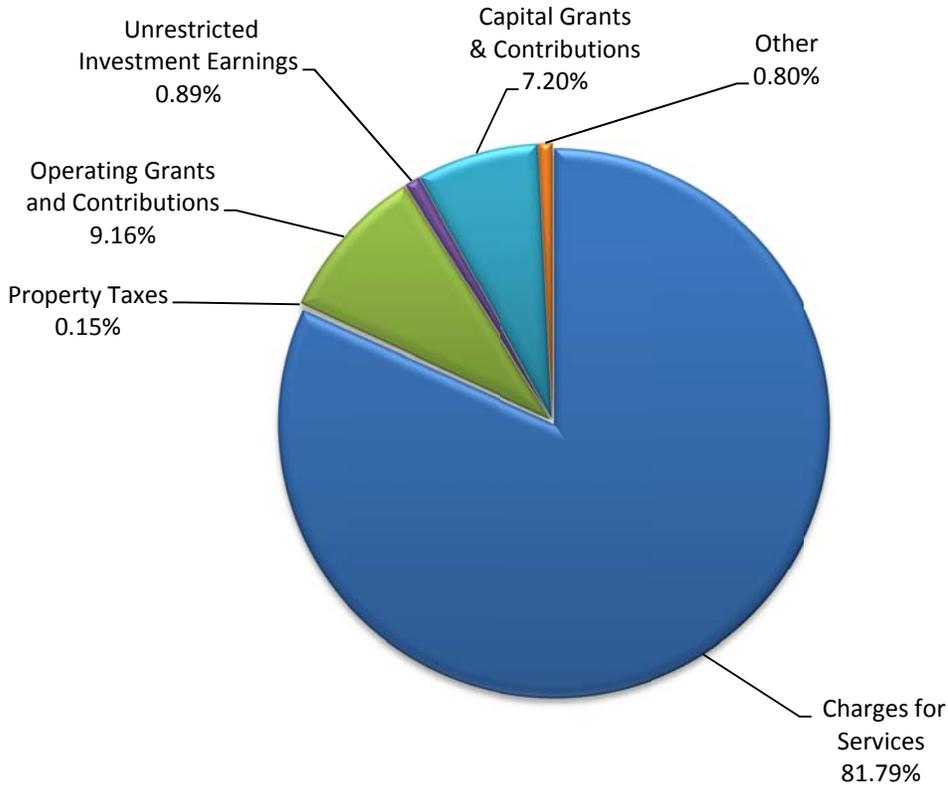
- Unrestricted investment earnings decreased by \$1.7 million to \$1.2 million due to decreases in short term interest rates on investment balances.

Expenses and Program Revenues-Business-type Activities



*Expenses of the Refuse expenses exclude landfill liability remeasurement.

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, 2010, the County's governmental funds reported combined ending fund balances of \$454,516 a decrease of \$57,751 in comparison with the prior year. Approximately 64% of the combined fund balance, \$291,743 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 (\$24,475)
- 2) to reflect inventories of the period (\$1,296)
- 3) to reflect advances that are long-term in nature and thus do not represent available spendable resources (\$1,372)
- 4) to reflect prepaid items and deposits that do not represent available spendable resources (\$29,994)
- 5) to pay debt service (\$105,636)

The General fund is the chief operating fund of the County. At June 30, 2010, unreserved fund balance of the General Fund was \$73.5 million, while total fund balance reached \$104.9 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 21 percent of total general fund expenditures, while total fund balance represents 31 percent of that same amount. The fund balance of the County's General Fund decreased by \$16.4 million during the current fiscal year, primarily as a result of a decrease in intergovernmental revenues, taxes and investment earnings.

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 fund balance increased by \$1.6 million due to an increase in intergovernmental revenues and operating transfers received from other funds during the fiscal year.

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 decreased by \$10.3 million due primarily to the transferring of the remaining 2007 Series Agricultural and Open Space Bonds, which were used by the Sonoma County Agricultural and Open Space District to purchase various land and conservation easements.

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 increased by \$1.8 million due to an increase in grant and program related revenues.

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 increased, by 21.4 percent, or \$60.3 million to \$341 million. The increase can mainly be attributed to the remeasurement of the closure and postclosure care costs in the Refuse enterprise fund in the amount of \$57.6 million. The net assets of the internal services funds' decreased 4 percent, or \$2,765, to \$66,721. Most of this decrease is related to a decrease in investment earnings and a reduction in miscellaneous nonoperating revenues.

General Fund Budgetary Highlights

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

- \$11.1 million in increases in general governmental activities
- \$8.2 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 \$30.8 million, mostly related to continued savings in information systems, employee benefits, general services, and human resources.
- Total public protection was under budget by \$8.6 million mostly related to continued budgetary savings in the permit and resource management department (PRMD), and the 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, 2010, amounted to \$1.37 billion. Capital assets include land, intangible assets, 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 \$38.5 million, or 2.8 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:

- ❖ \$8.5 million increase to land governmental activities:
 - The Sonoma County Open Space District purchased McCullough Ranch for \$8.5 million.
- ❖ \$22.2 million increase in intangible asset easements to governmental activities:
 - The Sonoma County Open Space District purchased the Jenner Headlands conservation easement for \$10.2 million, Burbank Avenue conservation easement for \$2.4 million, Smith Valley Ranch conservation easement for \$2.3 million, Quinlan conservation easement for \$1.7 million, Danielli Ranch conservation easement for \$1.5 million, Bayer conservation easement for \$1.3 million, Giorgi Park easement for \$0.5 million, Sittenauer conservation easement for \$0.4 million, Crane Ranch conservation easement for \$0.4 million and Patterson Point conservation easement for \$0.1 million
 - Donations of the Riddell conservation easement valued at \$0.8 million and O'Brien conservation easement valued at \$0.5 million.
 - The Roads division of the Department of Transportation and Public Works purchased various permanent easements for \$0.1 million.
- ❖ \$39.6 million additions to construction in progress to governmental activities:
 - Road improvements for \$7.3 million
 - CMP Energy Improvements for \$13.8 million
 - Main Adult Detention Facility Projects of \$0.9 million
 - Various Administrative Projects of \$10.3 million
 - Various Park Improvement Projects of \$1.8 million
 - Valley of the Moon Children's Home-Phase III of \$0.4 million
 - Various Norton Center Projects of \$0.5 million
 - Various Hall of Justice Projects of \$0.6 million
 - Criminal Justice Center Expansion of \$4.0 million
- ❖ \$10.8 million additions to construction in progress to business-type activities:
 - Water Agency Transmission system expansion of \$5.0 million
 - Sanitation District construction costs to treatment plants and sewer collection systems for \$2.6 million
 - Airport Improvements for \$2.8 million for airfield and runway improvements
 - Transit improvements for \$0.1 million for transit terminal improvements
 - Refuse improvements for \$0.3 million for collection system improvements

Debt Administration. At the end of the current fiscal year, the County had total long-term liabilities outstanding of \$921.2 million. The larger obligations are \$246.8 million in pension obligation bonds, \$106.8 million in long-term contract payable, \$111.6 million in bonds payable, \$45.1 million in certificates of participation, \$78.4 million in loan payable, and \$49.1 million in revenue and general obligation bonds. The remaining \$283.4 million includes compensated absences, notes payable, special assessments bonds, self insurance, advances from other governments, capital lease obligations, unfunded OPEB obligation and various business-type obligations.

During fiscal year ended June 30, 2010, the County's long-term liabilities decreased by \$46.8 million. This is primarily a result of the remeasurement of the County's landfill closure and postclosure care liability and principal payments made 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

Sonoma County continues to see a decline in its local economy as a result of the continued effects of the recession. Unemployment is currently at 10.6% which is greater than the national average of 9.7%. Per capita income has decreased by 5.93% and County-wide retail sales have also seen a reduction of 15.84% when compared to the prior year. Real estate prices continue to fall with a reduction in overall assessed values of property for residential and nonresidential property decreasing by 1.33%.

The County adopted budget for the next year reflects an expectation of reductions in both property tax and intergovernmental revenues. The State of California once again faces a budgetary deficit, which will further effect funding of various County programs. In an effort to maintain a balanced budget, which is an adopted County policy, County Departments will see a contraction in services as their revenue sources continue to fade.

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 100, Santa Rosa, California 95403.

BASIC FINANCIAL STATEMENTS



COUNTY OF SONOMA, CALIFORNIA

Statement of Net Assets

June 30, 2010

(Dollars in Thousands)

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS:			
Cash and investments	\$ 616,871	\$ 98,887	\$ 715,758
Receivables, net	56,072	43,490	99,562
Inventories	1,296	597	1,893
Internal balances	1,372	(1,372)	-
Due from other governments	79,942	2,746	82,688
Prepaid items and deposits	29,994	1,534	31,528
Deferred charges	-	564	564
Pension asset	213,438	-	213,438
Capital assets:			
Nondepreciable	470,067	88,411	558,478
Depreciable, net	470,099	343,461	813,560
Total assets	<u>1,939,151</u>	<u>578,318</u>	<u>2,517,469</u>
LIABILITIES:			
Accounts payable and accrued liabilities	37,785	9,679	47,464
Due to other governments	4,767	996	5,763
Unearned revenue	22,285	6,148	28,433
Interest payable	7,171	806	7,977
Tax and revenue anticipation note	120,000	-	120,000
Other liabilities	2,376	-	2,376
Long-term liabilities:			
Due within one year	45,626	7,354	52,980
Due in more than one year	684,099	184,117	868,216
Total liabilities	<u>924,109</u>	<u>209,100</u>	<u>1,133,209</u>
NET ASSETS:			
Invested in capital assets, net of related debt	679,921	326,402	1,006,323
Restricted for:			
Debt service	103,341	6,903	110,244
Capital projects	-	2,535	2,535
Community development and redevelopment	56,930	-	56,930
State mandates and other programs	52,875	-	52,875
Flood control	36,118	3,739	39,857
Deposits and scholarships	-	22	22
Unrestricted	85,857	29,617	115,474
Total net assets	<u>\$ 1,015,042</u>	<u>\$ 369,218</u>	<u>\$ 1,384,260</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Activities

For the Fiscal Year Ended June 30, 2010

(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	\$ 102,272	\$ 66,710	\$ 21,766	\$ 25,724
Public protection	270,306	30,940	66,641	961
Public ways and facilities	32,958	2,365	19,325	3,613
Health and sanitation	130,761	11,285	96,010	467
Public assistance	233,972	1,859	197,187	-
Education	18,409	541	515	-
Recreation and cultural services	15,290	2,824	1,937	283
Interest on long-term debt	35,320	-	-	-
Total governmental activities	<u>839,288</u>	<u>116,524</u>	<u>403,381</u>	<u>31,048</u>
Business-type activities:				
Refuse	(24,419)	33,860	-	-
Water Agency	53,651	42,528	2,331	410
Sonoma Valley County Sanitation District	13,242	10,773	251	144
Energy Independence Program	1,742	1,237	-	-
Community Hospital	1,513	622	-	-
Fair	9,985	9,019	-	-
Airport	3,632	3,343	-	4,211
Spud Point Marina	1,638	1,154	-	-
Transit	14,661	1,927	9,970	5,118
Sanitation	7,283	6,885	22	5
Other	942	1,059	20	-
Total business-type activities	<u>83,870</u>	<u>112,407</u>	<u>12,594</u>	<u>9,888</u>
Total primary government	<u>\$ 923,158</u>	<u>\$ 228,931</u>	<u>\$ 415,975</u>	<u>\$ 40,936</u>

GENERAL REVENUES:

Taxes:

 Property

 Documentary transfer

 Transient 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
\$ 11,928	\$ -	\$ 11,928
(171,764)	-	(171,764)
(7,655)	-	(7,655)
(22,999)	-	(22,999)
(34,926)	-	(34,926)
(17,353)	-	(17,353)
(10,246)	-	(10,246)
(35,320)	-	(35,320)
<u>(288,335)</u>	<u>-</u>	<u>(288,335)</u>
-	58,279	58,279
-	(8,382)	(8,382)
-	(2,074)	(2,074)
-	(505)	(505)
-	(891)	(891)
-	(966)	(966)
-	3,922	3,922
-	(484)	(484)
-	2,354	2,354
-	(371)	(371)
-	137	137
<u>-</u>	<u>51,019</u>	<u>51,019</u>
<u>(288,335)</u>	<u>51,019</u>	<u>(237,316)</u>
216,904	205	217,109
3,114	-	3,114
7,139	-	7,139
12,208	-	12,208
17,979	1,229	19,208
2,113	81	2,194
19,472	1,104	20,576
(5,315)	5,315	-
<u>273,614</u>	<u>7,934</u>	<u>281,548</u>
(14,721)	58,953	44,232
<u>1,029,763</u>	<u>310,265</u>	<u>1,340,028</u>
<u>\$ 1,015,042</u>	<u>\$ 369,218</u>	<u>\$ 1,384,260</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2010

(Dollars in Thousands)

	General	Human Services Special Revenue	Community Development Commission Special Revenue	State Mandates and Tobacco Settlement Revenues Special Revenue
	<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>
ASSETS:				
Cash and investments	\$ 181,317	\$ 3	\$ 41,933	\$ 84,223
Cash and investments with trustee	-	-	3,313	-
Receivables (net of allowance for doubtful accounts)				
Accounts	4,513	24	103	36
Loans	-	-	36,764	-
Special assessments	-	-	-	-
Interest and other	6	-	6,314	-
Due from other funds	26,344	2,304	-	-
Inventories	234	-	420	-
Due from other governments	21,454	13,663	3,200	2,332
Advances to other funds	300	-	-	-
Prepaid items and deposits	27,797	1,741	2	-
Total assets	<u>\$ 261,965</u>	<u>\$ 17,735</u>	<u>\$ 92,049</u>	<u>\$ 86,591</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued salaries and benefits	\$ 21,339	\$ 544	\$ 631	\$ 930
Due to other funds	1,396	12,775	1,771	306
Due to other governments	611	53	30	-
Deferred revenue	12,280	2,331	43,105	12
Deposits from others	219	-	-	-
Interest payable	1,200	-	-	-
Tax and revenue anticipation note	120,000	-	-	-
Other liabilities	-	-	-	989
Total liabilities	<u>157,045</u>	<u>15,703</u>	<u>45,537</u>	<u>2,237</u>
Fund balances:				
Reserved	31,423	1,830	4,080	1,029
Unreserved, reported in:				
General fund:				
Designated	36,390	-	-	-
Undesignated	37,107	-	-	-
Special revenue funds:				
Designated	-	-	-	52
Undesignated	-	202	42,432	83,273
Capital projects funds	-	-	-	-
Total fund balances	<u>104,920</u>	<u>2,032</u>	<u>46,512</u>	<u>84,354</u>
Total liabilities and fund balances	<u>\$ 261,965</u>	<u>\$ 17,735</u>	<u>\$ 92,049</u>	<u>\$ 86,591</u>

See accompanying notes to the basic financial statements.

Health and Sanitation Special Revenue	Water Agency Debt Service	Other Funds	Total
\$ 2,016	\$ 84,247	\$ 116,439	\$ 510,178
-	-	24,205	27,518
236	-	2,857	7,769
-	-	-	36,764
-	-	4,599	4,599
399	-	221	6,940
1,226	-	3,317	33,191
-	-	642	1,296
29,278	-	9,393	79,320
-	-	1,072	1,372
11	-	443	29,994
<u>\$ 33,166</u>	<u>\$ 84,247</u>	<u>\$ 163,188</u>	<u>\$ 738,941</u>
\$ 3,270	\$ -	\$ 9,450	\$ 36,164
13,320	-	3,623	33,191
4,073	-	-	4,767
8,144	-	20,636	86,508
-	-	-	219
-	-	-	1,200
-	-	-	120,000
639	-	748	2,376
<u>29,446</u>	<u>-</u>	<u>34,457</u>	<u>284,425</u>
774	84,247	39,390	162,773
-	-	-	36,390
-	-	-	37,107
-	-	4,461	4,513
2,946	-	80,619	209,472
-	-	4,261	4,261
<u>3,720</u>	<u>84,247</u>	<u>128,731</u>	<u>454,516</u>
<u>\$ 33,166</u>	<u>\$ 84,247</u>	<u>\$ 163,188</u>	<u>\$ 738,941</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, 2010
 (Dollars in Thousands)

Fund balances - total governmental funds (page 19)		\$ 454,516
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.		213,438
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		1,464,753
Less: accumulated depreciation		(527,996)
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.		64,270
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.		38,431
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(39,062)	
Long-term contract	(106,759)	
Certificates of participation	(45,057)	
Bonds payable	(111,575)	
Bond premium	(4,224)	
Notes payable	(800)	
Special assessment bonds	(5,181)	
Pension obligation bonds	(246,795)	
Loan payable	(78,350)	
Pollution remediation obligation	(234)	
Unfunded OPEB obligation	(42,150)	
Capital lease obligations	(6,218)	
Accrued interest payable	(5,965)	
	(692,370)	
Net assets of governmental activities (page 15)		\$ 1,015,042

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, 2010
(Dollars in Thousands)

	General Fund	Human Services Special Revenue	Community Development Commission Special Revenue	State Mandates and Tobacco Settlement Revenues Special Revenue
REVENUES:				
Taxes	\$ 188,404	\$ -	\$ 7,544	\$ -
Licenses, permits and franchise fees	11,343	-	-	443
Fines, forfeitures and penalties	13,800	-	-	3,685
Use of money and property	9,658	(58)	506	668
Intergovernmental	105,430	125,274	34,551	25,548
Charges for services	40,747	1,249	-	3,884
Other	5,933	343	1,904	743
Total revenues	<u>375,315</u>	<u>126,808</u>	<u>44,505</u>	<u>34,971</u>
EXPENDITURES:				
Current:				
General government	64,933	-	-	146
Public protection	242,855	-	-	5,375
Public ways and facilities	259	-	-	-
Health and sanitation	-	-	-	10,499
Public assistance	-	148,627	44,829	14,705
Education	1,114	-	-	-
Recreation and cultural services	13,775	-	-	-
Capital outlay	13,118	27	-	45
Debt service:				
Principal	4,234	-	315	381
Interest and other	3,185	-	1,002	163
Total expenditures	<u>343,473</u>	<u>148,654</u>	<u>46,146</u>	<u>31,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,842</u>	<u>(21,846)</u>	<u>(1,641)</u>	<u>3,657</u>
Other financing sources (uses):				
Transfers in	11,155	24,108	-	115
Transfers out	(63,243)	(680)	-	(14,065)
Issuance of long-term debt	1,926	-	-	-
Proceeds from sale of capital assets	1,923	-	-	-
Total other financing sources and uses	<u>(48,239)</u>	<u>23,428</u>	<u>-</u>	<u>(13,950)</u>
NET CHANGE IN FUND BALANCES	(16,397)	1,582	(1,641)	(10,293)
Fund balances, beginning of year	<u>121,317</u>	<u>450</u>	<u>48,153</u>	<u>94,647</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 104,920</u></u>	<u><u>\$ 2,032</u></u>	<u><u>\$ 46,512</u></u>	<u><u>\$ 84,354</u></u>

See accompanying notes to the basic financial statements.

Health and Sanitation Special Revenue	Water Agency Debt Service	Other Funds	Total
\$ -	\$ -	\$ 43,417	\$ 239,365
3,239	-	941	15,966
13	-	890	18,388
(73)	5,623	1,428	17,752
51,177	-	82,816	424,796
3,166	-	28,719	77,765
1,345	-	10,132	20,400
<u>58,867</u>	<u>5,623</u>	<u>168,343</u>	<u>814,432</u>
-	-	11,386	76,465
-	-	5,086	253,316
-	-	22,864	23,123
66,226	-	47,263	123,988
-	-	16,176	224,337
-	-	16,199	17,313
-	-	144	13,919
8	-	70,056	83,254
-	2,754	17,272	24,956
-	3,532	25,373	33,255
<u>66,234</u>	<u>6,286</u>	<u>231,819</u>	<u>873,926</u>
<u>(7,367)</u>	<u>(663)</u>	<u>(63,476)</u>	<u>(59,494)</u>
9,528	-	49,433	94,339
(381)	-	(21,554)	(99,923)
-	-	3,478	5,404
-	-	-	1,923
<u>9,147</u>	<u>-</u>	<u>31,357</u>	<u>1,743</u>
1,780	(663)	(32,119)	(57,751)
<u>1,940</u>	<u>84,910</u>	<u>160,850</u>	<u>512,267</u>
<u>\$ 3,720</u>	<u>\$ 84,247</u>	<u>\$ 128,731</u>	<u>\$ 454,516</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, 2010
 (Dollars in Thousands)

Net change in fund balances - total governmental funds (page 23)		\$ (57,751)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	83,254	
Loss on disposal of capital assets	(17,866)	
Current year depreciation	(24,244)	41,144
<p>Governmental funds report the effect of the pension asset when first paid, whereas the amount is deferred and amortized in the statement of activities:</p>		
Amortization of pension asset		(17,652)
<p>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.</p>		
		12,094
<p>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.</p>		
Long-term debt issuance	(5,404)	
Principal payments	24,956	
Compound interest to long-term debt	(973)	
Amortization of bond premium	198	
OPEB expense	(5,668)	13,109
<p>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:</p>		
Change in accrued interest		(1,275)
Change in compensated absences		(2,974)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.</p>		
		(1,416)
Change in net assets of governmental activities (page 17)		\$ (14,721)

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, 2010

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 202,732	\$ 202,732	\$ 188,404	\$ (14,328)
Licenses, permits, and franchise fees	13,927	13,927	11,343	(2,584)
Fines, forfeitures, and penalties	13,865	13,865	13,800	(65)
Use of money and property	10,417	10,417	9,658	(759)
Intergovernmental	100,699	100,699	105,430	4,731
Charges for services	44,715	44,715	40,747	(3,968)
Other	6,454	6,454	5,933	(521)
Total revenues	<u>392,809</u>	<u>392,809</u>	<u>375,315</u>	<u>(17,494)</u>
EXPENDITURES:				
Current:				
General government:				
Board of Supervisors	2,667	2,644	2,561	83
County Administrator	3,151	3,532	3,394	138
General Services	39,227	42,288	37,005	5,283
Assessor	9,592	10,039	9,928	111
Auditor-Controller-Treasurer-Tax Collector	18,836	19,016	18,483	533
County Counsel	7,017	6,931	6,834	97
Human Resources	7,685	9,669	6,807	2,862
Registrar of Voters	4,779	4,779	3,631	1,148
Information Systems	43,896	48,736	35,178	13,558
Employee Benefits	4,893	4,151	1,869	2,282
Other General Government	9,329	10,367	7,574	2,793
Appropriation for Contingencies	1,844	1,901	-	1,901
Total general government	<u>152,916</u>	<u>164,053</u>	<u>133,264</u>	<u>30,789</u>
Public protection:				
District Attorney	21,063	21,049	20,782	267
Public Defender	10,110	9,986	9,162	824
Superior/Municipal Court	11,462	11,544	11,524	20
Grand Jury	83	83	79	4
County Clerk	678	678	589	89
Sheriff Division	77,119	77,401	76,542	859
Detention	54,316	55,574	55,204	370
Probation Department	20,936	21,524	20,176	1,348
Juvenile Halls	26,515	27,372	25,340	2,032
Emergency Services	1,969	3,573	3,029	544
Permit and Resource Management	19,170	22,191	20,297	1,894
Agricultural Commissioner	8,851	9,532	9,266	266
Recorder	1,348	1,335	1,283	52
Total public protection	<u>253,620</u>	<u>261,842</u>	<u>253,273</u>	<u>8,569</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, 2010

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public ways and facilities:				
Public Works	294	354	267	87
Education:				
Agricultural Extension	1,107	1,167	1,155	12
Recreation and cultural services:				
Regional Parks	15,150	15,440	14,584	856
Total expenditures	423,087	442,856	402,543	40,313
Deficiency of revenues under expenditures	(30,278)	(50,047)	(27,228)	22,819
OTHER FINANCING SOURCES (USES):				
Transfers in	20,069	20,069	11,154	(8,915)
Transfers out	(68,949)	(68,949)	(63,243)	5,706
Issuance of long-term debt	-	-	1,923	1,923
Total other financing sources and uses	(48,880)	(48,880)	(50,166)	(1,286)
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ (79,158)	\$ (98,927)	(77,394)	\$ 21,533
BUDGETARY BASIS ADJUSTMENTS:				
Reimbursements			57,905	
Encumbrances			3,092	
NET CHANGE IN FUND BALANCE, GAAP BASIS			\$ (16,397)	

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 35	\$ 35	\$ (58)	\$ (93)
Intergovernmental	138,678	138,678	125,274	(13,404)
Charges for services	1,882	1,882	1,249	(633)
Other revenue	553	553	343	(210)
Total revenues	141,148	141,148	126,808	(14,340)
EXPENDITURES:				
Current:				
Public assistance	166,709	180,202	164,368	15,834
Deficiency of revenues under expenditures	(25,561)	(39,054)	(37,560)	1,494
OTHER FINANCING SOURCES (USES):				
Transfers in	26,796	26,796	24,108	(2,688)
Transfers out	(2,687)	(3,367)	(680)	2,687
Total other financing sources and uses	24,109	23,429	23,428	(1)
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ (1,452)	\$ (15,625)	(14,132)	\$ 1,493
BUDGETARY BASIS ADJUSTMENTS:				
Encumbrances			88	
Reimbursements			15,626	
NET CHANGE IN FUND BALANCE, GAAP BASIS			\$ 1,582	

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,264	\$ 2,264	\$ 2,264	\$ -
Use of money and property	335	392	270	(122)
Intergovernmental	32,239	29,527	28,912	(615)
Other revenue	1,178	2,809	135	(2,674)
Total revenues	<u>36,016</u>	<u>34,992</u>	<u>31,581</u>	<u>(3,411)</u>
EXPENDITURES:				
Current:				
Public assistance				
General operating	3,986	4,047	3,474	573
Rental assistance	23,027	22,781	23,027	(246)
Community Development	8,853	4,718	4,968	(250)
Redevelopment	8,489	4,022	8,489	(4,467)
Total expenditures	<u>44,355</u>	<u>35,568</u>	<u>39,958</u>	<u>(4,390)</u>
Deficiency of revenues under expenditures	<u>(8,339)</u>	<u>(576)</u>	<u>(8,377)</u>	<u>(7,801)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	52	94	52	(42)
Transfers out	(713)	(995)	(718)	277
Total other financing sources and uses	<u>(661)</u>	<u>(901)</u>	<u>(666)</u>	<u>235</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (9,000)</u>	<u>\$ (1,477)</u>	(9,043)	<u>\$ (7,566)</u>
BUDGETARY BASIS ADJUSTMENTS:				
Amounts where budgets are not adopted			<u>7,402</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ (1,641)</u>	

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ 565	\$ 565	\$ 443	\$ (122)
Fines, forfeitures and penalties	3,366	3,366	3,685	319
Use of money and property	2,036	2,036	668	(1,368)
Intergovernmental	29,484	29,484	25,548	(3,936)
Charges for services	3,746	3,746	3,884	138
Other revenue	1,180	1,180	743	(437)
Total revenues	40,377	40,377	34,971	(5,406)
EXPENDITURES:				
Current:				
General government	689	853	711	142
Public protection:				
Recorder	1,834	2,090	1,139	951
Superior Court	106	106	103	3
District Attorney	1,342	1,529	1,330	199
Sheriff	1,421	2,894	929	1,965
Detention and Corrections	2,830	2,912	1,943	969
Other	747	782	393	389
Health and sanitation	11,410	14,771	11,048	3,723
Public assistance				
Children's Services	15,728	15,811	14,766	1,045
Child Fund	146	146	47	99
Total expenditures	36,253	41,894	32,409	9,485
Excess (deficiency) of revenues over (under) expenditures	4,124	(1,517)	2,562	4,079
OTHER FINANCING SOURCES (USES):				
Transfers in	2,156	2,156	115	(2,041)
Transfers out	3,481	(15,732)	(14,065)	1,667
Total other financing sources and uses	5,637	(13,576)	(13,950)	(374)
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ 9,761	\$ (15,093)	(11,388)	\$ 3,705
BUDGETARY BASIS ADJUSTMENTS:				
Encumbrances			1,029	
Reimbursements			66	
NET CHANGE IN FUND BALANCE, GAAP BASIS			\$ (10,293)	

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, 2010
(Dollars in Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Licenses, permits and franchise fees	\$ 3,239	\$ 3,239	\$ 3,239	\$ -
Fines, forfeitures and penalties	15	15	13	(2)
Use of money and property	345	345	(73)	(418)
Intergovernmental	58,933	58,930	51,177	(7,753)
Charges for services	4,426	4,426	3,166	(1,260)
Other revenue	1,677	1,677	1,345	(332)
Total revenues	<u>68,635</u>	<u>68,632</u>	<u>58,867</u>	<u>(9,765)</u>
EXPENDITURES:				
Current:				
Health and sanitation	<u>140,215</u>	<u>147,291</u>	<u>136,491</u>	<u>10,800</u>
Deficiency of revenues under expenditures	<u>(71,580)</u>	<u>(78,659)</u>	<u>(77,624)</u>	<u>1,035</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	11,879	11,879	9,528	(2,351)
Transfers out	<u>(2,142)</u>	<u>(2,370)</u>	<u>(381)</u>	<u>1,989</u>
Total other financing sources and uses	<u>9,737</u>	<u>9,509</u>	<u>9,147</u>	<u>(362)</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (61,843)</u>	<u>\$ (69,150)</u>	(68,477)	<u>\$ 673</u>
BUDGETARY BASIS ADJUSTMENTS:				
Encumbrances			763	
Reimbursements			<u>69,494</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 1,780</u>	

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2010
(Dollars in Thousands)

	Business-type Activities/Enterprise Funds						Internal Service Funds
	Sonoma Valley					Total	
	Refuse	Water Agency	County Sanitation District	Energy Independence Program	Other		
ASSETS:							
Current assets:							
Cash and investments	\$ 20,768	\$ 28,770	\$ 6,703	\$ 390	\$ 23,212	\$ 79,843	\$ 85,937
Restricted cash and investments	129	-	2,396	-	1,195	3,720	1,250
Receivables, net							
Accounts	4,095	6,465	643	20	2,289	13,512	26
Contractual assessments	-	-	-	581	-	581	-
Interest and other	-	-	-	301	16	317	-
Inventories	-	-	-	-	597	597	-
Due from other funds	-	250	405	-	-	655	-
Due from other governments	-	-	250	-	2,496	2,746	622
Other assets	-	103	-	-	158	261	825
Total current assets	<u>24,992</u>	<u>35,588</u>	<u>10,397</u>	<u>1,292</u>	<u>29,963</u>	<u>102,232</u>	<u>88,660</u>
Noncurrent assets:							
Restricted cash and investments	5	4,488	-	-	912	5,405	1,907
Deposits and other assets	-	13	361	-	74	448	-
Receivables							
Contractual assessments	-	-	-	29,054	-	29,054	-
Deferred charges	31	533	-	-	-	564	-
Advances to other funds	-	250	3,918	-	-	4,168	-
Capital assets:							
Nondepreciable	12,187	32,765	8,233	-	25,772	78,957	9,454
Depreciable, net	24,439	137,511	55,872	-	95,983	313,805	33,065
Total noncurrent assets	<u>36,662</u>	<u>175,560</u>	<u>68,384</u>	<u>29,054</u>	<u>122,741</u>	<u>432,401</u>	<u>44,426</u>
Total assets	<u>\$ 61,654</u>	<u>\$ 211,148</u>	<u>\$ 78,781</u>	<u>\$ 30,346</u>	<u>\$ 152,704</u>	<u>\$ 534,633</u>	<u>\$ 133,086</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2010
(Dollars in Thousands)

	Business-type Activities/Enterprise Funds						
	Sonoma Valley						Internal Service Funds
	Refuse	Water Agency	County Sanitation District	Energy Independence Program	Other	Total	
LIABILITIES:							
Current liabilities:							
Accounts payable	\$ 1,664	\$ 2,657	\$ 627	\$ 34	\$ 2,768	\$ 7,750	\$ 2,340
Due to other funds	-	-	-	250	-	250	405
Other	-	-	-	-	-	-	-
Due to other government	-	-	-	-	996	996	-
Interest payable	-	-	105	309	233	647	-
Compensated absences	418	-	-	-	44	462	-
Self-funded insurance	-	-	-	-	-	-	13,076
Unearned revenue	-	164	-	124	157	445	47
Advances from Agency funds	-	-	-	583	-	583	-
Advances from other governments	-	636	338	-	1,087	2,061	-
Landfill closure and post-closure costs	198	-	-	-	-	198	-
Certificates of participation, net	1,330	-	-	-	-	1,330	-
Current liabilities payable from restricted assets:							
Bonds payable	-	819	667	-	184	1,670	-
Capital leases	-	-	-	-	-	-	1,084
Other	5	632	196	-	158	991	165
Total current liabilities	<u>3,615</u>	<u>4,908</u>	<u>1,933</u>	<u>1,300</u>	<u>5,627</u>	<u>17,383</u>	<u>17,117</u>
Noncurrent liabilities:							
Compensated absences	-	-	-	-	512	512	-
Self-funded insurance	-	-	-	-	-	-	30,098
Advances from other funds	-	-	-	550	-	550	4,990
Pollution remediation	-	-	-	-	1,298	1,298	-
Advances from Agency funds	-	-	-	29,054	-	29,054	-
Advances from other governments	-	14,002	6,361	-	13,762	34,125	-
Landfill closure and post-closure costs	50,027	-	-	-	-	50,027	-
Certificates of participation, net	5,933	-	-	-	-	5,933	-
Bonds payable, net	-	29,128	12,838	-	4,473	46,439	-
Capital leases	-	-	-	-	-	-	14,160
Long-term post-retirement benefits	-	-	-	-	2,681	2,681	-
Unearned revenue	-	5,423	-	-	280	5,703	-
Total noncurrent liabilities	<u>55,960</u>	<u>48,553</u>	<u>19,199</u>	<u>29,604</u>	<u>23,006</u>	<u>176,322</u>	<u>49,248</u>
Total liabilities	<u>59,575</u>	<u>53,461</u>	<u>21,132</u>	<u>30,904</u>	<u>28,633</u>	<u>193,705</u>	<u>66,365</u>
NET ASSETS:							
Invested in capital assets, net of related debt	29,363	125,691	43,901	-	102,578	301,533	28,278
Restricted for:							
Debt service	-	2,424	1,987	-	1,602	6,013	890
Conservation program	-	3,566	108	-	65	3,739	-
Scholarships	-	-	-	-	22	22	-
Capital projects	-	1,445	-	-	233	1,678	857
Unrestricted	<u>(27,284)</u>	<u>24,561</u>	<u>11,653</u>	<u>(558)</u>	<u>19,571</u>	<u>27,943</u>	<u>36,696</u>
Total net assets (deficit)	<u>2,079</u>	<u>157,687</u>	<u>57,649</u>	<u>(558)</u>	<u>124,071</u>	<u>340,928</u>	<u>66,721</u>
Total liabilities and net assets	<u>\$ 61,654</u>	<u>\$ 211,148</u>	<u>\$ 78,781</u>	<u>\$ 30,346</u>	<u>\$ 152,704</u>	<u>\$ 340,928</u>	<u>\$ 133,086</u>

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. 28,290
Net assets of business-type activities \$ 369,218

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, 2010
(Dollars in Thousands)

	Business-type Activities/Enterprise Funds						Internal Service Funds
	Sonoma Valley					Total	
	Refuse	Water Agency	County Sanitation District	Energy Independence Program	Other		
OPERATING REVENUES:							
Charges for services	\$ 28,475	\$ 28,725	\$ 915	\$ 227	\$ 3,323	\$ 61,665	\$ 50,783
Flat charges	-	3,061	9,841	-	7,177	20,079	-
Rents and concessions	68	50	-	-	12,262	12,380	-
Interest income	-	-	-	1,010	-	1,010	-
Sales and miscellaneous	5,317	356	17	-	1,247	6,937	-
Total operating revenues	<u>33,860</u>	<u>32,192</u>	<u>10,773</u>	<u>1,237</u>	<u>24,009</u>	<u>102,071</u>	<u>50,783</u>
OPERATING EXPENSES:							
Services and supplies	25,173	34,854	8,073	985	24,597	93,682	20,615
Salaries and employee benefits	4,627	-	-	317	7,675	12,619	2,908
Landfill remeasurement	(57,602)	-	-	-	-	(57,602)	-
Claims expenses	-	-	-	-	-	-	26,328
Depreciation and amortization	2,506	6,496	3,092	-	6,086	18,180	1,968
Total operating expenses	<u>(25,296)</u>	<u>41,350</u>	<u>11,165</u>	<u>1,302</u>	<u>38,358</u>	<u>66,879</u>	<u>51,819</u>
Operating income (loss)	<u>59,156</u>	<u>(9,158)</u>	<u>(392)</u>	<u>(65)</u>	<u>(14,349)</u>	<u>35,192</u>	<u>(1,036)</u>
NONOPERATING REVENUES (EXPENSES):							
Taxes	-	41	16	-	148	205	-
Investment income	197	309	329	3	291	1,129	808
Interest expense	(448)	(889)	(652)	(440)	(845)	(3,274)	(667)
Intergovernmental	-	2,471	251	-	10,012	12,734	222
Miscellaneous	-	610	(1,425)	-	169	(646)	313
Gain (loss) on disposal of capital assets	(429)	(2,450)	-	-	(126)	(3,005)	230
Total nonoperating revenues (expenses)	<u>(680)</u>	<u>92</u>	<u>(1,481)</u>	<u>(437)</u>	<u>9,649</u>	<u>7,143</u>	<u>906</u>
Income (loss) before contributions and transfers	58,476	(9,066)	(1,873)	(502)	(4,700)	42,335	(130)
Capital contributions	-	129	144	-	9,334	9,607	141
Transfers in	-	7,663	991	-	1,206	9,860	663
Transfers out	-	(1,000)	-	-	(500)	(1,500)	(3,439)
Change in net assets	58,476	(2,274)	(738)	(502)	5,340	60,302	(2,765)
Net assets (deficit), beginning of year, as restated	(56,397)	159,961	58,387	(56)	118,731	-	69,486
Net assets (deficit), end of year	<u>\$ 2,079</u>	<u>\$ 157,687</u>	<u>\$ 57,649</u>	<u>\$ (558)</u>	<u>\$ 124,071</u>	<u>\$ -</u>	<u>\$ 66,721</u>
						(1,349)	
						<u>\$ 58,953</u>	

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds. (1,349)
Change in net assets of business-type activities \$ 58,953

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010
(Dollars in Thousands)

	Enterprise Funds						Internal Service Funds
	Refuse	Water Agency	Sonoma Valley County Sanitation District	Energy Independence Program	Other	Total	
Cash flows from operating activities:							
Cash received from customers	\$ 33,643	\$ 29,501	\$ 10,770	\$ 331	\$ 23,271	\$ 97,516	\$ 52,504
Cash received from other sources	-	-	-	-	184	184	313
Cash received for loan repayments	-	-	-	930	-	930	-
Cash received for interest	-	-	-	711	-	711	-
Cash payments for issuance of loans	-	-	-	(30,212)	-	(30,212)	-
Cash payments to suppliers for goods and services	(25,533)	(9,074)	(3,186)	(306)	(23,641)	(61,740)	(48,251)
Cash payments to employees for services	(4,637)	-	-	(317)	(8,370)	(13,324)	(2,908)
Cash payments for interfund services used	-	(22,919)	(6,021)	-	(2,834)	(31,774)	(398)
Net cash provided by (used in) operating activities	<u>3,473</u>	<u>(2,492)</u>	<u>1,563</u>	<u>(28,863)</u>	<u>(11,390)</u>	<u>(37,709)</u>	<u>1,260</u>
Cash flows from noncapital financing activities:							
Transfers received	-	7,663	991	-	1,206	9,860	663
Transfers paid	-	(1,000)	-	-	(500)	(1,500)	(3,457)
Taxes received	-	41	16	-	148	205	-
Cash receipts from other governments	-	1,500	-	-	9,840	11,340	222
Miscellaneous noncapital financing sources (uses)	-	-	43	-	500	543	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>8,204</u>	<u>1,050</u>	<u>-</u>	<u>11,194</u>	<u>20,448</u>	<u>(2,572)</u>
Cash flows from capital and related financing activities:							
Cash receipts from other governments	-	-	71	-	11,058	11,129	-
Connection fees received	-	117	87	-	37	241	-
Proceeds from sale of capital assets	66	-	-	-	249	315	255
Acquisition and construction of capital assets	(423)	(5,495)	(2,512)	-	(11,319)	(19,749)	(1,552)
Repayments to other funds	-	-	-	-	(1,383)	(1,383)	(551)
Proceeds from interfund borrowings	(300)	-	-	-	-	(300)	-
Principal paid on capital leases	-	-	-	-	-	-	(1,037)
Principal paid on bonds and certificates	(1,315)	(808)	(717)	-	(295)	(3,135)	-
Proceeds from advances from agency funds	-	-	-	30,225	-	30,225	-
Principal paid on advances from agency funds	-	-	-	(930)	-	(930)	-
Proceeds from advances from other governments	-	-	-	-	120	120	-
Principal paid on advances from other governments	-	(618)	(333)	-	(1,046)	(1,997)	-
Interest paid	(390)	(1,821)	(757)	(132)	(1,010)	(4,110)	(905)
Net cash provided by (used in) capital and related financing activities	<u>(2,362)</u>	<u>(8,625)</u>	<u>(4,161)</u>	<u>29,163</u>	<u>(3,589)</u>	<u>10,426</u>	<u>(3,790)</u>
Cash flows from investing activities:							
Principal received on advances to other funds	-	18	389	-	-	407	144
Interest received on advances to other funds	-	1	199	-	-	200	6
Interest received on investments	197	308	130	3	293	931	801
Net cash provided by investing activities	<u>197</u>	<u>327</u>	<u>718</u>	<u>3</u>	<u>293</u>	<u>1,538</u>	<u>951</u>
Net increase (decrease) in cash and cash equivalents	1,308	(2,586)	(830)	303	(3,492)	(5,297)	(4,151)
Cash and cash equivalents, beginning of year	19,594	35,844	9,929	87	28,811	94,265	93,245
Cash and cash equivalents, end of year	<u>\$ 20,902</u>	<u>\$ 33,258</u>	<u>\$ 9,099</u>	<u>\$ 390</u>	<u>\$ 25,319</u>	<u>\$ 88,968</u>	<u>\$ 89,094</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, 2010
(Dollars in Thousands)

	Enterprise Funds						Internal Service Funds
	Sonoma Valley					Total	
	Refuse	Water Agency	County Sanitation District	Energy Independence Program	Other		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 59,156	\$ (9,158)	\$ (392)	\$ (65)	\$ (14,349)	\$ 35,192	\$ (1,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	2,506	6,496	3,092	-	6,086	18,180	1,968
Miscellaneous	-	-	(1,478)	-	(325)	(1,803)	313
Changes in operating assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	(217)	(498)	(3)	(20)	(470)	(1,208)	1,421
Loans receivable	-	-	-	(29,282)	-	(29,282)	-
Interest receivable	-	-	-	(299)	-	(299)	-
Inventories	-	-	-	-	(33)	(33)	-
Due from other funds	-	-	-	-	-	-	300
Prepaid items and deposits	-	-	-	-	-	-	665
Other assets	-	-	-	-	35	35	-
Increase (decrease) in:							
Accounts payable	(187)	668	344	(21)	(704)	100	(788)
Due to other funds	-	-	-	250	-	250	-
Due to other governments	-	-	-	-	(850)	(850)	-
Unearned revenue	-	-	-	124	(85)	39	-
Advances from other funds	-	-	-	450	-	450	-
Landfill closure and post-closure costs	(57,775)	-	-	-	-	(57,775)	-
Self-funded insurance	-	-	-	-	-	-	(1,583)
Long-term post retirement benefits	-	-	-	-	(700)	(700)	-
Compensated absences	(10)	-	-	-	5	(5)	-
Net cash provided by (used in) operating activities	<u>\$ 3,473</u>	<u>\$ (2,492)</u>	<u>\$ 1,563</u>	<u>\$ (28,863)</u>	<u>\$ (11,390)</u>	<u>\$ (37,709)</u>	<u>\$ 1,260</u>
Noncash investing, capital and financing activities:							
Acquisition of capital assets on account	\$ -	\$ 123	\$ 137	\$ -	\$ 7	\$ 267	\$ 83
Capitalized interest	-	937	159	-	161	1,257	256
Capital assets contributed	-	12	57	-	-	69	141
Sale of capital assets through note receivable	-	-	-	-	-	-	(22)
Loss on disposal of capital assets	-	(2,450)	-	-	-	(2,450)	-
Reconciliation of cash and cash equivalents to the Statement of Net Assets:							
Cash and investments	\$ 20,768	\$ 28,770	\$ 6,703	\$ 390	\$ 23,212	\$ 79,843	\$ 85,937
Cash and investments with trustee	129	-	2,396	-	1,195	3,720	1,250
Restricted cash and investments	5	4,488	-	-	912	5,405	1,907
Total cash and cash equivalents	<u>\$ 20,902</u>	<u>\$ 33,258</u>	<u>\$ 9,099</u>	<u>\$ 390</u>	<u>\$ 25,319</u>	<u>\$ 88,968</u>	<u>\$ 89,094</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

(Dollars in Thousands)

	Investment Trust	Other Post Employment Benefits (OPEB) Trust Fund	Agency
ASSETS:			
Cash and investments	\$ 668,544	\$ 12,148	\$ 200,969
Receivables:			
Taxes	-	-	40,452
Interest and other	-	-	2,676
Advances to Energy Independence Enterprise Fund	-	-	29,637
Total assets	<u>668,544</u>	<u>12,148</u>	<u>273,734</u>
LIABILITIES:			
Bonds payable	-	-	29,637
Due to other agencies	-	-	244,097
Total liabilities	<u>-</u>	<u>-</u>	<u>273,734</u>
NET ASSETS:			
Net assets held in trust for external pool participants and OPEB	<u>\$ 668,544</u>	<u>\$ 12,148</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, 2010
(Dollars in Thousands)

	<u>Investment Trust</u>	<u>Other Post Employment Benefits (OPEB) Trust Fund</u>
ADDITIONS:		
Contributions	\$ 3,554,711	\$ 1,400
Investment income	<u>10,284</u>	<u>1,083</u>
Total additions	<u>3,564,995</u>	<u>2,483</u>
 DEDUCTIONS:		
Distributions	<u>3,613,090</u>	<u>51</u>
Change in net assets	(48,095)	2,432
Net assets held in trust, beginning of year	<u>716,639</u>	<u>9,716</u>
Net assets held in trust, end of year	<u><u>\$ 668,544</u></u>	<u><u>\$ 12,148</u></u>

See accompanying notes to the basic financial statements.



NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

(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 Government 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 County Sanitation District, the Occidental County Sanitation District, the Sonoma County Tobacco Securitization Corporation and the Sonoma County Public Financing Authority. 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 100, 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 \$78.3 million as of June 30, 2010. 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, 2009, 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 intergovernmental 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 *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 *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 *Sonoma County Energy Independence Program Enterprise Fund* accounts for activities related to the passage of California Assembly Bill 811 (AB 811) in July 2008. Activities include financing to commercial and residential property owners for energy and water efficiency improvements on existing buildings.

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 of 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 activity of 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. Property taxes are accrued when their receipt occurs within sixty days of the end of the fiscal year end. Sales, and other 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. 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 County has elected not to follow subsequent private-sector guidance. 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 annually. Interest earned on pooled investments is 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 to transfer 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, 2010, 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 County 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 and Contractual 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.

Contractual assessments receivable are reported in the Energy Independence Program Enterprise fund and resulted from assessments levied against developed properties, with the consent of property owners, to finance projects to enhance the energy efficiency of real property as permitted by the Sonoma County Energy Independence Program (SCEIP).

(j) Prepaid Items and Deposits

Payments made for services that will benefit periods beyond June 30, 2010, 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 except for software assets which are recognized with an initial cost of more than \$100. Capital assets used in operations are depreciated or amortized

using the straight-line method over the estimated useful in the government-wide statements and proprietary funds statements. The estimated useful lives are as follows:

Intangible:	
Software	7 years
Temporary easements	life of the easment
Infrastructure:	
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 acquired 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 Accounting Standards Codification (ASC) Topic 835, Subtopic 20 (formerly 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, 2010 totaled \$1,513.

(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 Balance

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, 2010 was approximately \$68.2 billion, which includes secured, unsecured, Home Owner Property Tax Relief, 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 3.2 % of the current secured and unsecured 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.

(o) Sale of Proposition 1A Property Tax Receivable

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County of Sonoma was \$14,180.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables. Under the Securitization Program, California Communities, acting solely as a conduit for the State of California, simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The County participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

(p) Interfund Transactions

Interfund transactions are reflected as 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.

(q) Utility Connection Fees

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

(r) 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.

(s) 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.

(t) Implementation of Governmental Accounting Standards Board (GASB) Statements:

In June 2007 GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses a previous lack of sufficient authoritative guidance in accounting and financial reporting of intangible assets among state and local governments. The objective of this Statement is to establish requirements for recognition, initial measurement, and amortization to reduce inconsistencies and thereby improve comparability. This statement was implemented by the County during fiscal year ended June 30, 2010. The County restated beginning net assets as a result of the implementation of GASB Statement No. 51 as summarized in note (v) of this section.

(u) Future Pronouncements

The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In February 2009 GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes a hierarchy of fund balance classifications based on relative strength of the constraints imposed on the use of the resources reported in governmental funds. The intent of this Statement is to improve the usefulness of fund balance information by clearly defining the classifications for more consistent application and by clarifying the definitions of the types of governmental funds. This Statement is effective for the County's fiscal year ending June 30, 2011.

(v) Restatement of Net Assets

Effective July 1, 2009, the County has restated and increased beginning net assets of governmental activities, business-type activities and the Water Agency major enterprise fund, and decreased beginning net assets of business-type activities and other enterprise funds as a result of the implementation requirements of GASB Statement No. 51. The restatements are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Agency Enterprise Fund</u>	<u>Other Enterprise Funds</u>
Net assets as of June 30, 2009, as originally reported	\$ 1,022,414	\$ 309,768	\$ 159,405	\$ 118,790
Restatements	<u>7,349</u>	<u>497</u>	<u>556</u>	<u>(59)</u>
Net assets as of June 30, 2009, as restated	<u>\$ 1,029,763</u>	<u>\$ 310,265</u>	<u>\$ 159,961</u>	<u>\$ 118,731</u>

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.

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	\$ 715,758	\$ 881,661	<u>\$ 1,597,419</u>

(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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
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, 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 \$1,597 billion portfolio, 65% of the investments have a maturity of one year or less. Of the remainder, only 6% 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 state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- California law also allows financial institutions to secure the County's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

At June 30, 2010, the carrying amount of deposits was \$93,340 and the bank balance was \$31,577. Of the bank balance, \$1,279 was covered by federal deposit insurance and \$30,298 was collateralized (i.e., collateralized with securities held by the pledging financial institutions at 110% 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>Amount</u>
Federal National Mortgage Association	Federal Agency Security	\$ 398,598
Federal Home Loan Bank	Federal Agency Security	301,118
Federal Home Loan Mortgage Corporation	Federal Agency Security	175,627
Federal Farm Credit Bank	Federal Agency Security	152,844

(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.

As of June 30, 2010, 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	
Non-pooled investments:							
Money market mutual funds	Aaa/AAA	\$ 12,148	\$ 16,692	\$ -	\$ -	\$ -	\$ 28,840
Commercial paper	P-1/A-1+	-	-	7,512	-	-	7,512
Total investments held by fiscal agents		<u>12,148</u>	<u>16,692</u>	<u>7,512</u>	<u>-</u>	<u>-</u>	<u>36,352</u>
Investments managed by County Treasurer:							
U. S. Agency Securities:							
Federal Farm Credit Banks	Aaa/AAA	-	19,999	10,000	122,845	-	152,844
Federal Home Loan Bank	Aaa/AAA	39,989	180,264	24,922	55,943	-	301,118
Federal Home Loan Mortgage Corp.	Aaa/AAA	19,978	74,880	21,379	59,390	-	175,627
Federal National Mortgage Association	Aaa/AAA	-	170,682	118,589	109,327	-	398,598
Subtotal U. S. Agency		<u>59,967</u>	<u>445,825</u>	<u>174,890</u>	<u>347,505</u>	<u>-</u>	<u>1,028,187</u>
U.S. Treasury notes	N/A	-	144,676	24,912	-	-	169,588
Medium-term notes	Aaa-A1/ AAA-A+	14,999	13,700	20,851	66,169	-	115,719
Local Agency Bonds:							
Tax exempt municipal obligations	Aaa-A1/ AAA-A+	-	2,008	-	5,354	14,781	22,143
Other government obligations	Not rated	-	425	-	11	29,626	30,062
Money market mutual funds	Aaa/AAA	35,242	-	-	-	-	35,242
LAIF	Not rated	-	-	472	-	-	472
Joint Powers Authority Pool:							
California Asset Management Program (CAMP)	Not rated	3,535	-	-	-	-	3,535
Investment Trust of California	Not rated	-	-	-	55,110	-	55,110
Total investments managed by County Treasurer		<u>113,743</u>	<u>606,634</u>	<u>221,125</u>	<u>474,149</u>	<u>44,407</u>	<u>1,460,058</u>
Cash in bank	N/A						93,340
Less outstanding warrants	N/A						<u>(68,414)</u>
Subtotal cash and investments							<u>\$ 1,521,336</u>

	Credit Rating (S & P / Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Sonoma Valley County Sanitation District						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 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	
Sonoma County Water Agency						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 3,706	\$ -	\$ -	\$ -	\$ 3,706
U.S. Treasury STRIPS	N/A	6,104	6,088	17,647	39,208	69,047
Total investments		<u>\$ 9,810</u>	<u>\$ 6,088</u>	<u>\$ 17,647</u>	<u>\$ 39,208</u>	<u>\$ 72,753</u>

	Credit Rating (S & P / Moody's)	Maturity				Fair Value
		12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Sonoma County Community Development Commission						
Non-pooled investments:						
Money market mutual funds	AAA	\$ 3,178	\$ -	\$ -	\$ -	\$ 3,178
Guaranteed Investment contracts	Not rated	-	-	-	135	135
Total investments held by bond trustees		<u>\$ 3,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135</u>	<u>\$ 3,313</u>

(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 \$472 at June 30, 2010. The total amount invested by all public agencies in LAIF at June 30, 2010, was \$23.3 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2010 was \$69.4 billion. Of that amount, 5.42% 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 203 days as of June 30, 2010. 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) Investment the Investment Trust of California (CalTRUST)

The County is a voluntary participant in the Investment Trust of California (CalTRUST) that is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2010, the County's investment in CalTRUST is \$55.1 million, of which \$25.0 million was invested in Money Market Fund, \$26.5 million in Short-term pools and \$3.6 million in Medium-term pools. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net assets value per share and the number of shares held by participants in each pool.

(i) Treasury Pool

The Treasury Pool includes amounts held for various school districts, whose participation in the Treasury Pool is mandated by State code. All investors participate involuntarily in the Treasury pool. 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	\$ 1,029,490	\$ 1,028,187	0.07-5.27%	6/30/2015
U.S. Treasury notes	170,000	169,588	0.22-0.36%	2/10/2011
Corporate and medium-term notes	115,580	115,719	0.15-4.11%	6/15/2012
Local agency bonds	51,907	52,205	0.54-4.66%	9/2/2030
Money market mutual funds	35,242	35,242	0.14-0.21%	-
Local Agency Investment Fund	472	472	0.66%	-
CAMP	3,535	3,535	0.24%	-
CalTRUST	55,110	55,110	0.25-7.59%	-
Totals	<u>\$ 1,461,336</u>	<u>\$ 1,460,058</u>		

(j) Condensed Pool Statements

The Treasury Pool includes investments with a fair value of \$1,460,058 and deposits of \$93,340. The following represents a condensed statement of net assets and changes in net assets for the Treasury Pool as of June 30, 2010:

<u>Statement of Net Assets</u>	
Cash and investments	\$ 1,553,398
Less: Warrants payable	(68,414)
Net assets held in trust for pool participants	<u>\$ 1,484,984</u>
Equity of internal participants	\$ 816,440
Equity of external pool participants	668,544
Net assets held in trust for pool participants	<u>\$ 1,484,984</u>
<u>Statement of Changes in Net Assets</u>	
Net assets at July 1, 2009	\$ 1,566,254
Net change in pooled cash and investments	(81,270)
Net assets held in trust for pool participants, June 30, 2010	<u>\$ 1,484,984</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>Human Services Fund</u>	<u>Community Development Commission Special Revenue</u>	<u>State Mandates and Tobacco Settlement Revenues Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Accounts	\$ 4,513	\$ 24	\$ 103	\$ 36	\$ 236	\$ 2,857	\$ 7,769
Loans	-	-	37,494	-	-	-	37,494
Special assessments	-	-	-	-	-	4,599	4,599
Interest and other	6	-	6,314	-	399	221	6,940
Less: Allowance	-	-	(730)	-	-	-	(730)
Totals	\$ 4,519	\$ 24	\$ 43,181	\$ 36	\$ 635	\$ 7,677	\$ 56,072

<u>Receivables - Business-type Activities:</u>	<u>Refuse</u>	<u>Water Agency</u>	<u>Sonoma Valley County Sanitation District</u>	<u>Energy Independence Program</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total Business-type Activities</u>
Accounts	\$ 4,095	\$ 6,465	\$ 643	\$ 20	\$ 2,300	\$ 26	\$ 13,549
Contractual assessments	-	-	-	29,635	-	-	29,635
Interest and other	-	-	-	301	16	-	317
Less: Allowance	-	-	-	-	(11)	-	(11)
Total receivables	\$ 4,095	\$ 6,465	\$ 643	\$ 29,956	\$ 2,305	\$ 26	\$ 43,490

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, 2010, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 5,318	\$ 6,962	\$ 12,280
Human Services Special Revenue Fund	2,331	-	2,331
Community Development Commission Special Revenue Fund	27	43,078	43,105
State Mandates and Tobacco Settlement			
Revenues Special Revenue Fund	3	9	12
Health and Sanitation Special Revenue Fund	1,229	6,915	8,144
Internal service funds	47	-	47
Nonmajor funds	13,330	7,306	20,636
Total governmental activities	\$ 22,285	\$ 64,270	\$ 86,555
Business Type activities:			
Water Agency	\$ 5,587		
Energy Independence Program	124		
Nonmajor funds	437		
Total business-type activities	\$ 6,148		

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, 2010 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Health and Sanitation Special Revenue Fund	\$ 13,320
General Fund	State Mandates and Tobacco Settlement Special Revenue Fund	249
General Fund	Human Services Special Revenue Fund	12,775
Human Services Special Revenue Fund	Other governmental funds	2,304
Health and Sanitation Special Revenue Fund	State Mandates and Tobacco Settlement Special Revenue Fund	57
Health and Sanitation Special Revenue Fund	Other governmental funds	1,169
Water Agency Enterprise Fund	Energy Independence Program Enterprise Fund	250
Sonoma Valley County Sanitation District	Internal service funds	405
Other governmental funds	General Fund	1,396
Other governmental funds	Community Development Commission Special Revenue Fund	1,771
Other governmental funds	Other governmental funds	150
		<u>\$ 33,846</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Energy Independence Program Enterprise Fund	\$ 300	Reserve requirements
Water Agency Enterprise Fund	Energy Independence Program Enterprise Fund	250	Operational funding
Sonoma Valley CSD Enterprise Fund	Internal service funds	3,918	Photovoltaic facility
Other governmental funds	Internal service funds	1,072	Photovoltaic facility
		<u>\$ 5,540</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 schedules on the following page summarize 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>
<i>Governmental activities:</i>	<i>Business-type activities</i>		
General Fund	Other enterprise funds	\$ 382	Funding for debt service
Other governmental funds	Water Agency Enterprise Fund	4,893	Funding for operations
Other governmental funds	Sonoma Valley CSD Enterprise Fund	991	Funding for operations
Other governmental funds	Other enterprise funds	824	Funding for operations
Other governmental funds	Internal service funds	388	Funding for operations
<i>Business-type activities</i>	<i>Governmental activities:</i>		
Water Agency Enterprise Fund	Other governmental funds	(1,000)	Repayment of prior transfers
Other enterprise funds	Health and Sanitation Special Revenue Fund	(500)	Funding for operations
Internal service funds	Other governmental funds	<u>(663)</u>	Funding for operations
Net transfers between Governmental and Business-type activities		<u>\$ 5,315</u>	

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Human Services	\$ 23,947	Funding for operations
	Special Revenue Fund		
	State Mandates and Tobacco	71	Funding for operations
	Settlement Revenues Special		
	Revenue Fund		
	Health and Sanitation	8,403	Funding for operations
Other governmental funds	Special Revenue Fund		
	Other governmental funds	30,165	Funding for operations and capital outlay
	Internal service funds	275	Funding for operations
Human Services Special Revenue Fund	Other governmental funds	680	Funding for capital outlay
State Mandates and Tobacco Settlement Revenues Special Revenue Fund	General Fund	6,622	Funding for operations
	Human Services	161	Funding for operations
	Special Revenue Fund		
	Health and Sanitation	625	Funding for operations
	Special Revenue Fund		
Other governmental funds	6,657	Funding for capital outlay	
Health and Sanitation Revenue Fund	General Fund	381	Funding for operations
Other governmental funds	General Fund	4,146	Funding for operations
	State Mandates and Tobacco	44	Funding for operations
	Settlement Revenues Special		
	Revenue Fund		
Other governmental funds	10,268	Funding for operations and capital outlay	
Internal service funds	General Fund	6	Funding for operations
Internal service funds	Water Agency enterprise fund	2,770	Refund of overhead charges
		<u>\$ 95,221</u>	

⁽¹⁾ 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, 2010 was as follows:

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2010</u>
Governmental activities					
<i>Capital assets, not being depreciated:</i>					
Intangible assets	\$ 138,512	\$ 22,455	\$ -	\$ -	\$ 160,967
Land	238,383	8,486	-	-	246,869
Work in progress	2,478	3,610	-	-	6,088
Construction in progress	42,127	39,603	(516)	(25,071)	56,143
Total capital assets, not being depreciated	<u>421,500</u>	<u>74,154</u>	<u>(516)</u>	<u>(25,071)</u>	<u>470,067</u>
<i>Capital assets, being depreciated:</i>					
Intangible assets	4,869	66	-	-	4,935
Infrastructure	597,698	-	-	6,557	604,255
Buildings and improvements	340,624	655	(55,063)	18,514	304,730
Machinery and equipment	106,545	8,711	(23,887)	-	91,369
Total capital assets, being depreciated	<u>1,049,736</u>	<u>9,432</u>	<u>(78,950)</u>	<u>25,071</u>	<u>1,005,289</u>
Less accumulated depreciation for:					
Intangible assets	(1,097)	(625)	-	-	(1,722)
Infrastructure	(389,597)	(9,381)	-	-	(398,978)
Buildings and improvements	(101,672)	(6,824)	37,800	-	(70,696)
Machinery and equipment	(79,642)	(7,926)	23,774	-	(63,794)
Total accumulated depreciation	<u>(572,008)</u>	<u>(24,756)</u>	<u>61,574</u>	<u>-</u>	<u>(535,190)</u>
Total capital assets, being depreciated, net	<u>477,728</u>	<u>(15,324)</u>	<u>(17,376)</u>	<u>25,071</u>	<u>470,099</u>
Governmental activities capital assets, net	<u>\$ 899,228</u>	<u>\$ 58,830</u>	<u>\$ (17,892)</u>	<u>\$ -</u>	<u>\$ 940,166</u>
	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2010</u>
Business-type activities					
<i>Capital assets, not being depreciated:</i>					
Intangible assets	\$ 5,625	\$ 570	\$ -	\$ -	\$ 6,195
Land	32,425	504	-	-	32,929
Construction in progress	51,347	10,836	(2,671)	(10,225)	49,287
Total capital assets, not being depreciated	<u>89,397</u>	<u>11,910</u>	<u>(2,671)</u>	<u>(10,225)</u>	<u>88,411</u>
<i>Capital assets, being depreciated:</i>					
Intangible assets	7,492	11	-	-	7,503
Buildings and improvements	555,023	2,270	(1,258)	10,219	566,254
Machinery and equipment	42,542	6,066	(1,500)	-	47,108
Total capital assets, being depreciated	<u>605,057</u>	<u>8,347</u>	<u>(2,758)</u>	<u>10,219</u>	<u>620,865</u>
Less accumulated depreciation for:					
Intangible assets	(3,011)	(517)	-	-	(3,528)
Structures and improvements	(229,097)	(16,457)	849	-	(244,705)
Machinery and equipment	(28,010)	(2,611)	1,450	-	(29,171)
Total accumulated depreciation	<u>(260,118)</u>	<u>(19,585)</u>	<u>2,299</u>	<u>-</u>	<u>(277,404)</u>
Total capital assets, being depreciated, net	<u>344,939</u>	<u>(11,238)</u>	<u>(459)</u>	<u>10,219</u>	<u>343,461</u>
Business-type activities capital assets, net	<u>\$ 434,336</u>	<u>\$ 672</u>	<u>\$ (3,130)</u>	<u>\$ (6)</u>	<u>\$ 431,872</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

General government	\$	4,592
Public protection		6,764
Public ways and facilities		10,633
Health and sanitation		556
Public assistance		579
Education		310
Recreation and culture		810
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.		512
Total depreciation expense – governmental activities	\$	<u>24,756</u>

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

Refuse	\$	2,506
Water Agency		7,925
Sonoma Valley County Sanitation District		3,072
Community Hospital		126
Fair		950
Airport		755
Spud Point Marina		75
Transit		2,603
Russian River County Sanitation District		1,031
South Park Sanitation District		254
Occidental County Sanitation District		134
Other Districts		154
Total depreciation expense – business-type activities	\$	<u>19,585</u>

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	Community Development	Mandates and Tobacco Settlement Revenues	Health and Sanitation	Other	Internal	Total
		Special Revenue	Commission Special Revenue	Special Revenue	Special Revenue	Governmental Funds	Service Funds	Governmental Activities
Accounts	\$ 4,589	\$ 509	\$ 612	\$ 930	\$ 2,834	\$ 9,330	\$ 1,402	\$ 20,206
Accrued salaries and benefits	16,750	35	19	-	436	120	-	17,360
Deposits from others	219	-	-	-	-	-	-	219
Total	\$ 21,558	\$ 544	\$ 631	\$ 930	\$ 3,270	\$ 9,450	\$ 1,402	\$ 37,785

Accounts payable and Accrued Liabilities Business-type Activities	Refuse	Water Agency	Sonoma Valley County Sanitation District	Energy Independence Program	Other Enterprise Funds	Internal Service Funds	Total Business-type Activities
		Accounts	\$ 1,664	\$ 2,657	\$ 627	\$ 34	\$ 2,768
Other current liabilities payable from restricted assets	5	632	196	-	158	-	991
Total	\$ 1,669	\$ 3,289	\$ 823	\$ 34	\$ 2,926	\$ 938	\$ 9,679

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, 2010, are:

Fiscal Year Ending June 30,	Future Minimum Lease Payments
2011	\$ 6,682
2012	5,967
2013	5,506
2014	4,005
2015	2,389
Thereafter	2,583
Total	\$ 27,132

Total rental expense for operating leases in 2010 was \$7,633.

NOTE 9 – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 36,088	\$ 28,373	\$ (25,399)	\$ 39,062	\$ 4,453
Pollution remediation	234	-	-	234	-
Unfunded OPEB obligation	36,482	24,386	(18,718)	42,150	-
Long-term contract payable	109,512	-	(2,753)	106,759	2,843
Certificates of participation	48,313	973	(4,229)	45,057	4,718
Bonds payable	111,840	-	(265)	111,575	380
Notes payable	850	-	(50)	800	50
Special assessment bonds	5,773	-	(592)	5,181	492
Pension obligation bonds	262,225	-	(15,430)	246,795	17,730
Loan payable	79,220	-	(870)	78,350	730
Self insurance	44,757	26,328	(27,911)	43,174	13,076
Capital lease obligations	1,761	5,404	(801)	6,364	956
Subtotal, long-term obligations	<u>737,055</u>	<u>85,464</u>	<u>(97,018)</u>	<u>725,501</u>	<u>45,428</u>
Add deferred amounts:					
Unamortized bond premium	4,422	-	(198)	4,224	198
Total governmental activities					
- long-term obligations	<u>\$ 741,477</u>	<u>\$ 85,464</u>	<u>\$ (97,216)</u>	<u>\$ 729,725</u>	<u>\$ 45,626</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, \$43,174 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, 2009	Additions	Retirements	Balance June 30, 2010	Amounts Due Within One Year
Business-type activities					
Compensated absences	\$ 979	\$ 554	\$ (559)	\$ 974	\$ 462
Long-term post retirement benefits	3,381	-	(700)	2,681	-
Landfill closure and post closure	108,000	10	(57,785)	50,225	198
Certificates of participation	8,830	-	(1,315)	7,515	1,380
Pollution remediation	1,298	-	-	1,298	-
Revenue and general obligation bonds	50,953	-	(1,820)	49,133	1,760
Advances from other governments	38,063	120	(1,997)	36,186	2,061
Advances from agency funds	342	30,225	(930)	29,637	583
Capital lease obligations	16,101	-	(1,003)	15,098	1,050
Subtotal, long-term obligations	<u>227,947</u>	<u>30,909</u>	<u>(66,109)</u>	<u>192,747</u>	<u>7,494</u>
Add (less) deferred amounts:					
Issuance discounts	(138)	-	11	(127)	(11)
Issuance premiums	284	-	(14)	270	14
Loss on refunding	(1,562)	-	143	(1,419)	(143)
Subtotal, deferred amounts	<u>(1,416)</u>	<u>-</u>	<u>140</u>	<u>(1,276)</u>	<u>(140)</u>
Total business-type activities					
- long-term obligations	<u>\$ 226,531</u>	<u>\$ 30,909</u>	<u>\$ (65,969)</u>	<u>\$ 191,471</u>	<u>\$ 7,354</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, \$15,098 of internal service funds capital leases is included in the above amounts. Refer to note 16(g) for information regarding the long-term post retirement benefits obligation for the Community Hospital.

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2010 are as follows:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates / Ranges</u>	<u>Annual Principle Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance June 30, 2010</u>
<u>Governmental activities</u>					
Long-term contract payable (1)	2035	3.23%	\$2,843-6,090	\$ 114,764	\$ 106,758
Certificates of Participation (2):					
1991 Capital Outlay Financing Program	2012	1.00-12.00%	685-785	8,985	1,515
Detention Facility Refinancing	2013	4.40-6.10%	1,665-1,815	14,065	5,215
2003 Series (A) Detention Facility Refinance	2018	2.00-4.00%	1,395-1800	19,295	12,655
2003 Series (B) Juvenile Justice Center	2018	2.00-4.00%	360-465	4,960	3,270
2007 ACTTC Remodel (12)	2018	4%	249-338	2,776	2,333
2009 General Services Energy (14)	2027	5%	318-2,221	18,900	20,070
					<u>45,058</u>
Bonds payable (2):					
1986 Series A	2015	7.90%	90-125	1,330	530
2007 Series A Agricultural Preservation And Open Space (Measure F)	2030	4.00-5.00%	0-7,340	93,845	93,845
2007 Series B Agricultural Preservation And Open Space (Measure F)	2011	4.65%	0-3,040	3,040	3,040
2008 Springs Redevelopment Tax Allocation Bonds	2035	4.0%-6.5%	290-1,060	14,345	14,160
					<u>111,575</u>
Notes payable (2):					
Community Development Commission:					
Notes Payable	2011	3.00-5.68%	50	682	50
	2013	3.00%	0-750	1,032	750
					<u>800</u>
Special assessment obligations (3)	2032	4.30-7.10%	125-492	14,982	5,181
Pension obligation bonds (4)					
1993	2013	5-6.625%	10,970-13,865	97,400	37,190
2003 Series A	2022	1.55-5.07%	6,760-25,970	210,200	188,605
2003 Series B	2022	1.55-5.07%	0-21,000	21,000	21,000
					<u>246,795</u>
Loan payable (Sonoma County Securitization Corporation) (5)	2045	4.25-5.25%	730-4,200	83,060	78,350
Capital lease obligations (6)	2027	3.65-6.77%	931-245	13,587	6,364
Total governmental activities					<u>\$ 600,881</u>

Type of indebtedness (purpose)	Maturity	Interest Rates / Ranges	Annual Principle Installments	Original Issue Amount	Outstanding Balance June 30, 2009
Business-type activities					
Certificates of Participation					
2007 Refuse Refunding 2000 COPS (13)	2015	4.25%-4.90%	\$ 1,380-1,630	\$ 11,315	\$ 7,515
Revenue and General Obligation Bonds (7)					
Water Agency General Obligation Bonds	2017-2020	5.00%	30-41	800	334
2003 Water Revenue Bonds, Series A	2037	2.00-5.00%	355-940	15,857	13,585
2005 Water and Wastewater Revenue Bonds, Series C	2027	2.00-5.00%	230-445	6,220	5,385
2006 Water Revenue Bonds, Series A	2037	4.00-5.00%	220-690	11,500	10,885
Sanitation General Obligation Bonds	2022	4.75-5.00%	128-165	1,944	1,199
Sanitation Revenue Bonds	2027	4.00-5.00%	235-1,650	21,245	17,745
					49,133
Advances from other governments (8)					
California Department of Boating and Waterways to Spud Point Marina	2023	4.50%	210-356	6,000	3,606
Various state and local agencies for the County's other enterprise funds	2022	3.37-3.41%	8-213	4,173	2,234
California Department of Water Resources to Water Agency (9)	2028	2.79%	635-1,019	15,856	14,637
U.S. Department of Agriculture and the State Water resources Control Board to Russian River County Sanitation District (10)	2024	2.50%	168-238	3,801	3,020
U.S. Department of Agriculture and the State Water resources Control Board to Sonoma Valley County Sanitation District (11)	2016	2.30-2.70%	337-433	7,769	6,699
California Department of Transportation to the Airport Enterprise Fund	2021	4.68-5.40%	81-355	3,987	2,272
California Construction Authority to the the Fair Enterprise Fund	2014	2.57-3.25%	8-331	4,682	3,718
					36,186
Advances from agency funds (15)					
Energy Independence Program	2031	7.00%	582-2,164	29,774	29,637
Capital Lease Obligations (6)					
Water Agency	2016-2024	7.00%	260-4,340	19,385	15,098
Total business-type activities					\$ 137,569

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, bonds and notes.
- (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 assessment 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 has constructed a collector well located adjacent to the Russian River at Wohler Road.
- (10) The Russian River Sanitation District received a loan from the State Water Resources Control Board (SWRCB) 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 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.
- (14) The County entered into a Certification of Participation in April 2009 for a comprehensive energy project for improvements at the Central Mechanical Plant, reduce energy and water consumption, and install a 1.4 megawatt fuel cell to generate electricity and heat.
- (15) The Sonoma County Public Financing Authority sold increments of special Contractual Assessment Revenue Bonds to the County's Treasury. The proceeds of the bonds were held in an agency fund of the County and subsequently lent to the Energy Independence Program major enterprise fund. The Energy Independence Program major enterprise fund is responsible to repay the Agency fund in annual installments over a 20 year period.

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 County pledged future tax increment revenue to repay the 2008 Springs Redevelopment Tax Allocation Bonds. The bonds were issued to fund redevelopment projects of the County. The bonds are payable solely from future tax increment revenue through 2035. Total principal and interest remaining on the bonds is \$27,834 payable through 2035. During the fiscal year ended June 30, 2010, principal and interest paid were \$185 and 845, respectively and tax increment revenue was \$2,204.

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 \$78,350 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 \$169,445 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, 2010, principal and interest payments were \$4,932 while tobacco settlement revenue was \$4,827.

The 2003 Series A Bonds are special obligations of the County, payable solely from the net revenues of the Water Agency enterprise fund, and amounts on deposit in the related funds and accounts. Neither the full faith and credit nor the taxing power of the County is pledged to the payment of 2003 Series A Bonds or interest thereon. The bond proceeds were used to construct and equip certain facilities and improvements known as the Wohler/Forestville Pipeline, Kawana Springs Tank No. 2, the Eldridge to Madrone portion of the Annadel-Sonoma Pipeline, the funding of a reserve fund, and the payment of issuance costs.

The County pledged net revenues from water and wastewater revenues to repay the 2005 Water and Wastewater Revenue Bonds, Series C. The bonds were issued to finance a portion of the cost of upgrades to the Airport-Larkfield-Wikiup Sanitation Zone's treatment plant, wastewater pipelines, storage ponds and irrigation system in connection with the Storage, Reclamation and Treatment Facilities Project. During the fiscal year ended June 30, 2010, principal and interest paid were \$458 and water and wastewater net revenues were \$568. As of June 30, 2010, the outstanding principal and interest for the 2005 Water and Wastewater Revenue Bonds, Series C was \$7,759.

The County pledged net revenues from sanitation revenues to repay the Sanitation Revenue Bonds. The bonds were issued to finance various upgrades and expansion of water and wastewater treatment facilities within the County. During the fiscal year ended June 30, 2010, principal and interest paid were \$1,655 and sanitation revenues were \$5,300. As of June 30, 2010, the outstanding principal and interest for the Sanitation Revenue Bonds, was \$24,268.

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term obligations, excluding compensated absences, pollution remediation and self-insurance liabilities that have indefinite maturities, outstanding at June 30, 2010:

Year ending June 30:	Long-term Contract		Certificates of Participation		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,843	\$ 3,443	\$ 4,718	\$ 1,897	\$ 380	\$ 5,440
2012	2,934	3,351	4,999	1,719	3,435	5,350
2013	3,029	3,257	4,428	1,532	3,565	5,196
2014	3,127	3,159	2,796	1,379	3,715	5,046
2015	3,227	3,058	2,998	1,261	3,870	4,889
2016-2020	17,767	13,660	13,059	4,334	21,685	21,451
2021-2025	20,823	10,605	9,462	1,980	27,570	15,542
2026-2030	24,405	7,023	2,597	100	35,320	7,749
2031-2035	28,604	2,826	-	-	12,035	966
Subtotals	106,759	50,382	45,057	14,202	111,575	71,629
Plus: Issuance premiums	-	-	-	-	4,224	-
	<u>\$ 106,759</u>	<u>\$ 50,382</u>	<u>\$ 45,057</u>	<u>\$ 14,202</u>	<u>\$ 115,799</u>	<u>\$ 71,629</u>

Year ending June 30:	Notes Payable		Special Assessment Obligations		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 50	\$ 3	\$ 492	\$ 239	\$ 17,730	\$ 12,363
2012	-	-	363	214	20,235	11,351
2013	-	-	125	201	22,965	10,183
2014	750	222	130	195	10,430	8,847
2015	-	-	135	190	11,865	8,358
2016-2020	-	-	780	849	85,465	31,347
2021-2025	-	-	995	640	78,105	6,232
2026-2030	-	-	1,385	352	-	-
2031-2035	-	-	776	35	-	-
Total	<u>\$ 800</u>	<u>\$ 225</u>	<u>\$ 5,181</u>	<u>\$ 2,915</u>	<u>\$ 246,795</u>	<u>\$ 88,681</u>

Year ending June 30:	Loan Payable ⁽¹⁾		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2011	\$ 730	\$ 4,025	\$ 956	\$ 118
2012	755	3,993	881	83
2013	910	3,958	619	63
2014	925	3,919	583	52
2015	5,770	18,954	605	42
2016-2020	8,835	17,319	1,515	61
2021-2025	10,880	14,820	898	-
2026-2030	12,510	11,870	307	-
2031-2035	37,035	12,237	-	-
Total	\$ 78,350	\$ 91,095	\$ 6,364	\$ 419

(1) 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 the stated maturity dates based on amounts available in the Turbo Redemption Account on June 1 and December 1.

As of June 30, 2010, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30:	Revenue and General Obligation					
	Bonds Payable		Certificates of Participation		Advances from Agency Funds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,760	\$ 2,178	\$ 1,380	\$ 331	\$ 583	\$ 1,321
2012	1,949	2,110	1,435	270	942	2,018
2013	2,016	2,036	1,500	207	1,009	1,951
2014	2,103	1,958	1,565	141	1,081	1,879
2015	2,180	1,875	1,635	72	1,156	1,802
2016-2020	12,205	7,958	-	-	6,849	7,674
2021-2025	12,795	5,020	-	-	7,309	5,208
2026-2030	7,245	2,681	-	-	9,824	2,251
2031-2035	5,530	1,051	-	-	884	31
2036-2040	1,350	102	-	-	-	-
Subtotals	49,133	26,969	7,515	1,021	29,637	24,135
Less: Issuance discounts	(127)	-	-	-	-	-
Plus: Issuance Premiums	270	-	-	-	-	-
Less: Net loss on refunding	(1,168)	-	(251)	-	-	-
	\$ 48,108	\$ 26,969	\$ 7,264	\$ 1,021	\$ 29,637	\$ 24,135

Year ending June 30:	Capital Lease Obligations		Advances From Other Governments	
	Principal	Interest	Principal	Interest
	2011	\$ 1,050	\$ 658	\$ 2,061
2012	1,097	611	2,127	1,007
2013	1,146	561	2,195	941
2014	1,198	510	2,264	873
2015	1,251	456	2,335	803
2016-2020	7,523	1,028	11,011	2,950
2021-2025	1,833	153	9,916	1,293
2026-2030	-	-	4,277	209
Total	<u>\$ 15,098</u>	<u>\$ 3,977</u>	<u>\$ 36,186</u>	<u>\$ 9,146</u>

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, 2010, \$50,230 of bonds are outstanding are considered defeased.

Legal Debt Limit

As of June 30, 2010, the County's debt limit was \$1,360,739. The total amount of debt applicable to the debt limit was \$18,317, net of assets in the debt service funds and other deductions allowed by law. The resulting legal debt margin was \$1,342,422.

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, 2010 does not expect to incur a liability.

Capital Leases

The carrying amount of assets acquired under capital leases totaled \$21,486 at June 30, 2010.

NOTE 10 – SHORT-TERM OBLIGATIONS

Governmental Activities

Summary of the governmental activities short-term debt for the year ended June 30, 2010 is as follows:

Governmental activities	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010
2009 Tax Revenue Anticipation Notes	<u>\$ 115,000</u>	<u>\$ 120,000</u>	<u>\$ (115,000)</u>	<u>\$ 120,000</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 intangible assets and infrastructure, into one component of net assets. Accumulated depreciation and amortization 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, 2010, 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, 2010 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	\$ 3,092	\$ 89	\$ -	\$ 1,029
Inventories	234	-	420	-
Long-term advances	300	-	-	-
Debt service	-	-	3,658	-
Prepaid items and deposits	27,797	1,741	2	-
Total reserved fund balances	31,423	1,830	4,080	1,029
<u>Designated</u>				
Emergency	28,369	-	-	52
Future projects and contingencies	8,021	-	-	-
Total designated fund balances	36,390	-	-	52
<u>Unreserved-undesignated fund balances</u>	<u>37,107</u>	<u>202</u>	<u>42,432</u>	<u>83,273</u>
Total fund balances	\$ 104,920	\$ 2,032	\$ 46,512	\$ 84,354

	Health and Sanitation Special Revenue	Water Agency Debt Service	Other Governmental
<u>Reserved</u>			
Encumbrances	\$ 763	\$ -	\$ 19,502
Inventories	-	-	642
Long-term advances	-	-	1,072
Debt service	-	84,247	17,731
Prepaid items and deposits	11	-	443
Total reserved fund balances	774	84,247	39,390
<u>Designated</u>			
Economic uncertainty	-	-	314
Future projects and contingencies	-	-	3,987
Emergencies and other	-	-	160
Total designated fund balances	-	-	4,461
<u>Unreserved-undesignated fund balances</u>	<u>2,946</u>	<u>-</u>	<u>84,880</u>
Total fund balances	\$ 3,720	\$ 84,247	\$ 128,731

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, 2009, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	3,570
Current active members	3,984
Terminated vested members	540
Total	<u>8,094</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 Supervisors. The contribution rates for the fiscal year ended June 30, 2010 were based on the Plan’s valuation dated December 31, 2008. 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, 2010, the County contributed \$39,790 or approximately 13.30% 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, 2010, were as follows:

Annual required contribution (ARC)	\$ 39,790
Interest on beginning net pension asset	(18,487)
Adjustment to the ARC	<u>36,139</u>
Annual pension cost	57,442
Contributions made	<u>39,790</u>
Decrease in net pension asset	(17,652)
Net pension asset, beginning of year	<u>231,090</u>
Net pension asset, end of year	<u><u>\$ 213,438</u></u>

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Contribution</u>	<u>Percent of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Asset</u>
2008	\$ 50,544	\$ 30,661	61%	\$ 245,709
2009	48,160	33,541	70%	231,090
2010	57,442	39,790	69%	213,438

(d) Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 79.6% funded. The actuarial accrued liability (AAL) for benefits was \$1,967,058, and the actuarial value of assets was \$1,564,970, resulting in an unfunded actuarial accrued liability (UAAL) of \$402,088. The covered payroll (annual payroll of active employees covered by the plan) was \$322,484, and the ratio of the UAAL to the covered payroll was 124.7%. The schedule of funding progress, presented as required supplementary information (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, 2009 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, 2009, as adopted by the Board of Supervisors upon recommendation of the Board of Retirement. Significant actuarial assumptions used to compute the actuarial accrued liability include (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.75 to 12.25%, and (c) inflation of 4.25%. 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, 2009 was 20 years. The actuarial assumptions for the most recent valuation is the same as those used to determine the annual required contribution for the fiscal year ended June 30, 2010 with the exception of an increase in the projected salary increases of 4.45% to 10.55%.

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 400 P 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 agrees 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, 2010 was 14.218% of annual covered payroll as determined as part of the June 30, 2007 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 contributions as of and for the fiscal year ended June 30, 2010, was as follows:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Contribution</u>	<u>Percent of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2008	\$ 1,089	\$ 1,089	100%	-
2009	1,180	1,180	100%	-
2010	1,077	1,077	100%	-

(d) Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the Library Plan was 93.6% funded. The actuarial accrued liability (AAL) for benefits was \$40,485, and the actuarial value of assets was \$37,649, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,836. The covered payroll (annual payroll of active employees covered by the Library Plan) was \$7,591, and the ratio of the UAAL to the covered payroll was 37.4%. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year 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, 2008 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% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25 to 14.45% 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 a closed basis. The remaining amortization period at June 30, 2008 was 20 years.

NOTE 13 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)**A - COUNTY POSTEMPLOYMENT HEALTHCARE PLAN (PH PLAN)*****(a) Plan Description***

The County administers a postemployment healthcare plan (PH Plan), a cost sharing multiple-employer defined benefit post employment healthcare plan. On June 30, 2008, the County established an other post employment health benefit (OPEB) trust with the Public Agency Retirement Services (PARS) which is used to accumulate resources to fund future benefits, however it does not represent the activities of the plan. In addition, the County entered into a Memorandum of Understanding (MOU) with the Sonoma County Employees Retirement Association (SCERA) to perform retiree health benefit administrative services, although retiree healthcare eligibility is determined by the Human Resources-Risk Management Division of the County.

The County offers either a defined benefit or defined contribution plan in accordance with County Salary Resolution No. 95-0926. The retiree may choose one of four medical plans for either the defined benefit or defined contribution plan. 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.

Participants must retire from County service, be covered under a medical plan of the County at the time of retirement, and be eligible to receive a monthly pension from the Sonoma County Employees Retirement Association defined benefit pension plan at the time of retirement. Benefits are as follows:

- Employees hired prior to 1/1/1990 receive ‘retiree plus family’ coverage without any service requirements.
- Employees hired on or after 1/1/1990 but before 1/1/2009 (a) with ten years of County service are eligible to receive County-subsidized ‘retiree only’ medical coverage or (b) with twenty years of County service are eligible to receive County-subsidized ‘retiree and one dependent’ medical coverage, with the retiree bearing the full cost of premiums for covering additional dependents.

Effective 6/1/09, the County began to phase in a contribution maximum toward the cost of the plan over a five year period. Retirees and the County share in the cost of monthly premium for medical coverage. The County is adjusted incrementally each year until it reaches a \$500 per month maximum contribution. After the phase in period has elapsed the County shall contribute the same dollar amount as it contributes toward the cost of County offered medical plans for active unrepresented Administrative Management employees. Retirees may enroll eligible dependents in the County offered medical plan elected by the retiree but the retiree is responsible for all premium costs in excess of the County’s contribution. In the case of line-of-duty death, dependents of the deceased Safety member(s) are eligible to receive County-subsidized medical coverage. Effective 4/10/07, disability retirees are subject to the same service requirements as regular retirees.

For employees hired on or after 1/1/2009, the County shall contribute to a Defined Contribution Retiree Medical Benefit Plan for each employee in the form of a deposit into a Health Reimbursement Arrangement (HRA) account. Any eligible retiree and eligible dependent(s) may enroll in a County offered medical plan, but the retiree is responsible for all costs. Upon completion of two full years of consecutive Sonoma County regular service in pay status the County provides (a) an initial contribution of \$2,400 to an HRA account established in the employees name, the initial contribution of \$2,400 is based on full-time status and is prorated based on their allocated position (b) contributes \$.58 per pay status hour, not including overtime, for each eligible employee. Once the employee has worked the two full years of service and the initial contribution to their HRA account is made, there are no further service requirements and no requirement to be covered under a medical plan of the County at the time of retirement or in retirement to receive this benefit.

The County reimburses retirees a fixed amount of \$96.40 per month for Medicare Part B premiums, to encourage participation in Medicare for over-65 retirees.

(b) Funding Policy

The PH Plan funding policy provides for periodic contributions by the County. The contribution rate is determined on an annual basis by an independent actuary and is 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 PH Plan over a period not to exceed thirty years. The ARC for the fiscal year ended June 30, 2010 was 7.31% of annual covered payroll.

(c) Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2010, the County's annual OPEB cost (expense) of \$22,548. The County's annual OPEB cost and the net OPEB obligation as of and for the fiscal year June 30, 2010 were as follows:

Annual required contribution	\$ 21,767
Interest on net OPEB obligation	2,762
Adjustment to annual required contribution	<u>(1,981)</u>
Annual OPEB cost (expense)	22,548
Contributions made	<u>(18,226)</u>
Increase in net OPEB obligation	4,322
 Net OPEB obligation - beginning of year	 <u>34,523</u>
 Net OPEB obligation - end of year	 <u><u>\$ 38,845</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 2010 is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 22,548	\$ 18,226	81%	\$ 38,845
2009	39,009	21,982	56%	34,523
2008	37,039	19,543	53%	17,496

(d) Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 3.6% funded. The actuarial accrued liability for benefits was \$268,454, and the actuarial value of assets was \$9,716, resulting in an unfunded actuarial accrued liability (UAAL) of \$258,738. The covered payroll (annual payroll of active employees covered by the plan) was \$308,595, and the ratio of the UAAL to the covered payroll was 83.8%.

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, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 8.00% investment rate of return, (net of administrative expenses), which is based upon the expected rate of return on the SCERA investment pool; a self-funded Medical cost trend rate of 10.00% initially, graded down by decrements to an ultimate rate of 5.0% after 5 years, and an HMO Medical/Drug and Prescription Drug cost trend rate trend rate of 9.00% initially, graded down by decrements to an ultimate rate of 5.0% after 8 years. These rates include an inflation assumption of 3.75% and projected payroll increases of 4.25%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2010 was 29 years.

B - LIBRARY POSTEMPLOYMENT HEALTHCARE PLAN (LIBRARY PLAN)

(a) Plan Description

The Library administers a postemployment healthcare plan (Library Plan), a single-employer defined benefit plan. 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 23.6% of covered payroll.

(c) Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the Library contributed only the current pay-as-you-go portion of the current premium which amounted to \$492. 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)	\$ 1,815
Interest on net OPEB obligation	70
Adjustment to annual required contribution	(47)
Annual OPEB cost (expense)	<u>1,838</u>
Contributions made	<u>(492)</u>
Increase in net OPEB obligation	1,346
Net OPEB obligation - beginning of year	<u>1,959</u>
Net OPEB obligation - end of year	<u><u>\$ 3,305</u></u>

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Library Plan, and the net OPEB obligations for 2010 and 2009 is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	1,839	492	26.8%	3,305
2009	1,409	433	30.7%	1,958
2008	1,404	422	30.1%	982

(d) Funded Status and Funding Progress

As of November 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$19,091, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,091. The covered payroll (annual payroll of active Library employees covered by the plan) was \$7,681 and the ratio of the UAAL to the covered payroll was approximately 24.8%.

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 multi-year 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, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5% 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 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 November 1, 2008 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 claims 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% confidence level. Contributions for the fiscal year ended June 30, 2010, totaled \$38,336, which is recorded in the internal service fund as operating revenue. As of June 30, 2010, the estimated liability in the internal service fund totaled \$43,174 of which \$13,076 is estimated to be payable in the ensuing year. The remaining \$30,098 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 \$365 with a deductible 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:

	Fiscal Year Ended <u>June 30, 2010</u>	Fiscal Year Ended <u>June 30, 2009</u>
Unpaid claims liability at beginning of year	\$ 44,757	\$ 43,146
Incurred claims	26,328	31,531
Claim payments	(27,911)	(29,920)
Unpaid claims liability at end of year	<u>\$ 43,174</u>	<u>\$ 44,757</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 calculated for its landfill accepting solid waste (Central) and those no longer accepting solid waste (Healdsburg and Annapolis), the total estimated current cost of closure and postclosure care. 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. As of June 30, 2010, the estimated closure and postclosure liability was \$50,225. As a result of a new estimate factoring the reduced capacity of the Central landfill and using assumptions consistent with industry standards for the closure and postclosure care costs for the Central landfill, the County's liability was reduced by \$57,602, which is reflected as a negative operating expense in the business type activities and Refuse Enterprise Fund during the fiscal year ended June 30, 2010. The new estimate was approved by the State of California on November 19, 2009. The estimated percentages of landfill capacity used are as follows:

	<u>Capacity Used</u>	<u>Closure Date</u>
Central	82%	2012
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 \$22,579, or 81.3% of total water sales, for the year ended June 30, 2010. The accounts receivable for these customers totaled \$4,253 at June 30, 2010.

(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. 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, 2010, the estimated claims liability totaled \$570 and is included in the County’s self-funded insurance liability. No additional contributions have been made to the internal service fund during the fiscal year ended June 30, 2010. As the funding requirements decrease, the estimated claims liability will be reduced and eventually eliminated.

(c) Line of Credit

The Library has an open line of credit from the County of Sonoma which was approved by resolution of the Library Commission and the County Board of Supervisors. Article XVI, Section 6 of the California State Constitution authorizes this type of temporary transfer of funds upon such approval. The line of credit is granted on an as needed basis, not to exceed the greater of \$1,500 or 85% of the Library’s revenue during the fiscal year. The line of credit is primarily used by the Library when its cash balances are depleted prior to receiving property tax revenue from the County.

(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*Water Agency*

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 Water Agency is unable to determine the extent of such liabilities at this time and whether any may be covered by insurance.

Sonoma Valley County Sanitation District

In July, 2010, the Sonoma Valley County Sanitation District received an Administrative Liability Complaint (ALC) from the California Regional Water Quality Control Board, San Francisco Bay Region (SF Bay Regional Board) for alleged discharge violations occurring from 2007 until early 2010. The ALC proposes an administrative penalty of \$348. The Sonoma Valley County Sanitation District has responded stating its desire to enter into a settlement agreement with the SF Bay Regional Board regarding the violations. A Supplemental Environmental Project (SEP) to reduce the penalty in exchange for implementation of an environmentally beneficial project may be included as part of the settlement terms. The final penalty amount and cost of any agreed upon SEP are unknown at this time. The Sonoma Valley County Sanitation District has accrued a payable for \$350 in accounts payable for the fiscal year ended June 30, 2010 to address this matter.

On July 10, 2010, a sewage leak occurred from a collection system pipe in the Sonoma Valley County Sanitation District's service area into Sonoma Creek. The leak has been fixed and the Sonoma Valley County Sanitation District is performing further repair work to protect against possible future collection system failures in the area. The SF Bay Regional Board will likely issue an enforcement action for this leak, or it may be addressed in the ALC enforcement action discussed above. The potential liability for this leak is unknown at this time.

Russian River County Sanitation District

A Draft Administrative Civil Liability Order (ACLO) was issued on September 1, 2010. The ACLO proposes to assess mandatory minimum penalties for effluent limitation exceedances between June 1, 2007 and May 31, 2009. The proposed ACLO provides a time schedule for completion of the compliance project. Financial penalties totaling \$57 are included in the proposed ACLO.

The Russian River County Sanitation District approved a project to design, construct, operate, and maintain an approximately 3.6 million gallon earthen equalization basin and appurtenant structures within the boundaries of the wastewater treatment plant. The project would implement a strategy necessary to satisfy North Coast Regional Water Quality Control Board (NC Regional Board) Cease and Desist Order No 98-57, and minimize the potential for Clean Water Act permit violations by increasing the Russian River County Sanitation District's wastewater storage capacity and adding redundancy to the system during large storm events, periods of high influent flow, and process upset conditions. A CEQA challenge has been filed. The Russian River County Sanitation District is negotiating with the petitioner, has prepared a draft settlement agreement, and expects to settle the litigation without cost.

Occidental County Sanitation District

An enforcement order issued by the NC Regional Board against the Occidental Sanitation District and the Water Agency remain outstanding pending completion of capital improvements for the Occidental Sanitation District's facility. The enforcement order requires the Occidental Sanitation District to construct a compliance project to address historical discharge permit violations. The compliance project has changed several times since the enforcement order was issued due to financial and political reasons. The Occidental Sanitation District is currently working on a new project proposal for review and approval by the NC Regional Board. The NC Regional Board may issue a new ACLO either before or after project approval. It is too early to predict the cost for the District to

participate in construction of the project which is proposed as the level of cost will depend on the cost of the project selected and the amount of grants and loans obtained from outside funding agencies.

In February 2010, the Occidental Sanitation District received a 60-day notice letter of the possible filing of a lawsuit under the citizen suit provisions of the Clean Water Act for alleged violations at the Occidental Sanitation District's treatment facility. The parties are currently negotiating a resolution of outstanding issues regarding the treatment facility operations, including settlement of claims of alleged violations. It is too early to tell whether this matter will be settled or a citizen suit will be filed. Any penalties and or other costs associated with a citizen suit are unknown at this time.

(f) Other Regulatory Matters

In June 2005, the NC Regional Board issued an ACLO 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.

In September 2008, the National Marine Fisheries Service issued a "Biological Opinion" analyzing the impact of the Water Agency's existing water supply activities on three fish species listed under the federal Endangered Species Act (ESA), and containing a "Reasonable and Prudent Alternative" describing measures that the Water Agency must take over a 15-year period in order to obtain an incidental take statement under the federal ESA. The Agency intends to fund such obligations from several sources, including revenues from the Water Agency's water transmission system and balances in the Water Agency's Warm Springs Dam fund.

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 potentially increases the Water Agency's degree of exposure to individual property owners and possible litigation in the event of wet weather and any resulting 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 Medi-Cal 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 \$2,681 at June 30, 2010. If actual costs exceed this amount, they will be paid by the County through an adjustment of future benefit rates.

(h) 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 and is anticipated to be amended in 2010. Under this agreement and pending agreement 1) the District will be dissolved in October 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.

(i) 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 – POLLUTION REMEDIATION OBLIGATION**Water Agency**

The Water Agency purchased a parcel as part of a litigation settlement in 2000 to resolve claims related to possible lead-contaminated fill used in connection with a Water Agency flood control project. As owner of the parcel, the Water Agency is responsible for clean-up costs related to the fill. The Water Agency has investigated the extent of lead contamination on the property and the adjacent area. The NC Regional Board required 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 parcel. The Water Agency submitted these assessments and a Closure Work Plan to the NC Regional Board in July 2008 and is awaiting a response from the NC Regional Board and the City of Santa Rosa Fire Department. The Closure Work Plan proposes to perform a lot line adjustment separating the front portion of the property where there are no human health issues based on the risk assessment so that the existing house can be put on the market and sold. For the back half of the property, the work plan proposes to incorporate the affected site into the City of Santa Rosa's bike path project changing the risk of human exposure so that no significant clean up will be required. It is anticipated that there will need to be annual monitoring and soil removal on the back half of the property, as well as a deed restriction and long-term easement. However, the NC Regional Board and the Santa Rosa Fire Department have not yet approved the work plan. As of June 30, 2010 the Water Agency has estimated its potential pollution remediation liability as of June 30, 2010 by utilizing the expected cash flow technique. This methodology examined estimated costs for pre-clean up activities, remediation/clean-up activities, regulatory agency costs, and post remediation-monitoring costs. The estimated liability for the Water Agency as of June 30, 2010 is \$234.

South Park County Sanitation District

The South Park County Sanitation District and the County entered into a Plan of Action with the NC Regional Board in 1999 to investigate a groundwater plume of halogenated volatile organic compounds (HVOC's) believed to have leaked from former dry cleaning operations and possibly using sewer pipes as a conduit. The investigation was completed in February 2002 at a cost of approximately \$1,250. Currently, the NC Regional Board is focusing on other potentially responsible parties (mainly oil companies) in connection with a petroleum hydrocarbon plume which is co-mingled with the HVOC plume. The South Park County Sanitation District is working with the NC Regional Board to require other potentially responsible parties to conduct investigations of HVOC source areas on their properties. In this regard, the NC Regional Board sent out two information request/source investigation letters in late 2005 to owners of properties in the area which may be a source of HVOCs. The South Park County Sanitation District and the County may be held responsible for conducting remediation of the plume. In such event, substantial additional costs may be incurred in connection with the remedial action. In addition, negotiation of a clean-up strategy will result in costs from technical and legal consultants. As of June 30, 2010, the South Park County Sanitation District has estimated a liability of \$1,298 for potential remediation activities using the expected

cash flow technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. The South Park County District did not perform any pollution remediation activity during the fiscal year ended June 30, 2010, as the investigation to identify responsible parties has not been concluded

NOTE 18 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Note

On October 21, 2010, the County issued tax and revenue anticipation notes (TRANS) totaling \$135,000 due October 27, 2011 at a net interest cost of 2.00%. Proceeds from the note will be used to meet fiscal year ended June 30, 2011 cash flow requirements. The notes are collateralized by fiscal year 2010-2011 unrestricted revenues.

Sonoma Valley County Sanitation District

On July 2, 2010 the Sonoma Valley County Sanitation District completed the purchase of certain property with the execution of a promissory note in the amount of \$933. Terms of the note require semi-annual payments over a 5 year period at an annual interest rate of 4%.

County of Sonoma Taxable Pension Obligation Bonds, Series 2010A

On August 24, 2010 the County issued Taxable Pension Obligation Bonds, Series 2010A in the amount of \$289,335 to fund certain amounts arising as a result of retirement benefits accruing to members of the Sonoma County Employees' Retirement Association. Terms of the bonds require semi-annual payments over a 20 year period.

Geothermal Property Tax Assessment Appeal

Calpine-Geyser Power Company filed an appeal of real property taxes with the County of Sonoma Assessment Appeals Board for tax years 2006-07 through 2010-11. The appeal is in response to a change of ownership reassessment by the County Assessor related to an event that occurred during fiscal year 2005-06. The appeal claim is estimated to total \$28.5 million in property taxes. The County's portion of this claim is approximately 21 percent or \$6.1 million. Supplemental and escape bills related to prior years will be issued in 2010-11 as current year tax assessments.

REQUIRED SUPPLEMENTARY INFORMATION



**Schedule of Funding Progress -
County Defined Benefit Pension Plan
(Dollars expressed in thousands)**

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)	Percentage Of Covered Payroll ((b-a)/c)
12/31/2007	\$ 1,476,496	\$ 1,653,847	\$ 177,351	89.3%	\$ 292,772	60.6%
12/31/2008	1,540,461	1,842,404	301,943	83.6%	334,391	90.3%
12/31/2009	1,564,970	1,967,058	402,088	79.6%	322,484	124.7%

**Schedule of Funding Progress -
CalPERS Library Defined Benefit Pension Plan
(Dollars expressed in thousands)**

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)	Percentage Of Covered Payroll ((b-a)/c)
6/30/2006	31,729	35,231	3,502	90.1%	6,961	50.3%
6/30/2007	34,724	37,672	2,948	92.2%	6,947	42.4%
6/30/2008	37,649	40,485	2,836	93.0%	7,591	37.4%

**Schedule of Funding Progress -
County Postemployment Healthcare Plan (PH Plan)
(Dollars expressed in thousands)**

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)	Percentage Of Covered Payroll ((b-a)/c)
6/30/2007	\$ 7,000	\$ 414,419	\$ 407,419	1.7%	\$ 286,742	142.1%
6/30/2009	9,716	268,454	258,738	3.6%	308,594	83.8%

**Schedule of Funding Progress -
Library Postemployment Healthcare Plan (Library Plan)
(Dollars expressed in thousands)**

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)	Percentage Of Covered Payroll ((b-a)/c)
11/1/2006	\$ -	\$ 14,057	\$ 14,057	0.0%	\$ 7,439	189.0%
11/1/2008	-	19,091	19,091	0.0%	\$ 7,681	248.5%



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 AND EMERGENCY 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.

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.

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.

CAPITAL PROJECTS FUND

The County 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).

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
ASSETS:				
Cash and investments	\$ 111,201	\$ 2,510	\$ 2,728	\$ 116,439
Cash and investments with trustee	-	9,797	14,408	24,205
Receivables (net of allowance for doubtful accounts)				
Accounts	142	8	2,707	2,857
Special assessments	-	-	4,599	4,599
Interest and other	221	-	-	221
Due from other funds	3,317	-	-	3,317
Inventories	642	-	-	642
Due from other governments	9,305	88	-	9,393
Advances to other funds	1,072	-	-	1,072
Prepaid items and deposits	443	-	-	443
Total assets	<u>\$ 126,343</u>	<u>\$ 12,403</u>	<u>\$ 24,442</u>	<u>\$ 163,188</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,298	\$ 2,152	\$ -	\$ 9,450
Due to other funds	3,623	-	-	3,623
Deferred revenue	13,330	-	7,306	20,636
Other liabilities	748	-	-	748
Total liabilities	<u>24,999</u>	<u>2,152</u>	<u>7,306</u>	<u>34,457</u>
Fund balances:				
Reserved for:				
Encumbrances	13,512	5,990	-	19,502
Inventories	642	-	-	642
Advances to other funds	1,072	-	-	1,072
Prepaid items and deposits	443	-	-	443
Debt service	595	-	17,136	17,731
Unreserved:				
Designated	4,461	-	-	4,461
Capital projects fund	-	4,261	-	4,261
Undesignated	80,619	-	-	80,619
Total fund balances	<u>101,344</u>	<u>10,251</u>	<u>17,136</u>	<u>128,731</u>
Total liabilities and fund balances	<u>\$ 126,343</u>	<u>\$ 12,403</u>	<u>\$ 24,442</u>	<u>\$ 163,188</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, 2010
(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
REVENUES:				
Taxes	\$ 42,602	\$ -	\$ 815	\$ 43,417
Licenses, permits and franchise fees	941	-	-	941
Fines , forfeitures and penalties	890	-	-	890
Use of money and property	1,128	50	250	1,428
Intergovernmental	79,892	417	2,507	82,816
Charges for services	3,595	-	25,124	28,719
Other revenue	5,176	311	4,645	10,132
Total revenues	<u>134,224</u>	<u>778</u>	<u>33,341</u>	<u>168,343</u>
EXPENDITURES:				
Current:				
General government	10,997	389	-	11,386
Public protection	5,086	-	-	5,086
Public ways and facilities	22,864	-	-	22,864
Health and sanitation	47,263	-	-	47,263
Public assistance	16,176	-	-	16,176
Education	16,199	-	-	16,199
Recreation and cultural services	144	-	-	144
Capital outlay	37,915	32,141	-	70,056
Debt service:				
Principal	16	-	17,256	17,272
Interest and other	10	-	25,363	25,373
Total expenditures	<u>156,670</u>	<u>32,530</u>	<u>42,619</u>	<u>231,819</u>
Deficiency of revenues under expenditures	<u>(22,446)</u>	<u>(31,752)</u>	<u>(9,278)</u>	<u>(63,476)</u>
Other financing sources (uses):				
Transfers in	41,640	7,444	349	49,433
Transfers out	(20,060)	(1,494)	-	(21,554)
Issuance of long-term debt	-	3,478	-	3,478
Total other financing sources and uses	<u>21,580</u>	<u>9,428</u>	<u>349</u>	<u>31,357</u>
NET CHANGE IN FUND BALANCES	(866)	(22,324)	(8,929)	(32,119)
Fund balances, beginning of year	102,210	32,575	26,065	160,850
FUND BALANCES, END OF YEAR	<u>\$ 101,344</u>	<u>\$ 10,251</u>	<u>\$ 17,136</u>	<u>\$ 128,731</u>

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(Dollars in Thousands)

	<u>Advertising</u>	<u>Fire and Emergency Services</u>	<u>Road</u>
ASSETS			
Cash and investments	\$ 3,062	\$ 3,384	\$ 32,769
Receivables (net of allowance for doubtful accounts)			
Accounts	-	30	13
Interest and other	-	-	-
Due from other funds	-	-	1,789
Inventories	-	-	642
Due from other governments	15	22	3,543
Advances to other funds	-	-	-
Prepaid items and deposits	-	-	443
Total assets	<u>\$ 3,077</u>	<u>\$ 3,436</u>	<u>\$ 39,199</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 205	\$ 171	\$ 3,564
Due to other funds	-	-	150
Deferred revenue	-	337	12,961
Other liabilities	-	-	743
Total liabilities	<u>205</u>	<u>508</u>	<u>17,418</u>
Fund balances:			
Reserved for:			
Encumbrances	534	21	4,742
Inventories	-	-	642
Advances to other funds	-	-	-
Prepaid items and deposits	-	-	443
Restricted assets	-	-	-
Unreserved:			
Designated for future projects and contingencies	-	-	-
Designated for economic uncertainty	314	-	-
Designated for emergencies and other	150	10	-
Undesignated	1,874	2,897	15,954
Total fund balances	<u>2,872</u>	<u>2,928</u>	<u>21,781</u>
Total liabilities and fund balances	<u>\$ 3,077</u>	<u>\$ 3,436</u>	<u>\$ 39,199</u>

<u>Realignment</u>	<u>Water Agency</u>	<u>Library</u>	<u>Special Districts</u>	<u>Other Special Revenue</u>	<u>Total</u>
\$ 587	\$ 47,812	\$ 10,191	\$ 13,227	\$ 169	\$ 111,201
-	40	59	-	-	142
-	110	10	101	-	221
1,378	150	-	-	-	3,317
-	-	-	-	-	642
4,499	-	-	1,179	47	9,305
-	1,072	-	-	-	1,072
-	-	-	-	-	443
<u>\$ 6,464</u>	<u>\$ 49,184</u>	<u>\$ 10,260</u>	<u>\$ 14,507</u>	<u>\$ 216</u>	<u>\$ 126,343</u>
\$ -	\$ 1,986	\$ 645	\$ 727	\$ -	\$ 7,298
3,426	-	-	-	47	3,623
-	32	-	-	-	13,330
-	-	-	-	5	748
<u>3,426</u>	<u>2,018</u>	<u>645</u>	<u>727</u>	<u>52</u>	<u>24,999</u>
-	6,510	19	1,686	-	13,512
-	-	-	-	-	642
-	1,072	-	-	-	1,072
-	-	-	-	-	443
-	-	-	595	-	595
-	75	3,912	-	-	3,987
-	-	-	-	-	314
-	-	-	-	-	160
3,038	39,509	5,684	11,499	164	80,619
<u>3,038</u>	<u>47,166</u>	<u>9,615</u>	<u>13,780</u>	<u>164</u>	<u>101,344</u>
<u>\$ 6,464</u>	<u>\$ 49,184</u>	<u>\$ 10,260</u>	<u>\$ 14,507</u>	<u>\$ 216</u>	<u>\$ 126,343</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, 2010
 (Dollars in Thousands)

	<u>Advertising</u>	<u>Fire and Emergency Services</u>	<u>Road</u>
REVENUES:			
Taxes	\$ 5,354	\$ 2,744	\$ 5
Licenses, permits and franchise fees	-	-	-
Fines, forfeitures and penalties	-	-	314
Use of money and property	37	31	122
Intergovernmental	114	85	22,938
Charges for services	-	934	1,985
Other revenue	149	253	4,490
Total revenues	<u>5,654</u>	<u>4,047</u>	<u>29,854</u>
EXPENDITURES:			
Current:			
General government	3,342	-	-
Public protection	-	4,401	-
Public ways and facilities	-	-	22,815
Health and sanitation	-	-	-
Public assistance	-	-	-
Education	-	-	-
Recreation and cultural services	-	-	-
Capital outlay	-	49	7,524
Debt service:			
Principal	-	16	-
Interest	-	10	-
Total expenditures	<u>3,342</u>	<u>4,476</u>	<u>30,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,312</u>	<u>(429)</u>	<u>(485)</u>
Other financing sources (uses):			
Transfers in	15	206	7,079
Transfers out	<u>(2,578)</u>	<u>(8)</u>	<u>(100)</u>
Total other financing sources and uses	<u>(2,563)</u>	<u>198</u>	<u>6,979</u>
NET CHANGE IN FUND BALANCES	(251)	(231)	6,494
Fund balances, beginning of year	3,123	3,159	15,287
FUND BALANCES, END OF YEAR	<u>\$ 2,872</u>	<u>\$ 2,928</u>	<u>\$ 21,781</u>

Realignment	Water Agency	Library	Agricultural Preservation & Open Space	Special Districts	Other Special Revenue	Total
\$ -	\$ 18,911	\$ 14,346	\$ -	\$ 1,242	\$ -	\$ 42,602
-	-	-	-	941	-	941
-	-	533	-	2	41	890
90	452	74	21	296	5	1,128
27,885	459	1,119	-	27,088	204	79,892
-	408	-	-	268	-	3,595
-	157	98	-	29	-	5,176
<u>27,975</u>	<u>20,387</u>	<u>16,170</u>	<u>21</u>	<u>29,866</u>	<u>250</u>	<u>134,224</u>
-	2,044	-	-	5,611	-	10,997
-	-	-	-	617	68	5,086
-	-	-	-	49	-	22,864
36,703	8,673	-	-	1,631	256	47,263
15,181	-	-	-	995	-	16,176
-	-	16,199	-	-	-	16,199
-	-	-	-	144	-	144
-	125	153	-	30,064	-	37,915
-	-	-	-	-	-	16
-	-	-	-	-	-	10
<u>51,884</u>	<u>10,842</u>	<u>16,352</u>	<u>-</u>	<u>39,111</u>	<u>324</u>	<u>156,670</u>
<u>(23,909)</u>	<u>9,545</u>	<u>(182)</u>	<u>21</u>	<u>(9,245)</u>	<u>(74)</u>	<u>(22,446)</u>
22,561	1,663	-	-	10,116	-	41,640
-	(7,096)	-	(10,081)	(197)	-	(20,060)
<u>22,561</u>	<u>(5,433)</u>	<u>-</u>	<u>(10,081)</u>	<u>9,919</u>	<u>-</u>	<u>21,580</u>
(1,348)	4,112	(182)	(10,060)	674	(74)	(866)
4,386	43,054	9,797	10,060	13,106	238	102,210
<u>\$ 3,038</u>	<u>\$ 47,166</u>	<u>\$ 9,615</u>	<u>\$ -</u>	<u>\$ 13,780</u>	<u>\$ 164</u>	<u>\$ 101,344</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, 2010

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,293	\$ 5,293	\$ 5,354	\$ 61
Use of money and property	100	100	37	(63)
Intergovernmental	115	115	114	(1)
Other revenue	151	151	149	(2)
Total revenues	<u>5,659</u>	<u>5,659</u>	<u>5,654</u>	<u>(5)</u>
EXPENDITURES:				
Current:				
General government	<u>4,303</u>	<u>4,744</u>	<u>4,047</u>	<u>697</u>
Excess of revenues over expenditures	<u>1,356</u>	<u>915</u>	<u>1,607</u>	<u>692</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8	8	15	7
Transfers out	<u>(2,708)</u>	<u>(2,708)</u>	<u>(2,578)</u>	<u>130</u>
Total other financing sources and uses	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,563)</u>	<u>137</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS				
	<u>\$ (1,344)</u>	<u>\$ (1,785)</u>	(956)	<u>\$ 829</u>
BASIS ADJUSTMENTS:				
Encumbrances			534	
Reimbursements			<u>171</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ (251)</u>	

COUNTY OF SONOMA, CALIFORNIA
Fire and Emergency Services Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,669	\$ 2,669	\$ 2,744	\$ 75
Use of money and property	123	123	31	(92)
Intergovernmental	103	103	85	(18)
Charges for services	1,214	1,214	934	(280)
Other revenue	202	202	253	51
Total revenues	<u>4,311</u>	<u>4,311</u>	<u>4,047</u>	<u>(264)</u>
EXPENDITURES:				
Current:				
Public protection	<u>4,483</u>	<u>4,779</u>	<u>4,497</u>	<u>282</u>
Deficiency of revenues under expenditures	<u>(172)</u>	<u>(468)</u>	<u>(450)</u>	<u>18</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	882	922	206	(716)
Transfers out	<u>(720)</u>	<u>(720)</u>	<u>(8)</u>	<u>712</u>
Total other financing sources and uses	<u>162</u>	<u>202</u>	<u>198</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (10)</u>	<u>\$ (266)</u>	<u>(252)</u>	<u>\$ 14</u>
BASIS ADJUSTMENTS:				
Encumbrances			<u>21</u>	
NET CHANGE IN FUND BALANCES, GAAP BASIS			<u>\$ (231)</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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 5	\$ 5
Fines, forfeitures and penalties	293	293	314	21
Use of money and property	46	46	122	76
Intergovernmental	33,130	33,130	22,938	(10,192)
Charges for services	1,908	1,908	1,985	77
Other revenue	5,269	5,269	4,490	(779)
Total revenues	<u>40,646</u>	<u>40,646</u>	<u>29,854</u>	<u>(10,792)</u>
EXPENDITURES:				
Current:				
Public ways and facilities	<u>61,603</u>	<u>61,283</u>	<u>47,232</u>	<u>14,051</u>
Deficiency of revenues under expenditures	<u>(20,957)</u>	<u>(20,637)</u>	<u>(17,378)</u>	<u>3,259</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8,887	8,887	7,079	(1,808)
Transfers out	<u>(1,894)</u>	<u>(1,950)</u>	<u>(100)</u>	<u>1,850</u>
Total other financing sources and uses	<u>6,993</u>	<u>6,937</u>	<u>6,979</u>	<u>42</u>
NET CHANGE IN FUND BALANCE,				
BUDGETARY BASIS	<u>\$ (13,964)</u>	<u>\$ (13,700)</u>	(10,399)	<u>\$ 3,301</u>
BASIS ADJUSTMENTS:				
Encumbrances			4,742	
Reimbursements			<u>12,151</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 6,494</u>	

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 198	\$ 198	\$ 90	\$ (108)
Intergovernmental	30,544	30,544	27,885	(2,659)
Total revenues	<u>30,742</u>	<u>30,742</u>	<u>27,975</u>	<u>(2,767)</u>
EXPENDITURES:				
Current:				
Health and sanitation	36,829	37,724	36,703	1,021
Public assistance	17,110	17,110	15,181	1,929
Total expenditures	<u>53,939</u>	<u>54,834</u>	<u>51,884</u>	<u>2,950</u>
Deficiency of revenues under expenditures	<u>(23,197)</u>	<u>(24,092)</u>	<u>(23,909)</u>	<u>183</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>23,164</u>	<u>23,164</u>	<u>22,561</u>	<u>(603)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (33)</u>	<u>\$ (928)</u>	<u>\$ (1,348)</u>	<u>\$ (420)</u>

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 18,463	\$ 17,374	\$ 18,911	\$ 1,537
Use of money and property	300	300	452	152
Intergovernmental	411	411	459	48
Charges for services	393	393	408	15
Other revenue	99	99	157	58
Total revenues	<u>19,666</u>	<u>18,577</u>	<u>20,387</u>	<u>1,810</u>
EXPENDITURES:				
Current:				
General government	2,116	23,061	1,926	21,135
Health and sanitation	17,073	302	15,301	(14,999)
Capital outlay	4,077	5,191	125	5,066
Contingencies	500	500	-	500
Total expenditures	<u>23,766</u>	<u>29,054</u>	<u>17,352</u>	<u>11,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,100)</u>	<u>(10,477)</u>	<u>3,035</u>	<u>13,512</u>
OTHER FINANCING USES:				
Transfers in	-	-	1,663	1,663
Transfers out	<u>(7,360)</u>	<u>(9,776)</u>	<u>(7,096)</u>	<u>2,680</u>
Total other financing sources	<u>(7,360)</u>	<u>(9,776)</u>	<u>(5,433)</u>	<u>4,343</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ (11,460)</u>	<u>\$ (20,253)</u>	<u>(2,398)</u>	<u>\$ 17,855</u>
BASIS ADJUSTMENTS:				
Encumbrances			<u>6,510</u>	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 4,112</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, 2010

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 13,806	\$ 13,806	\$ 14,346	\$ 540
Fines, forfeitures and penalties	628	628	533	(95)
Use of money and property	141	141	74	(67)
Intergovernmental	678	678	1,119	441
Charges for services	370	370	-	(370)
Other revenue	98	98	98	-
Total revenues	<u>15,721</u>	<u>15,721</u>	<u>16,170</u>	<u>449</u>
EXPENDITURES:				
Current:				
Education	16,593	16,593	16,199	394
Capital outlay	280	280	153	127
Contingencies	25	25	-	25
Total expenditures	<u>16,898</u>	<u>16,898</u>	<u>16,352</u>	<u>546</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,177)</u>	<u>\$ (1,177)</u>	<u>\$ (182)</u>	<u>\$ 995</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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 300	\$ 21	\$ (279)
OTHER FINANCING SOURCES:				
Transfers out	-	(10,300)	(10,081)	219
NET CHANGE IN FUND BALANCE	\$ -	\$ (10,000)	\$ (10,060)	\$ (60)

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, 2010
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,260	\$ 1,260	\$ 1,242	\$ (18)
Licenses, permits and franchise fees	929	929	941	12
Fines, forfeitures and penalties	-	-	2	2
Use of money and property	205	205	296	91
Intergovernmental	32,503	32,503	27,088	(5,415)
Charges for services	237	237	268	31
Other revenue	-	-	29	29
Total revenues	35,134	35,134	29,866	(5,268)
EXPENDITURES:				
Current:				
General government:				
Open Space District	36,633	43,083	36,680	6,403
Public protection:				
County Services Area # 41:				
Roseland	79	79	44	35
Airport Business Center	30	30	22	8
Airport-Larkfield-Wikiup	56	56	41	15
Lighting-Meadowlark	1	1	1	-
Belmont Terrace Lighting	7	7	5	2
Carmet Lighting	5	5	3	2
Cinnabar Lighting	10	10	6	4
Countryside Manor Lighting	2	2	1	1
Forestville Lighting	13	13	7	6
Geyserville Lighting	13	13	8	5
Graton Lighting	8	8	4	4
Guerneville Lighting	201	201	86	115
Jenner Lighting	14	14	2	12
Madrone Acres Lighting	12	12	8	4
Monte Rio Lighting	64	64	44	20
Penngrove Lighting	15	190	106	84
Rio Nido Lighting	37	37	22	15
South Park Lighting	8	8	6	2
Summer Home Park Lighting	5	5	3	2
Valley of the Moon Lighting	331	653	500	153
West Side Lighting	4	4	2	2
CFD #7 Mayacamas	23	33	28	5
Rio Nido GHAD	10	10	-	10

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, 2010
(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	2	4	1	3
Mill Creek Lane Permanent Road	5	7	7	-
Mirabel Heights Permanent Road	2	4	1	3
Monte Rosa Permanent Road	2	4	1	3
Peaks Pike Permanent Road	4	6	5	1
Cannon Manor Maintenance and Operations	-	100	35	65
Health and sanitation:				
North Air Pollution Control District	1,681	2,963	1,955	1,008
Public assistance:				
IHSS Public Authority	1,432	1,432	995	437
Recreation and cultural services:				
County Services Area # 41	170	189	168	21
Total expenditures	<u>40,879</u>	<u>49,247</u>	<u>40,797</u>	<u>8,450</u>
Deficiency of revenues under expenditures	<u>(5,745)</u>	<u>(14,113)</u>	<u>(10,931)</u>	<u>3,182</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	11,137	11,137	10,116	(1,021)
Transfers out	(383)	(1,056)	(197)	859
Total other financing sources and uses	<u>10,754</u>	<u>10,081</u>	<u>9,919</u>	<u>(162)</u>
NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	<u>\$ 5,009</u>	<u>\$ (4,032)</u>	(1,012)	<u>\$ 3,020</u>
BASIS ADJUSTMENTS:				
Encumbrances			1,686	
NET CHANGE IN FUND BALANCE, GAAP BASIS			<u>\$ 674</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, 2010

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 49	\$ 49	\$ 41	\$ (8)
Use of money and property	23	23	5	(18)
Intergovernmental	210	210	204	(6)
Total revenues	<u>282</u>	<u>282</u>	<u>250</u>	<u>(32)</u>
EXPENDITURES:				
Current:				
Public protection:				
Fish and Game	75	75	68	7
Tobacco tax program	693	275	256	19
Total expenditures	<u>768</u>	<u>350</u>	<u>324</u>	<u>26</u>
NET CHANGE IN FUND BALANCE	<u>\$ (486)</u>	<u>\$ (68)</u>	<u>\$ (74)</u>	<u>\$ (6)</u>

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 over 300 aircraft, and uncovered tie-down spaces for 416 aircraft.

SPUD POINT MARINA

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.

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 COUNTY 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, 2010
 (Dollars in Thousands)

	<u>Community Hospital</u>	<u>Fair</u>	<u>Airport</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 2,972	\$ 3,521	\$ 983
Restricted cash and investments	-	-	202
Receivables, net			
Accounts	387	484	175
Interest and other	-	-	-
Inventories	-	-	-
Due from other governments	-	-	1,306
Other assets	-	158	-
Total current assets	<u>3,359</u>	<u>4,163</u>	<u>2,666</u>
Noncurrent assets:			
Restricted cash and investments	-	798	70
Receivables, net			
Other assets	-	-	-
Capital assets:			
Nondepreciable	-	549	16,019
Depreciable, net	753	11,415	14,411
Total noncurrent assets	<u>753</u>	<u>12,762</u>	<u>30,500</u>
Total assets	<u>4,112</u>	<u>16,925</u>	<u>33,166</u>

Spud Point Marina	Transit	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Other Districts	Total
\$ 217	\$ 2,073	\$ 3,862	\$ 7,614	\$ 287	\$ 1,683	\$ 23,212
23	58	649	198	65	-	1,195
78	72	519	320	145	109	2,289
-	-	-	-	-	16	16
44	553	-	-	-	-	597
-	1,190	-	-	-	-	2,496
-	-	-	-	-	-	158
<u>362</u>	<u>3,946</u>	<u>5,030</u>	<u>8,132</u>	<u>497</u>	<u>1,808</u>	<u>29,963</u>
44	-	-	-	-	-	912
-	-	-	74	-	-	74
518	4,918	2,605	730	121	312	25,772
<u>3,328</u>	<u>24,883</u>	<u>23,547</u>	<u>10,215</u>	<u>2,972</u>	<u>4,459</u>	<u>95,983</u>
<u>3,890</u>	<u>29,801</u>	<u>26,152</u>	<u>11,019</u>	<u>3,093</u>	<u>4,771</u>	<u>122,741</u>
<u>4,252</u>	<u>33,747</u>	<u>31,182</u>	<u>19,151</u>	<u>3,590</u>	<u>6,579</u>	<u>152,704</u>

COUNTY OF SONOMA, CALIFORNIA
 Nonmajor Enterprise Funds
 Combining Statement of Net Assets (Continued)
 June 30, 2010
 (Dollars in Thousands)

	Community Hospital	Fair	Airport
LIABILITIES:			
Current liabilities:			
Accounts payable	17	494	1,108
Due to other governments	-	-	-
Interest payable	-	-	22
Compensated absences	-	30	-
Unearned revenue	-	-	15
Advances from other governments	-	330	228
Current liabilities payable from restricted assets:			
Bonds payable	-	-	-
Other	-	-	70
Total current liabilities	<u>17</u>	<u>854</u>	<u>1,443</u>
Noncurrent liabilities:			
Compensated absences	-	223	149
Pollution remediation	-	-	-
Advances from other governments	-	3,388	2,044
Unearned revenue	280	-	-
Bonds payable, net	-	-	-
Long-term post-retirement benefits	2,681	-	-
Total noncurrent liabilities	<u>2,961</u>	<u>3,611</u>	<u>2,193</u>
Total liabilities	<u>2,978</u>	<u>4,465</u>	<u>3,636</u>
NET ASSETS:			
Invested in capital assets, net of related debt	753	8,576	28,158
Restricted for:			
Debt service	-	798	-
Scholarships	-	22	-
Conservation program	-	-	-
Capital projects	-	-	233
Unrestricted	381	3,064	1,139
Total net assets	<u>\$ 1,134</u>	<u>\$ 12,460</u>	<u>\$ 29,530</u>

Spud Point Marina	Transit	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Other Districts	Total
96	888	69	2	8	86	2,768
-	996		-	-	-	996
149	-	44	-	-	18	233
-	14	-	-	-	-	44
69	73	-	-	-	-	157
210	-	168	-	-	151	1,087
-	-	75	109	-	-	184
44	-	12	31	-	1	158
<u>568</u>	<u>1,971</u>	<u>368</u>	<u>142</u>	<u>8</u>	<u>256</u>	<u>5,627</u>
18	122	-	-	-	-	512
-	-	-	1,298	-	-	1,298
3,396	-	2,852	-	-	2,082	13,762
-	-	-	-	-	-	280
-	-	1,960	2,513	-	-	4,473
-	-	-	-	-	-	2,681
<u>3,414</u>	<u>122</u>	<u>4,812</u>	<u>3,811</u>	<u>-</u>	<u>2,082</u>	<u>23,006</u>
<u>3,982</u>	<u>2,093</u>	<u>5,180</u>	<u>3,953</u>	<u>8</u>	<u>2,338</u>	<u>28,633</u>
240	29,801	21,096	8,323	3,093	2,538	102,578
-	-	637	167	-	-	1,602
-	-	-	-	-	-	22
-	-	-	-	65	-	65
-	-	-	-	-	-	233
30	1,853	4,269	6,708	424	1,703	19,571
<u>\$ 270</u>	<u>\$ 31,654</u>	<u>\$ 26,002</u>	<u>\$ 15,198</u>	<u>\$ 3,582</u>	<u>\$ 4,241</u>	<u>\$ 124,071</u>

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, 2010

(Dollars in Thousands)

	Community Hospital	Fair	Airport
OPERATING REVENUES:			
Charges for services	\$ 1	\$ -	\$ 175
Flat charges	-	-	-
Rents and concessions	64	9,019	3,168
Sales and miscellaneous	557	-	-
Total operating revenues	<u>622</u>	<u>9,019</u>	<u>3,343</u>
OPERATING EXPENSES:			
Services and supplies	891	4,233	1,314
Salaries and employee benefits	272	4,689	1,438
Depreciation and amortization	126	950	755
Total operating expenses	<u>1,289</u>	<u>9,872</u>	<u>3,507</u>
Operating income (loss)	<u>(667)</u>	<u>(853)</u>	<u>(164)</u>
NONOPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Investment income	44	47	12
Interest expense	(224)	(101)	(125)
Intergovernmental	-	-	-
Miscellaneous	-	(12)	457
Gain (loss) on disposal of capital assets	-	-	-
Total nonoperating revenue (expenses)	<u>(180)</u>	<u>(66)</u>	<u>344</u>
Income (loss) before capital contributions and transfers	(847)	(919)	180
Capital contributions	-	-	4,211
Transfers in	-	-	-
Transfers out	(500)	-	-
Change in net assets	<u>(1,347)</u>	<u>(919)</u>	<u>4,391</u>
Net assets, beginning of year, as restated	<u>2,481</u>	<u>13,379</u>	<u>25,139</u>
Net assets, end of year	<u>\$ 1,134</u>	<u>\$ 12,460</u>	<u>\$ 29,530</u>

Spud Point Marina	Transit	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Other Districts	Total
\$ 1,154	\$ 1,927	\$ 15	\$ 32	\$ 12	\$ 7	\$ 3,323
-	-	3,241	3,015	386	535	7,177
-	-	-	-	-	11	12,262
-	-	-	184	-	506	1,247
<u>1,154</u>	<u>1,927</u>	<u>3,256</u>	<u>3,231</u>	<u>398</u>	<u>1,059</u>	<u>24,009</u>
953	11,103	2,728	2,010	649	716	24,597
447	829	-	-	-	-	7,675
75	2,603	1,031	258	134	154	6,086
<u>1,475</u>	<u>14,535</u>	<u>3,759</u>	<u>2,268</u>	<u>783</u>	<u>870</u>	<u>38,358</u>
(321)	(12,608)	(503)	963	(385)	189	(14,349)
-	-	148	-	-	-	148
-	22	67	80	5	14	291
(163)	-	(100)	(60)	-	(72)	(845)
-	9,970	22	-	-	20	10,012
-	35	(255)	(40)	(18)	2	169
-	(126)	-	-	-	-	(126)
<u>(163)</u>	<u>9,901</u>	<u>(118)</u>	<u>(20)</u>	<u>(13)</u>	<u>(36)</u>	<u>9,649</u>
(484)	(2,707)	(621)	943	(398)	153	(4,700)
-	5,118	-	5	-	-	9,334
382	-	415	33	376	-	1,206
-	-	-	-	-	-	(500)
<u>(102)</u>	<u>2,411</u>	<u>(206)</u>	<u>981</u>	<u>(22)</u>	<u>153</u>	<u>5,340</u>
372	29,243	26,208	14,217	3,604	4,088	118,731
<u>\$ 270</u>	<u>\$ 31,654</u>	<u>\$ 26,002</u>	<u>\$ 15,198</u>	<u>\$ 3,582</u>	<u>\$ 4,241</u>	<u>\$ 124,071</u>

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

(Dollars in Thousands)

	Community Hospital	Fair	Airport
Cash flows from operating activities:			
Cash received from customers	\$ 575	\$ 8,802	\$ 3,318
Cash payments to other sources	-	-	-
Cash payments to suppliers for goods and services	(962)	(4,151)	(1,509)
Cash payments to employees for services	(972)	(4,736)	(1,408)
Cash payments for interfund services used	-	-	-
Net cash provided by (used in) operating activities	<u>(1,359)</u>	<u>(85)</u>	<u>401</u>
Cash flows from noncapital financing activities:			
Transfers received	-	-	-
Transfers paid	(500)	-	-
Taxes received	-	-	-
Cash receipts from other governments	-	-	(210)
Miscellaneous noncapital financing sources (uses)	-	-	465
Net cash provided by (used in) noncapital financing activities	<u>(500)</u>	<u>-</u>	<u>255</u>
Cash flows from capital and related financing activities:			
Cash receipts from other governments	-	-	4,211
Connection fees received	-	-	-
Proceeds from sale of capital assets	-	39	199
Acquisition and construction of capital assets	-	(31)	(5,168)
Repayments to other funds	-	-	-
Principal paid on bonds and certificates	-	-	-
Proceeds from advances from other governments	-	-	-
Principal paid on advances from other governments	-	(323)	(213)
Interest paid	(224)	(101)	(127)
Net cash provided by (used in) capital and related financing activities	<u>(224)</u>	<u>(416)</u>	<u>(1,098)</u>
Cash flows from investing activities:			
Interest received on investments	44	47	12
Net cash provided by investing activities	<u>44</u>	<u>47</u>	<u>12</u>
Net increase (decrease) in cash and cash equivalents	(2,039)	(454)	(430)
Cash and cash equivalents, beginning of year	5,011	4,773	1,685
Cash and cash equivalents, end of year	<u>\$ 2,972</u>	<u>\$ 4,319</u>	<u>\$ 1,255</u>

Spud Point Marina	Transit	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Other Districts	Total
\$ 1,200	\$ 1,915	\$ 3,101	\$ 3,053	\$ 323	\$ 984	\$ 23,271
-	-	-	184	-	-	184
(937)	(12,597)	(712)	(1,955)	(154)	(664)	(23,641)
(447)	(807)	-	-	-	-	(8,370)
-	-	(2,227)	(93)	(514)	-	(2,834)
(184)	(11,489)	162	1,189	(345)	320	(11,390)
382	-	415	33	376	-	1,206
-	-	-	-	-	-	(500)
-	-	148	-	-	-	148
-	10,002	22	-	-	26	9,840
-	35	-	-	-	-	500
382	10,037	585	33	376	26	11,194
-	5,118	-	-	1,729	-	11,058
-	-	31	6	-	-	37
-	-	-	-	-	11	249
-	(5,118)	(254)	(450)	(121)	(177)	(11,319)
-	-	-	-	(1,383)	-	(1,383)
-	-	(180)	(115)	-	-	(295)
-	-	-	-	-	120	120
(201)	-	(164)	-	-	(145)	(1,046)
(171)	-	(190)	(124)	-	(73)	(1,010)
(372)	-	(757)	(683)	225	(264)	(3,589)
-	23	70	80	5	12	293
-	23	70	80	5	12	293
(174)	(1,429)	60	619	261	94	(3,492)
458	3,560	4,451	7,193	91	1,589	28,811
\$ 284	\$ 2,131	\$ 4,511	\$ 7,812	\$ 352	\$ 1,683	\$ 25,319

COUNTY OF SONOMA, CALIFORNIA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2010
(Dollars in Thousands)

	Community Hospital	Fair	Airport
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (667)	\$ (853)	\$ (164)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	126	950	755
Miscellaneous	-	(12)	-
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	17	(217)	(5)
Inventories	-	-	-
Prepaid items, deposits and other	-	34	-
Increase (decrease) in:			
Accounts payable	(71)	60	656
Due to other governments	-	-	(850)
Compensated absences	-	(47)	30
Unearned revenue	(64)	-	(21)
Long-term post retirement benefits	(700)	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,359)</u>	<u>\$ (85)</u>	<u>\$ 401</u>
 Reconciliation of cash and cash equivalents to the Statement of net assets:			
Cash and investments	\$ 2,972	\$ 3,521	\$ 983
Restricted cash and investments	-	798	272
Total cash and cash equivalents	<u>\$ 2,972</u>	<u>\$ 4,319</u>	<u>\$ 1,255</u>
 Noncash investing, capital and financing activities:			
Acquisition of capital assets on account	\$ -	\$ -	\$ -
Capitalized interest	-	-	-

Spud Point Marina	Transit	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Other Districts	Total
\$ (321)	\$ (12,608)	\$ (503)	\$ 963	\$ (385)	\$ 189	\$ (14,349)
75	2,603	1,031	258	134	154	6,086
-	-	(255)	(40)	(18)	-	(325)
46	(12)	(154)	6	(76)	(75)	(470)
(3)	(30)	-	-	-	-	(33)
(1)	2	-	-	-	-	35
20	(1,466)	43	2	-	52	(704)
-	-	-	-	-	-	(850)
-	22	-	-	-	-	5
-	-	-	-	-	-	(85)
-	-	-	-	-	-	(700)
<u>\$ (184)</u>	<u>\$ (11,489)</u>	<u>\$ 162</u>	<u>\$ 1,189</u>	<u>\$ (345)</u>	<u>\$ 320</u>	<u>\$ (11,390)</u>
\$ 217	\$ 2,073	\$ 3,862	\$ 7,614	\$ 287	\$ 1,683	\$ 23,212
67	58	649	198	65	-	2,107
<u>\$ 284</u>	<u>\$ 2,131</u>	<u>\$ 4,511</u>	<u>\$ 7,812</u>	<u>\$ 352</u>	<u>\$ 1,683</u>	<u>\$ 25,319</u>
\$ -	\$ -	\$ 6	\$ 1	\$ -	\$ -	\$ 7
-	-	87	74	-	-	161

INTERNAL SERVICE FUNDS

These funds 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, 2010

	Insurance	Heavy Equipment Replacement	Water Agency	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 76,142	\$ 1,783	\$ 8,012	\$ 85,937
Cash and investments with trustee	1,250	-	-	1,250
Accounts receivable	-	-	26	26
Due from other governments	616	6	-	622
Prepaid expenses	-	-	825	825
Total current assets	<u>78,008</u>	<u>1,789</u>	<u>8,863</u>	<u>88,660</u>
Noncurrent assets:				
Restricted cash	-	-	1,907	1,907
Capital assets:				
Nondepreciable	-	-	9,454	9,454
Depreciable, net	-	3,409	29,656	33,065
Total noncurrent assets	<u>-</u>	<u>3,409</u>	<u>41,017</u>	<u>44,426</u>
Total assets	<u>78,008</u>	<u>5,198</u>	<u>49,880</u>	<u>133,086</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	1,371	31	938	2,340
Due to other funds	-	-	405	405
Self-funded insurance	13,076	-	-	13,076
Unearned revenue	47	-	-	47
Current liabilities payable from restricted assets:				
Capital leases	-	34	1,050	1,084
Interest payable	-	6	159	165
Total current liabilities	<u>14,494</u>	<u>71</u>	<u>2,552</u>	<u>17,117</u>
Noncurrent portion of long-term liabilities:				
Self-funded insurance	30,098	-	-	30,098
Advances from other funds	-	-	4,990	4,990
Capital leases	-	112	14,048	14,160
Total noncurrent liabilities	<u>30,098</u>	<u>112</u>	<u>19,038</u>	<u>49,248</u>
Total liabilities	<u>44,592</u>	<u>183</u>	<u>21,590</u>	<u>66,365</u>
NET ASSETS:				
Invested in capital assets, net of related debt	-	3,409	24,869	28,278
Restricted for debt service	-	-	890	890
Restricted for capital projects	-	-	857	857
Unrestricted	33,416	1,606	1,674	36,696
Total net assets	<u>\$ 33,416</u>	<u>\$ 5,015</u>	<u>\$ 28,290</u>	<u>\$ 66,721</u>

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, 2010
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	Water Agency	Total
Operating revenues:				
Charges for services	\$ 38,336	\$ 2,111	\$ 10,336	\$ 50,783
Operating expenses:				
Services and supplies	11,790	1,970	6,855	20,615
Salaries and employee benefits	2,908	-	-	2,908
Claims expenses	26,328	-	-	26,328
Depreciation	-	512	1,456	1,968
Total operating expenses	41,026	2,482	8,311	51,819
Operating income (loss)	(2,690)	(371)	2,025	(1,036)
Nonoperating revenues (expenses):				
Investment income	695	13	100	808
Interest expense	-	(16)	(651)	(667)
Intergovernmental	222	-	-	222
Miscellaneous	33	280	-	313
Gain (loss) on sale of fixed assets	(15)	164	81	230
Total nonoperating revenues (expenses)	935	441	(470)	906
Income (loss) before transfers	(1,755)	70	1,555	(130)
Capital contributions	-	-	141	141
Transfers in	275	-	388	663
Transfers out	(6)	-	(3,433)	(3,439)
Change in net assets	(1,486)	70	(1,349)	(2,765)
Net assets, beginning of year	34,902	4,945	29,639	69,486
Net assets, end of year	\$ 33,416	\$ 5,015	\$ 28,290	\$ 66,721

COUNTY OF SONOMA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	Water Agency	Total
Cash flows from operating activities:				
Cash receipts from interfund services provided	\$ 39,566	\$ 2,409	\$ 10,529	\$ 52,504
Cash receipts from other sources	33	280	-	313
Cash payments to suppliers for goods and services	(40,582)	(1,954)	(5,715)	(48,251)
Cash payments to employees for services	(2,908)	-	-	(2,908)
Cash payments for interfund services used	-	-	(398)	(398)
Net cash provided by (used in) operating activities	<u>(3,891)</u>	<u>735</u>	<u>4,416</u>	<u>1,260</u>
Cash flows from noncapital financing activities:				
Transfers received	275	-	388	663
Transfers paid	(6)	(18)	(3,433)	(3,457)
Cash receipts from other governments	222	-	-	222
Net cash provided by (used in) noncapital financing activities	<u>491</u>	<u>(18)</u>	<u>(3,045)</u>	<u>(2,572)</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	174	81	255
Acquisition and construction of capital assets	-	(333)	(1,219)	(1,552)
Principal paid on advances from other funds	-	-	(551)	(551)
Principal paid on capital leases	-	(34)	(1,003)	(1,037)
Interest paid	-	-	(905)	(905)
Net cash used in capital and related financing activities	<u>-</u>	<u>(193)</u>	<u>(3,597)</u>	<u>(3,790)</u>
Cash flows from investing activities:				
Principal received on advances to other funds	-	-	144	144
Interest received on advances to other funds	-	-	6	6
Interest received on investments	695	13	93	801
Net cash provided by investing activities	<u>695</u>	<u>13</u>	<u>243</u>	<u>951</u>
Net increase (decrease) in cash and cash equivalents	(2,705)	537	(1,983)	(4,151)
Cash and cash equivalents, beginning of year	80,097	1,246	11,902	93,245
Cash and cash equivalents, end of year	<u>\$ 77,392</u>	<u>\$ 1,783</u>	<u>\$ 9,919</u>	<u>\$ 89,094</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,690)	\$ (371)	\$ 2,025	\$ (1,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	512	1,456	1,968
Miscellaneous nonoperating revenues	33	280	-	313
Changes in operating assets and liabilities:				
Increase in:				
Accounts receivable	1,230	(2)	193	1,421
Due from other funds	-	300	-	300
Prepays	-	-	665	665
Increase (decrease) in:				
Accounts payable	(881)	16	77	(788)
Self-funded insurance	(1,583)	-	-	(1,583)
Net cash provided by (used in) operating activities	<u>\$ (3,891)</u>	<u>\$ 735</u>	<u>\$ 4,416</u>	<u>\$ 1,260</u>
Statement of Net Assets:				
Cash and investments	\$ 76,142	\$ 1,783	\$ 8,012	\$ 85,937
Cash and investments with trustee	1,250	-	-	1,250
Restricted cash	-	-	1,907	1,907
Total cash and cash equivalents	<u>\$ 77,392</u>	<u>\$ 1,783</u>	<u>\$ 9,919</u>	<u>\$ 89,094</u>
Noncash investing, capital and financing activities:				
Acquisition of equipment on account	\$ -	\$ -	\$ 83	\$ 83
Contribution of capital assets	-	-	141	141
Increase in capital assets for capitalized interest	-	-	256	256
Disposal of capital assets	(15)	-	(7)	(22)

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, 2010
 (Dollars in Thousands)

	Balance, June 30, 2009	Additions	Deletions	Balance, June 30, 2010
ASSETS:				
Cash and investments	\$ 209,888	\$ 1,513,083	\$ (1,522,002)	\$ 200,969
Receivables:				
Taxes	44,712	45,058	(49,318)	40,452
Interest and other	6,299	15,025	(18,648)	2,676
Advances to Energy Independence Enterprise Fund	342	30,225	(930)	29,637
Total assets	\$ 261,241	\$ 1,603,391	\$ (1,590,898)	\$ 273,734
LIABILITIES:				
Bonds payable	\$ 342	\$ 30,225	\$ (930)	\$ 29,637
Due to other agencies	260,899	1,573,166	(1,589,968)	244,097
Total liabilities	\$ 261,241	\$ 1,603,391	\$ (1,590,898)	\$ 273,734



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

	Pages
<u>Financial Trends</u>	
This segment contains trend information to help the reader understand how the County's financial performance and well-being have changed over time.	124-135
<u>Revenue Capacity</u>	
This segment contains information to help the reader assess the County's most significant local revenue source, the property tax.	136-139
<u>Debt Capacity</u>	
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.	140-143
<u>Economic and Demographic Information</u>	
This segment contains demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	144-145
<u>Operating Information</u>	
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.	146-151

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

COUNTY OF SONOMA, CALIFORNIA

Net Assets By Category (Unaudited)

Last Nine Fiscal Years

(Dollar Amounts in Thousands)

(Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 423,679	\$ 466,396	\$ 499,356
Restricted	167,002	185,151	164,003
Unrestricted	129,805	(88,420)	122,587
Total governmental activities net assets	<u>\$ 720,486</u>	<u>\$ 563,127</u>	<u>\$ 785,946</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 263,852	\$ 272,563	\$ 295,706
Restricted	7,785	21,309	23,413
Unrestricted	79,831	75,253	70,672
Total business-type activities net assets	<u>\$ 351,468</u>	<u>\$ 369,125</u>	<u>\$ 389,791</u>
Total government			
Invested in capital assets, net of related debt	\$ 687,531	\$ 738,959	\$ 795,062
Restricted	174,787	206,460	187,416
Unrestricted	209,636	(13,167)	193,259
Total government net assets	<u>\$ 1,071,954</u>	<u>\$ 932,252</u>	<u>\$ 1,175,737</u>

Notes:

(1) Trend information is available only for the last nine 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

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 564,178	\$ 602,520	\$ 649,596	\$ 638,123	\$ 639,694	\$ 679,921
244,788	260,435	264,793	239,285	266,458	249,264
30,488	21,361	4,950	47,391	116,262	85,857
<u>\$ 839,454</u>	<u>\$ 884,316</u>	<u>\$ 919,339</u>	<u>\$ 924,799</u>	<u>\$ 1,022,414</u>	<u>\$ 1,015,042</u>
\$ 304,577	\$ 321,115	\$ 320,253	\$ 310,006	\$ 316,361	\$ 326,402
21,060	20,257	14,244	16,585	15,053	13,199
63,779	(19,328)	(19,681)	(10,229)	(21,646)	29,617
<u>\$ 389,416</u>	<u>\$ 322,044</u>	<u>\$ 314,816</u>	<u>\$ 316,362</u>	<u>\$ 309,768</u>	<u>\$ 369,218</u>
\$ 868,755	\$ 923,635	\$ 969,849	\$ 948,129	\$ 956,055	\$ 1,006,323
265,848	280,692	279,037	255,870	281,511	262,463
94,267	2,033	(14,731)	37,162	94,616	115,474
<u>\$ 1,228,870</u>	<u>\$ 1,206,360</u>	<u>\$ 1,234,155</u>	<u>\$ 1,241,161</u>	<u>\$ 1,332,182</u>	<u>\$ 1,384,260</u>

COUNTY OF SONOMA, CALIFORNIA
 Expenses By Function (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in thousands)
 (Accrual Basis of Accounting)

Expenses	2001-02	2002-03	2003-04
Governmental activities			
General government	\$ 73,660	\$ 104,417	\$ 79,812
Public protection	185,087	273,730	217,451
Public ways and facilities	27,926	30,737	29,751
Health and sanitation	95,028	151,081	105,196
Public assistance	142,953	196,984	168,622
Education	10,533	11,927	12,879
Recreation and cultural services	8,920	14,732	10,998
Interest on long-term debt	15,415	11,970	26,977
Total governmental activities expenses	<u>\$ 559,522</u>	<u>\$ 795,578</u>	<u>\$ 651,686</u>
Business-type activities			
Refuse	\$ 32,195	\$ 27,225	\$ 31,248
Spud Point Marina	1,352	1,426	1,881
Water Agency	25,345	28,460	35,964
Sonoma Valley County Sanitation District	12,488	12,313	12,963
Other business-type activities	20,930	24,011	27,631
Total business-type activities expenses	<u>\$ 92,310</u>	<u>\$ 93,435</u>	<u>\$ 109,687</u>
Total primary government	<u>\$ 651,832</u>	<u>\$ 889,013</u>	<u>\$ 761,373</u>

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 79,721	\$ 83,541	\$ 94,498	\$ 99,168	\$ 98,084	\$ 102,272
223,824	240,852	247,425	259,154	260,005	270,306
31,825	32,698	48,129	50,542	35,382	32,958
111,054	115,700	124,455	129,519	137,012	130,761
173,700	176,642	190,649	216,274	220,082	233,972
13,819	14,847	15,681	19,148	18,933	18,409
11,161	12,529	14,096	15,944	15,475	15,290
28,600	38,772	31,912	31,016	31,962	35,320
<u>\$ 673,704</u>	<u>\$ 715,581</u>	<u>\$ 766,845</u>	<u>\$ 820,765</u>	<u>\$ 816,935</u>	<u>\$ 839,288</u>
\$ 33,630	\$ 114,814	\$ 43,712	\$ 40,407	\$ 36,398	\$ (24,419)
1,976	2,460	1,957	2,115	1,995	1,638
34,263	31,491	40,616	52,086	53,009	53,651
12,769	7,688	9,055	10,027	11,798	13,242
25,746	32,192	34,947	37,948	38,952	39,758
<u>\$ 108,384</u>	<u>\$ 188,645</u>	<u>\$ 130,287</u>	<u>\$ 142,583</u>	<u>\$ 142,152</u>	<u>\$ 83,870</u>
<u>\$ 782,088</u>	<u>\$ 904,226</u>	<u>\$ 897,132</u>	<u>\$ 963,348</u>	<u>\$ 959,087</u>	<u>\$ 923,158</u>

COUNTY OF SONOMA, CALIFORNIA
 Changes in Net Assets (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in Thousands)
 (Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Program Revenue			
<i>Governmental Activities</i>			
Charges for services			
General government	\$ 33,061	\$ 30,646	\$ 38,198
Public protection	38,735	35,846	38,653
Public ways and facilities	6,140	6,053	7,665
Health and sanitation	16,661	17,208	16,678
Public assistance	2,823	3,473	7,285
Education	606	604	781
Recreation and cultural services	3,975	5,000	5,388
Total Charges for services	<u>102,001</u>	<u>98,830</u>	<u>114,648</u>
Operating grants and contributions	288,581	293,178	305,981
Capital Grants and contributions	<u>6,204</u>	<u>3,126</u>	<u>22,753</u>
Total governmental activities program revenues	<u>396,786</u>	<u>395,134</u>	<u>443,382</u>
<i>Business - type activities</i>			
Charges for services			
Refuse	30,266	31,532	33,504
Spud Point Marina	1,311	1,259	1,382
Water Agency	27,233	29,720	31,380
Sonoma Valley County Sanitation District	11,245	12,369	14,115
Other business-type activities	12,772	12,938	13,542
Total Charges for services	<u>82,827</u>	<u>87,818</u>	<u>93,923</u>
Operating grants and contributions	7,727	301,147	9,588
Capital Grants and contributions	<u>6,184</u>	<u>10,766</u>	<u>5,898</u>
Total business - type activities program revenues	<u>96,738</u>	<u>399,731</u>	<u>109,409</u>
Total primary government Total program revenues	<u>\$ 493,524</u>	<u>\$ 794,865</u>	<u>\$ 552,791</u>
Net (Expense) Revenue			
Governmental activities	\$ (162,736)	\$ (400,474)	\$ (208,304)
Business - type activities	<u>4,428</u>	<u>9,992</u>	<u>(278)</u>
Total primary government net expenses	<u>\$ (158,308)</u>	<u>\$ (390,482)</u>	<u>\$ (208,582)</u>

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$	45,465	\$ 40,571	\$ 59,522	\$ 52,920	\$ 65,296	\$ 66,710
	43,433	41,868	53,054	53,080	45,817	30,940
	8,639	11,407	8,503	5,404	3,044	2,365
	18,592	19,374	16,749	11,937	12,568	11,285
	3,847	2,299	8,078	2,176	3,705	1,859
	743	661	674	1,056	620	541
	5,534	5,985	4,387	3,573	4,976	2,824
	<u>126,253</u>	<u>122,165</u>	<u>150,967</u>	<u>130,146</u>	<u>136,026</u>	<u>116,524</u>
	323,643	342,370	318,315	357,581	363,984	403,381
	<u>40,175</u>	<u>46,087</u>	<u>27,821</u>	<u>18,063</u>	<u>16,864</u>	<u>31,048</u>
	<u>490,071</u>	<u>510,622</u>	<u>497,103</u>	<u>505,790</u>	<u>516,874</u>	<u>550,953</u>
	33,645	32,226	35,252	34,234	31,877	33,860
	1,514	1,538	1,729	1,928	1,279	1,154
	29,637	32,254	40,414	45,742	44,447	42,528
	12,769	8,997	9,223	9,570	10,199	10,773
	25,746	20,263	20,387	22,933	22,807	24,092
	<u>103,311</u>	<u>95,278</u>	<u>107,005</u>	<u>114,407</u>	<u>110,609</u>	<u>112,407</u>
	12,179	12,092	19,398	16,263	14,175	12,594
	<u>5,322</u>	<u>3,022</u>	<u>7,215</u>	<u>5,683</u>	<u>4,214</u>	<u>9,888</u>
	<u>120,812</u>	<u>110,392</u>	<u>133,618</u>	<u>136,353</u>	<u>128,998</u>	<u>134,889</u>
\$	<u>610,883</u>	<u>621,014</u>	<u>630,721</u>	<u>642,143</u>	<u>645,872</u>	<u>685,842</u>
\$	(186,082)	\$ (204,959)	\$ (269,742)	\$ (314,975)	\$ (300,061)	\$ (288,335)
	<u>1,861</u>	<u>(76,435)</u>	<u>3,331</u>	<u>(6,230)</u>	<u>(13,154)</u>	<u>51,019</u>
\$	<u>(184,221)</u>	<u>(281,394)</u>	<u>(266,411)</u>	<u>(321,205)</u>	<u>(313,215)</u>	<u>(237,316)</u>

COUNTY OF SONOMA, CALIFORNIA

Net Expense By Function (Unaudited)

Last Nine Fiscal Years

(Dollar Amounts in thousands)

(Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Net (expense) revenue			
Governmental activities	\$ (162,736)	\$ (400,474)	\$ (208,304)
Business-type activities	4,428	9,992	(278)
Total primary government net expense	<u>(158,308)</u>	<u>(390,482)</u>	<u>(208,582)</u>
General Revenues and Other Changes in Net Assets:			
Governmental activities:			
Taxes			
Property	120,041	134,818	177,501
Documentary transfer	4,539	5,190	6,313
Transit occupancy	5,565	5,422	5,268
Sales tax in-lieu	-	-	-
Grants and other governmental revenues not restricted to specific programs	62,963	85,877	24,432
Unrestricted investment earnings	20,473	20,877	3,830
Gain on sale of capital assets	-	-	-
Other	10,144	2,008	5,083
Special item	65,837	-	-
Transfers	<u>(2,500)</u>	<u>(2,803)</u>	<u>(3,453)</u>
Total governmental activities	<u>287,062</u>	<u>251,389</u>	<u>218,974</u>
Business-type activities			
Taxes			
Property	204	266	269
Unrestricted investment earnings	5,222	4,432	2,112
Gain on sale of capital assets	-	-	-
Other	-	-	-
Special item			
Dissolution of Graton Sanitation Zone	-	-	-
Dissolution of Forestville Sanitation District	-	-	-
Forgiveness of debt	-	-	-
Transfers	<u>2,500</u>	<u>2,803</u>	<u>3,453</u>
Total business-type activities	<u>7,926</u>	<u>7,501</u>	<u>5,834</u>
Total primary government	<u>\$ 294,988</u>	<u>\$ 258,890</u>	<u>\$ 224,808</u>
Changes in Net Assets:			
Governmental activities	124,326	(149,085)	10,670
Business-type activities	12,718	17,675	5,556
Total primary government	<u>\$ 137,044</u>	<u>\$ (131,410)</u>	<u>\$ 16,226</u>

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$	(183,633)	\$ (204,959)	\$ (269,742)	\$ (314,975)	\$ (300,061)	\$ (288,335)
	2,019	(76,435)	3,331	(6,230)	(13,154)	51,019
	<u>(181,614)</u>	<u>(281,394)</u>	<u>(266,411)</u>	<u>(321,205)</u>	<u>(313,215)</u>	<u>(237,316)</u>
	181,882	214,908	234,022	250,770	232,997	216,904
	7,312	7,765	10,844	3,867	3,117	3,114
	5,551	6,206	1,791	1,997	7,457	7,139
	2,900	-	-	-	-	-
	24,569	14,258	37,034	19,209	16,337	12,208
	15,317	9,515	25,523	37,044	25,117	17,979
	-	-	-	45	42	2,113
	816	552	3,127	17,870	21,669	19,472
	-	-	-	-	-	-
	<u>(1,151)</u>	<u>(3,507)</u>	<u>(5,055)</u>	<u>(2,343)</u>	<u>(3,987)</u>	<u>(5,315)</u>
	<u>237,196</u>	<u>249,697</u>	<u>307,286</u>	<u>328,459</u>	<u>302,749</u>	<u>273,614</u>
	300	300	272	295	238	205
	2,835	4,550	5,864	5,057	2,927	1,229
	-	-	1,201	81	134	81
	-	830	-	-	572	1,104
	(2,820)	-	-	-	-	-
	(3,862)	-	-	-	-	-
	-	-	7,753	-	-	-
	<u>1,151</u>	<u>3,507</u>	<u>5,055</u>	<u>2,343</u>	<u>3,987</u>	<u>5,315</u>
	<u>(2,396)</u>	<u>9,187</u>	<u>20,145</u>	<u>7,776</u>	<u>7,858</u>	<u>7,934</u>
\$	<u>234,800</u>	<u>\$ 258,884</u>	<u>\$ 327,431</u>	<u>\$ 336,235</u>	<u>\$ 310,607</u>	<u>\$ 281,548</u>
	53,563	44,738	37,544	13,484	2,688	(14,721)
	(377)	(67,248)	23,476	1,546	(5,296)	58,953
\$	<u>53,186</u>	<u>\$ (22,510)</u>	<u>\$ 61,020</u>	<u>\$ 15,030</u>	<u>\$ (2,608)</u>	<u>\$ 44,232</u>

COUNTY OF SONOMA, CALIFORNIA
 Fund Balances of Governmental Funds (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in Thousands)

(Modified Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
General Fund			
Reserved for:			
Encumbrances	\$ 8,759	\$ 4,260	\$ 4,826
Other Purposes	18,309	17,715	34,633
Unreserved:			
Designated	15,496	12,884	7,050
Undesignated	56,106	56,492	55,040
Total General Fund	<u>98,670</u>	<u>91,351</u>	<u>101,549</u>
All Other Governmental Funds:			
Reserved for:			
Encumbrances	20,568	45,565	45,421
Inventories	726	677	681
Long-term advances	613	1,368	1,620
Prepaid items and deposits	281	145	155
Debt service	73,926	82,055	91,123
Library programs	438	147	147
Unreserved, Reported in:			
Special Revenue Funds:			
Designated	-	-	-
Undesignated	144,223	161,748	160,904
Capital Projects Funds	60,089	20,134	12,288
Total Other Governmental Funds	<u>300,864</u>	<u>311,839</u>	<u>312,339</u>
	<u>\$ 399,534</u>	<u>\$ 403,190</u>	<u>\$ 413,888</u>

Notes:

(1) Reliable trend information is available only for the last nine fiscal years.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 5,140	\$ 5,284	\$ 4,393	\$ 3,146	\$ 6,466	\$ 3,092
38,398	34,803	33,658	28,865	38,144	28,331
22,728	-	-	35,289	48,277	36,390
49,634	69,740	75,215	54,565	28,430	37,107
<u>115,900</u>	<u>109,827</u>	<u>113,266</u>	<u>121,865</u>	<u>121,317</u>	<u>104,920</u>
16,560	23,512	23,814	19,740	30,242	21,383
683	704	696	723	696	1,062
250	-	-	1,042	1,062	1,072
692	679	539	1,949	2,147	2,197
93,189	89,270	90,161	107,748	114,752	105,636
147	-	-	-	-	-
-	-	-	-	4,504	4,513
168,199	176,176	190,584	233,840	220,821	209,472
23,610	31,097	16,749	15,846	16,726	4,261
<u>303,330</u>	<u>321,438</u>	<u>322,543</u>	<u>380,888</u>	<u>390,950</u>	<u>349,596</u>
<u>\$ 419,230</u>	<u>\$ 431,265</u>	<u>\$ 435,809</u>	<u>\$ 502,753</u>	<u>\$ 512,267</u>	<u>\$ 454,516</u>

COUNTY OF SONOMA, CALIFORNIA
 Changes in Fund Balances of Governmental Funds (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in thousands)
 (Modified Accrual Basis of Accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Revenues (by source):			
Taxes	\$ 139,442	\$ 151,068	\$ 160,088
Licenses, permits and franchise fees	13,248	13,045	15,172
Fines, forfeitures and penalties	9,412	8,846	10,848
Use of money and property	23,196	27,269	11,001
Intergovernmental	340,632	339,061	340,631
Charges for services	60,767	64,253	78,526
Other	12,481	11,939	17,822
Total revenues	<u>599,178</u>	<u>615,481</u>	<u>634,088</u>
Expenditures (by function):			
Current:			
General government	66,107	95,589	76,274
Public protection	178,559	267,610	187,868
Public ways and facilities	18,999	21,492	20,050
Health and sanitation	93,294	149,758	100,225
Public assistance	137,539	195,751	162,792
Education	10,293	11,792	12,697
Recreation and cultural services	8,184	14,010	10,069
Capital outlay	51,488	40,678	50,373
Debt service:			
Principal	9,184	9,157	11,822
Bond issuance cost	-	2,215	116
Refunded bond escrow	-	1,956	-
Interest	15,446	11,975	29,054
Total expenditures	<u>589,093</u>	<u>821,983</u>	<u>661,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,085</u>	<u>(206,502)</u>	<u>(27,252)</u>
Other financing sources (uses):			
Transfers in	54,239	46,363	53,337
Transfers out	(56,802)	(49,153)	(56,825)
Proceeds of refunding certificates of participation	1,555	-	19,366
Long-term debt issuance	4,946	226,286	28,372
Payment to refunded bond escrow agent	-	(14,095)	(16,862)
Discount on long term debt issuance	-	-	-
Premium on long term debt issuance	-	-	-
Proceeds from sale of capital assets	-	-	-
Capital lease financing	-	757	-
Total other financing sources and uses	<u>3,938</u>	<u>210,158</u>	<u>27,388</u>
Special item - tobacco settlements	<u>65,837</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>79,860</u>	<u>3,656</u>	<u>136</u>
Fund balances, beginning of year, as restated	319,674	399,534	413,752
FUND BALANCES, END OF YEAR	<u>\$ 399,534</u>	<u>\$ 403,190</u>	<u>\$ 413,888</u>
Debt service as a percentage of noncapital expenditures	4.58%	2.72%	6.69%

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$	198,566	\$ 227,021	\$ 249,548	\$ 260,652	\$ 259,512	\$ 239,365
	16,945	17,302	18,243	18,463	16,508	15,966
	11,526	11,147	11,922	11,674	11,906	18,388
	23,737	19,272	30,102	35,013	24,248	17,752
	349,320	378,220	394,182	386,417	410,813	424,796
	85,326	83,187	86,122	83,100	76,588	77,765
	19,998	22,886	21,529	23,006	20,629	20,400
	705,418	759,035	811,648	818,325	820,204	814,432
	68,592	75,294	80,883	86,741	86,953	76,465
	209,273	227,516	242,532	236,146	243,073	253,316
	20,751	25,604	27,942	25,054	24,839	23,123
	108,048	113,506	121,009	130,099	129,817	123,988
	169,933	181,370	186,830	201,745	210,537	224,337
	13,639	14,813	15,651	16,752	17,932	17,313
	10,266	11,630	13,016	14,270	14,061	13,919
	59,813	98,770	65,132	50,179	56,743	83,254
	14,458	19,170	23,253	57,948	24,513	24,956
	-	1,529	3,308	-	-	-
	-	6,080	-	-	-	-
	31,232	28,886	28,779	34,801	31,533	33,255
	706,005	804,168	808,335	853,735	840,001	873,926
	(587)	(45,133)	3,313	(35,410)	(19,797)	(59,494)
	54,021	77,265	58,047	213,115	96,981	94,339
	(54,660)	(81,257)	(63,268)	(215,470)	(101,147)	(99,923)
	-	-	-	-	-	-
	6,644	125,575	6,213	99,957	33,472	5,404
	-	(61,849)	-	-	-	-
	-	(2,576)	239	-	-	-
	-	-	-	4,752	-	-
	-	-	-	-	5	1,923
	-	-	-	-	-	-
	6,005	57,158	1,231	102,354	29,311	1,743
	-	-	-	-	-	-
	5,418	12,025	4,544	66,944	9,514	(57,751)
	413,832	419,240	431,265	435,809	502,753	512,267
\$	419,250	\$ 431,265	\$ 435,809	\$ 502,753	\$ 512,267	\$ 454,516
	7.07%	6.89%	7.03%	11.54%	7.16%	7.36%

COUNTY OF SONOMA, CALIFORNIA
 Assessed Value of Taxable Property (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in Thousands)

Fiscal Year	(2) Secured	(3) Unsecured	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate
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%
2008-09	66,409,731	2,465,232	(2,012,498)	66,862,465	1.00%
2009-10	67,795,681	2,554,701	(2,313,446)	68,036,936	1.00%

Notes:

(1) Reliable data is available only for the last nine 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 Nine 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>	
2001 - 2002	1.00000 %	0.00000 %	0.04468 %	1.04468 %
2002 - 2003	1.00000	0.06050	0.03570	1.09620
2003 - 2004	1.00000	0.05203	0.03038	1.08241
2004 - 2005	1.00000	0.05557	0.03225	1.08782
2005 - 2006	1.00000	0.03917	0.02901	1.06818
2006 - 2007	1.00000	0.05400	0.02900	1.08300
2007 - 2008	1.00000	0.07250	0.02729	1.09979
2008 - 2009	1.00000	0.06250	0.02659	1.08909
2009 - 2010	1.00000	0.06750	0.02593	1.09343

Notes:

- (1) Reliable data is available only for the last nine 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 of Sonoma.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SONOMA, CALIFORNIA
 Principal Revenue Taxpayers (Unaudited)
 June 30, 2010 and June 30 2002
 (Dollar Amounts in Thousands)

June 30, 2010:

Taxpayer	Type of Business	(1) Total Taxes	(2) Percentage of Total County Taxes
Geysers Power Co LLC	Utility	\$ 7,784	0.98%
Pacific Gas and Electric Company	Utility	7,364	0.93%
Pacific Bell	Utility	1,943	0.24%
Agilent Technologies	Technology	1,675	0.21%
SC Sonoma Development LLC	Commercial Real Estate	906	0.11%
Quarry Heights LLC	Commercial Real Estate	865	0.11%
Constellation Wines US Inc	Winery	778	0.10%
Gallo Vineyards Inc	Winery	728	0.09%
Coddingtown LLC	Commercial Real Estate	681	0.09%
EMI Santa Rosa LTD	Commercial Real Estate	661	0.08%
Total		<u>\$ 23,385</u>	

Total taxes of all Taxpayers

\$ 794,205

Taxpayer	Type of Business	(1) Total Taxes	(2) Percentage of Total County Taxes
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%
Codding Enterprises	Commercial Real Estate	986	0.19%
Jackson Family Estates	Winery	955	0.19%
Crescent Real Estate Fund VIII LP	Commercial Real Estate	886	0.17%
Redwood Business Park	Commercial Real Estate	730	0.14%
EMI Santa Rosa LTD Partnership	Commercial Real Estate	707	0.14%
Total		<u>\$ 23,888</u>	

Total taxes of all taxpayers

\$ 510,886

Notes:

- (1) Reliable data is available only for fiscal year 2002.
- (2) Taxable Assessed Secured amounts.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SONOMA, CALIFORNIA
 Property Tax Levies & Collections (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in Thousands)

Fiscal Year	(2) Taxes Levied	(3) Collections within the fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	Percentage of Levy
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%	8,856	520,988	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%
2008-09	688,750	658,445	96%	30,305	688,750	100%
2009-10	680,369	656,556	97%	23,813	680,369	100%

Notes:

- (1) Reliable data is available only for the last nine fiscal years.
- (2) Secured and unsecured 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 Nine Fiscal Years
 (Dollars Amounts in Thousands)

Fiscal Year	Governmental Activities			Loans Payable	Notes Payable	General Obligation Bonds	Other Bonds	Special Assessment Bonds	Capital Leases	Subtotal
	Certificates of Participation	Long-Term Contract Payable	Pension Obligation Bonds							
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	1,715	96,885	6,693	2,058	610,157
2008-09	48,313	109,512	262,225	79,220	850	14,955	96,885	5,773	1,761	619,494
2009-10	45,058	106,758	246,795	78,350	800	14,690	96,885	5,080	6,388	600,804

Fiscal Year	Business-Type Activities					Total Primary Government	Percentage of Assessed Value (2)	Percentage of Personal Income	Population (3)	Per Capita (4)
	Certificates of Participation	Sewer Bonds	Water Bonds	Capital Leases	Subtotal					
2001-02	\$ 17,941	\$ 26,810	\$ 9,043	\$ 1,329	\$ 55,123	\$ 316,375	0.78%	1.80%	468,600	\$ 675
2002-03	16,325	26,050	22,669	2,379	67,423	531,038	1.20%	2.95%	469,500	1,130
2003-04	14,470	25,250	22,347	10,406	72,473	621,036	1.30%	3.32%	472,700	1,313
2004-05	13,427	24,419	21,687	10,559	70,092	610,841	1.17%	3.13%	478,400	1,278
2005-06	12,315	21,716	21,569	12,726	68,326	617,659	1.09%	2.92%	479,900	1,287
2006-07	11,170	20,773	32,245	12,191	76,379	607,709	0.97%	2.75%	481,765	1,261
2007-08	10,095	20,944	31,779	11,258	74,076	684,233	1.02%	3.07%	484,470	1,414
2008-09	8,830	25,923	25,030	16,102	75,885	695,379	1.01%	3.24%	486,630	1,428
2009-10	7,515	24,663	24,470	15,098	71,746	672,550	0.99%	3.10%	493,285	1,364

Notes:

- (1) Reliable data is available only for the last nine 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) Population Estimate as of January 1.
- (4) 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
 Ratios of Net General Bonded Debt Outstanding (Unaudited)
 Last Nine Fiscal Years
 (In thousands, except Population and Per Capita)

Fiscal Year	Total Gross General Obligation Bonds	Amounts Restricted for Principal Payments	Total Net General Obligation Bonds	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Net Bonded Debt Per Capita
2001-02	\$ 2,575	\$ -	\$ 2,575	\$ 40,528,678	0.01%	468,600	\$ 5.49
2002-03	2,460	-	2,460	44,318,898	0.01%	469,500	5.23
2003-04	2,335	-	2,335	47,718,858	0.00%	472,700	4.94
2004-05	2,200	-	2,200	52,098,865	0.00%	478,400	4.60
2005-06	2,050	-	2,050	56,487,931	0.00%	479,900	4.27
2006-07	1,890	-	1,890	62,423,567	0.00%	481,765	3.92
2007-08	1,715	-	1,715	67,389,698	0.00%	484,470	3.54
2008-09	14,955	-	14,955	68,874,998	0.02%	486,630	30.71
2009-10	14,690	-	14,690	68,036,936	0.02%	493,285	29.80

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SONOMA, CALIFORNIA
 Computation of Legal Debt Margin (Unaudited)
 Last Nine Fiscal Years
 (Dollar Amounts in Thousands)

Fiscal Year	(2) Assessed Value	(3) Legal Debt Limit	Debt Applicable to Limit	(4) Legal Debt Margin	Legal Debt Margin/Debt Limit
2001-02	\$ 40,528,678	\$ 810,574	\$ 23,924	\$ 786,650	97%
2002-03	43,188,998	886,378	20,906	865,472	98%
2003-04	47,718,858	954,377	18,129	936,248	98%
2004-05	52,098,865	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%
2008-09	66,862,465	1,337,249	18,574	1,318,675	99%
2009-10	68,036,936	1,360,739	18,317	1,342,422	99%

Notes:

- (1) Reliable data is available only for the last nine fiscal years.
- (2) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of 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)
 June 30, 2010
 (Dollar Amounts in Thousands)

2009-10 Assessed Valuation: \$ **68,036,936**

<u>Overlapping Tax and Assessment Debt</u>	<u>Net Bonded Debt Outstanding (3)</u>	<u>Percentage Applicable to Sonoma County</u>
High School Districts	\$195,998	100%
Unified School Districts	198,612	100%
Elementary Districts	135,783	100%
Santa Rosa Junior College	205,864	100%
Total Overlapping and Assessment Debt	\$ 736,257	

<u>Direct and Overlapping General Fund Obligation Debt</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to Sonoma County</u>
Sonoma County 1915 Act Bonds	\$ 18,317	
Total Direct and Overlapping General Fund Obligation Debt	\$ 18,317	

Gross Combined Total Debt \$ **754,574** (2)

Ratio of 2009-10 Assessed Valuation
Total Overlapping Tax and Assessment Debt 1.08%

Ratio to Adjusted Assessed Valuation:
Combined Direct Debt 0.03%
Gross Combined Total Debt 1.11%

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, 2010.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

<u>(2) Year</u>	<u>(3) Population</u>	<u>(4) Personal Income</u>	<u>(4) Per Capita Personal Income</u>	<u>(5) School Enrollment</u>	<u>(6) Unemployment Rate</u>
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%
2009	486,630	22,787,716	46,792	71,049	10.1%
2010	493,285	21,701,296	44,019	71,010	10.6%

Detail of estimated population as of January 1, 2010:

Incorporated Cities

Cloverdale	8,636
Cotati	7,476
Healdsburg	11,931
Petaluma	58,401
Rohnert Park	43,398
Santa Rosa	163,436
Sebastopol	7,943
Sonoma	10,078
Town of Windsor	26,955
Total Incorporated	338,254
Total Unincorporated Areas	155,031
Total Population	493,285

Notes:

- (1) Data has been presented for only the last nine fiscal years.
- (2) Calendar year.
- (3) Population Estimate as of January 1.
- (4) Estimate (in thousands).
- (5) California Department of Education.
- (6) Avg Unemployment Rate Through October 2010.

Sources:

Fall 2010 Local Economic Report, Economic Development Dept, Bureau of Economic Analysis
 State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, v
 2000 Benchmark. Sacramento, California, May 2010, State of California, Department of Education.

COUNTY OF SONOMA, CALIFORNIA
 Major Employers (Unaudited)
 June 30, 2010 and June 30, 2002

June 30, 2010			June 30, 2002		
Employer	(2)Number of Employees	Percent of Total County Employment	Employer	Number of Employees	Percent of Total County Employment
Kaiser Permanente	2,400	0.93%	County of Sonoma	4,912	2.00%
Saint Joseph Health Care System	1,781	0.69%	Agilent Technologies	3,900	1.59%
Agilent Technologies	1,350	0.52%	State of California	3,886	1.58%
Medtronic CardioVascular	1,200	0.46%	Santa Rosa Junior College	3,586	1.46%
Sutter Medical Center	1,097	0.43%	Saint Joseph Health Care System	2,493	1.02%
Safeway	1,082	0.42%	Sonoma Development Center	2,202	0.90%
Amy's Kitchen	900	0.35%	United States Government	2,145	0.87%
River Rock Casino	660	0.26%	Kaiser Permanente	1,850	0.75%
Wal-Mart Stores, Inc.	650	0.25%	Santa Rosa City Schools	1,725	0.70%
Kendall-Jackson Wine Estates	640	0.25%	Sonoma State University	1,614	0.66%
Ten largest Employer's	11,760	4.56%	Ten Largest Employer's	28,313	11.55%
All other employer's	246,340	95.44%	All other employer's	216,887	88.45%
Total Employers	258,100	100.00%	Total Employers	245,200	100.00%

Notes:

- (1) Reliable data is available only for the last nine fiscal years.
- (2) As of Calendar Year 2009.
- (3) As of June 2002.

Source:

Press Democrat, Outlook 2002
 Employment Development Department
 Sonoma County Economic Development Board, 2010 Fall Local Economic Report

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

FTE'S:	2001-02	2002-03	2003-04	2004-05
General Government				
County Administrator	15	15	14	15
Board of Supervisors / County Administrator	-	-	-	-
General Services	142	147	146	150
Treasurer-Tax Collector	36	36	36	36
County Clerk-Assessor-Recorder-PA	149	147	147	139
Auditor-Controller	71	71	71	70
Auditor-Controller / Treasurer-Tax Collector	-	-	-	-
County Counsel	34	33	34	34
Human Resources	32	33	33	31
Information Systems	135	129	129	130
Public Protection				
District Attorney	108	120	117	115
Public Defender	49	47	47	47
Sheriff	667	667	669	690
Probation	293	281	282	283
Permit and Resource Management	146	151	155	158
Emergency Services	22	22	22	21
Public Assistance				
Human Services	690	596	595	596
Office of Commission	8	8	8	7
In-Home Supportive Services (IHSS)	2	3	3	3
Child Support Services	193	167	169	164
Agricultural Commissioner	59	60	59	59
Community Development Commission	53	47	47	47
Economic Development	10	9	9	9
Health Services				
H.S.-Administration	51	54	54	54
Prevention & Planning	14	15	15	13
Environmental Health	31	31	31	31
Public Health	222	220	220	222
Mental Health	238	213	213	139
Alcohol, Drug & Tobacco	80	81	81	57
Special Revenue Funds	10	10	10	68
Public Ways & Facilities				
Roads	195	195	195	188
Integrated Waste Enterprise Fund	54	58	58	58
Airport Enterprise Fund	9	9	9	9
Northern Sonoma County Air Pollution Control	6	6	6	6
Sonoma County Water Agency	216	207	205	198
Transit	-	-	-	-
Cultural & Recreational				
Regional Parks	78	79	79	81
Marinas	5	5	5	5
Agricultural Preservation and Open Space District	16	16	16	18
Fairgrounds	40	41	41	41
Education				
U.C. Cooperative Extension	9	9	8	8
Library	130	130	130	130

Notes:

- (1) County Employees by function/program is only available for the last nine 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.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2005-06	2006-07	2007-08	2008-09	2009-10
15	15	-	-	-
-	-	32	34	32
148	149	126	130	124
36	-	-	-	-
140	137	107	116	110
72	-	-	-	-
-	107	100	109	107
34	36	38	37	37
35	34	55	64	61
130	131	122	132	132
116	119	117	126	124
47	49	49	54	54
693	705	702	708	671
282	287	291	311	302
164	168	142	163	140
21	23	17	21	21
607	608	635	642	629
1	1	1	-	-
3	3	3	3	3
152	152	135	144	129
59	61	58	66	64
46	46	38	41	41
4	4	4	4	4
56	57	53	55	49
18	20	25	25	23
31	31	32	34	34
227	233	231	204	177
206	190	177	166	168
80	79	70	69	56
-	-	-	-	-
175	175	154	163	142
55	52	44	49	43
8	8	9	12	12
6	6	5	6	6
200	206	199	211	211
-	-	-	8	7
84	86	80	95	93
5	5	3	-	-
18	18	15	24	24
40	40	37	38	37
8	9	11	9	8
130	131	138	138	138

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

Function/Program	2001-02	2002-03	2003-04
Law & Justice			
Filed Felonies-District Attorney	2,645	2,597	2,502
Court Appearances-District Attorney	127,200	131,280	127,040
New Cases Opened (Felony)-Public Defender	3,455	3,726	3,768
Public Safety			
Fire Investigations (Hours)-Emergency Services	180	150	194
Dispatch Calls-Sheriff	110,152	113,957	111,984
Adult Detention Facility Bookings-Sheriff	15,881	15,603	15,977
Juvenile Hall Average Daily Population	69	65	74
Probation Investigations and Reports	9,234	8,229	7,413
Health & Public Assistance			
Birth Certificates Registered -Health Services	5,829	5,867	6,553
Emergency Medical Responses (3 County)-Health Services	50,691	49,763	59,545
Caregivers Trained - In Home Support Services (IHSS)	-	275	190
Total Collections - Child Support Enforcement	31,926,839	31,591,270	31,259,600
Community Resources & Public Facilities			
Total Inspections-Permit & Resource Management	56,207	54,069	48,151
Customers Served (Public Counter)-Permit & Resource Management	32,012	27,981	27,982
Plancheck/Engineering/Inspection Permits-Permit & Resource Management	24,431	23,206	22,556
County Maintained Miles-Transportation and Public Works	1,389	1,388	1,388
Integrated Waste			
Tonnage-Transportation & Public Works	498,814	493,176	493,176
Diverted Tonnage-Transportation & Public Works	81,426	90,103	90,103
Regional Parks			
Acreage-Regional Parks	4,855	5,199	5,502

Notes:

- (1) Operating Indicators by function/program is only available for the last nine fiscal years due to the change in the County's functions as a result of the implementation of GASB 34.
- (2) Revised to reflect Actuals for previous fiscal years
- (3) Indicators reflect projections for the current fiscal year.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>(2) 2008-09</u>	<u>(3) 2009-10</u>
2,799	2,879	2,656	2,589	2,600	2,600
133,999	148,826	141,077	144,492	143,250	140,000
4,211	3,982	2,489	2,368	2,282	2,280
150	100	65	45	50	55
105,111	103,437	106,029	111,311	115,996	102,398
16,715	17,575	19,805	20,641	22,958	22,772
75	88	98	96	85	80
11,461	10,342	11,365	9,138	10,056	7,680
5,950	6,010	6,100	5,904	5,880	5,880
69,399	66,000	53,365	53,365	55,364	54,000
340	340	296	308	345	138
31,549,146	31,008,350	30,754,336	32,023,284	30,338,278	28,614,622
54,097	53,032	52,522	930	1,155	1,203
42,642	40,603	36,244	33,727	28,510	33,827
31,854	32,735	31,588	31,617	26,674	23,913
1,387	1,387	1,384	1,384	1,381	1,384
373,048	377,112	363,000	335,000	275,000	240,000
94,409	122,642	135,000	125,000	125,000	106,625
7,300	7,296	7,299	7,299	7,762	8,855

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

Function	2001-02	2002-03	2003-04
Sheriff:			
Stations	3	3	3
Sub-Stations	4	4	4
Patrol Units	113	114	121
Helicopter	1	1	1
Marine Craft	4	4	4
Streets And Highways:			
Streets (miles)	1,389	1,388	1,387
Bridges (2)	318	318	319
Traffic Lights - County Only	28	29	30
Traffic Lights - Shared With Cities	3	3	4
Traffic Lights - Shared With State	23	23	24
Total Traffic Lights	<u>54</u>	<u>55</u>	<u>58</u>
Parks And Recreation:			
Acreage:			
Developed	428	439	445
Undeveloped	4,427	4,760	5,057
Total Acreage	<u>4,855</u>	<u>5,199</u>	<u>5,502</u>
Park Visitors	3,714,400	3,464,841	3,314,311
Veterans/Community Center:			
Events	4,572	4,650	4,678
Attendance	415,435	399,363	422,987
Water Agency:			
Water Mains (miles)	95	95	95
Fire Hydrants	19	19	19
Storage Capacity (thousands of gallons)	128,800	128,800	128,800
Sanitation:			
Sanitary Sewers (miles)	228	228	228
Treatment Capacity (thousands of gallons)	13,291	13,291	13,291
Transit:			
Buses	73	69	64

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
3	3	3	3	3	3
4	4	4	4	4	5
141	142	142	143	124	140
1	1	1	1	1	1
4	4	4	4	4	4
1,387	1,387	1384	1381	1381	1382
320	320	320	328	328	326
31	34	34	34	34	35
4	4	3	3	4	3
25	26	26	27	23	23
60	64	63	64	61	61
456	468	475	480	481	519
6,843	6,828	6,824	7,326	7,282	8,336
7,299	7,296	7,299	7,806	7,763	8,855
4,396,711	4,320,407	4,545,595	4,738,489	4,766,850	4,958,390
4,964	4,788	4,292	5,020	4,095	4,145
384,234	372,211	297,821	310,000	360,950	387,500
95	95	110	110	110	110
19	19	27	27	27	27
128,800	128,800	128,800	128,800	128,800	128,800
228	228	250	250	250	250
13,291	13,291	13,439	13,439	13,439	13,439
59	65	63	73	71	88

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 of 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 in 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 capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term loan from 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** and **INTERFUND RECEIVABLE/PAYABLE**.

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.

ANNUAL OPEB COST. An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

ANNUAL REQUIRED CONTRIBUTIONS (ARC). Term used in connection with defined benefit pension and other postemployment benefit plans to describe the amount an employer must contribute in a given year.

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.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements and notes to the financial statements.

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.

BUSINESS-TYPE ACTIVITIES. One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

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). A CAFR is a financial report that encompasses all funds and component units of the government. It contains (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments 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.

CONTRIBUTION DEFICIENCIES. The difference between the annual required contributions of the employer(s) (ARC) and the employer's actual contributions in relation to the ARC.

COST-SHARING MULTIPLE-EMPLOYER PLAN. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

COVERED PAYROLL. Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

CURRENT FINANCIAL RESOURCES MEASUREMENT

FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

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. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

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.

DEFINED BENEFIT OPEB PLAN. Plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

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 reflecting 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.

ECONOMIC RESOURCES MEASUREMENT FOCUS.

Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity’s net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

EMPLOYER’S CONTRIBUTIONS. Term used in the context of pension and other postemployment benefits to describe contributions actually made by the employer in relation to the annual required contribution (ARC) of the employer. (Only amounts paid to trustees and outside parties qualify.)

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 incurrence 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.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g. property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA). An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

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

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL ACTIVITIES. Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

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, capital projects and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary 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.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT. One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

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. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

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 non-appropriated budget review and approval process, which is outside the appropriated budget process, or (3) non-budgeted financial activities, which are not subject to the appropriated budget and the appropriation process, or to any legally authorized non-appropriated 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 governmental 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.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

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 that property within a 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.

PAY-AS-YOU-GO. A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

PENSION BENEFITS. "retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan."

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. The portion of a governmental fund's net assets that is not available for appropriation.

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 1997 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, 2010

COUNTY OF SONOMA, CALIFORNIA
Single Audit Reports
For the Fiscal Year Ended June 30, 2010

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COUNTY OF SONOMA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA No.	Federal Agency / Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<u>Direct Federal Programs</u>			
Forest Legacy Program	10.676	09-DG-11052021-219	\$ 1,000,000
Forest Health Protection	10.680	09-DG-11052021-175	42,172
Subtotal Direct Federal Programs			1,042,172
<u>Passed through the State Department of Food and Agriculture</u>			
Plant and Animal Disease, Pest Control, and Animal Care:			
Exotic Pest Detection Program	10.025	09-8520-0934-GR	\$ 116,521
Light Brown Apple Moth Detection & Regulatory	10.025	10-8520-1164-CA	738,650
Pierce's Disease Control Program	10.025	09-8500-0484-CA	294,000
European Grapevine Moth	10.025	10-8520-1317-CA	421,325
Forest Health Protection - Sudden Oak Death and Strategic Response	10.025	09-8523-0572-CA	20,555
Subtotal Plant and Animal Disease, Pest Control, and Animal Care			1,591,051
Inspection Grading and Standardization:			
Egg Quality Control Program	10.162	12-25-A-3269	8,922
School Breakfast Program	10.553	02836-SN-49-R	172,798
Senior Farmers' Market Nutrition Program	10.576	N/A	5,000
ARRA-Recovery Act of 2009: Wildland Fire Management:			
Skeleton and Iberian Starthistle Eradication Program	10.688	ARRA-09-0559	76
Subtotal Passed through the State Department of Food and Agriculture			1,777,847
<u>Passed through the State Department of Social Services</u>			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program (SNAP)	10.561	11609	4,030,536
ARRA - State Administrative Matching Grants for the SNAP	10.561	ARRA-11609	83,489
Subtotal State Administrative Matching Grants for SNAP - Passed through the State Department of Social Services			4,114,025
<u>Passed through the State Department of Public Health</u>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	08-85432-A02	2,012,789
Total U.S. Department of Agriculture			
			8,946,833
U.S. Department of Defense			
<u>Direct Federal Program</u>			
Navigation Projects	12.107	W912P7-09-P-0027, W912P7-10-P-0044	81,846
U.S. Department of Housing and Urban Development			
<u>Passed through the State Department of Public Health - Office of AIDS</u>			
Housing Opportunities For Persons With AIDS	14.241	07-65542 - A02	414,993
U.S. Department of Interior			
<u>Direct Federal Program</u>			
Water Reclamation and Reuse Program	15.504	02FC200141	221,716

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, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA No.	Federal Agency / Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice			
<u>Direct Federal Programs</u>			
Federal Equitable Sharing	16.unknown	N/A	170,000
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program:			
Domestic Cannabis Eradication	16.580	2009-51	103,000
Drug Court Discretionary Grant Program	16.585	2009-DC-BX-0101	62,204
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program:			
Community Defined Solutions to Violence Against Women Grant Program	16.590	2009-WE-AX-0005	60,834
State Criminal Alien Assistance Program	16.606	2009-F7845-CA-AP	1,116,832
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0422	54,211
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0180	1,657
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0243	76,669
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			132,537
Southwest Border Prosecution Initiative Program	16.755	2009-BW-BX-08D04129, 2009-BW-BX-08C04172	66,543
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	ARRA-2009-SB-B9-2363	332,152
Subtotal Direct Federal Programs			2,044,102
<u>Passed through the California Emergency Management Agency</u>			
Crime Victim Assistance	16.575	VW09280490	121,600
Edward Byrne Memorial Formula Grant Program:			
Narcotics Elimination Task Force	16.579	DC09200490	278,984
ARRA - Violence Against Women Formula Grants	16.588	ARRA-RV09010490	4,391
ARRA - Recovery Act - State Victim Assistance Formula Grant Program	16.801	ARRA-VS09010490	8,252
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	ARRA-Z0-09-01-0490	430,942
Subtotal Passed through the California Emergency Management Agency			844,169
<u>Passed through the State Corrections Standards Authority</u>			
Juvenile Accountability Block Grants			
Juvenile Accountability Block Grants - 2009	16.523	CSA 153-09	17,232
Anger Management and Youth Violence Prevention	16.523	CSA 153-09-AMYVPT	32,299
Subtotal Juvenile Accountability Block Grants			49,531
Youth Gang Prevention:			
Gang-Free Schools and Communities - Community-Based Gang Intervention	16.544	CSA 349-08	457,116
Subtotal Passed through the State Corrections Standards Authority			506,647
Total U.S. Department of Justice			3,394,918
U.S. Department of Labor			
<u>Passed through the State Employment Development Department</u>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	17.258	R970573, K074177	765,397
WIA Adult Program - California New Start Program	17.258	R970573, K074177	43,235
WIA Adult Program - Disability Program Navigators	17.258	NB-08-11	25,780
ARRA - WIA Adult Programs -			
California Clean Energy Workforce Training Program	17.258	ARRA-AA-17110-08-55-A-6	38,633
ARRA - WIA Adult Programs	17.258	ARRA-AA-17110-08-55-A-6	388,034
WIA Youth Activities	17.259	R970573, K074177	693,272
ARRA - WIA Youth Activities	17.259	ARRA-AA-17110-08-55-A-6	1,196,283
WIA Dislocated Workers	17.260	R970573, K074177	1,158,377
WIA Dislocated Workers - Rapid Response	17.260	K074177	244,809
WIA Dislocated Workers - Pilots, Demonstrations, and Research Projects	17.260	R970573	9,796
WIA Dislocated Workers - Training	17.260	R970573	41,607
ARRA - WIA Dislocated Workers - Rapid Response	17.260	ARRA-AA-17110-08-55-A-6	316,424
ARRA - WIA Dislocated Workers - Rapid Response	17.260	ARRA-AA-17110-08-55-A-6	83,708
ARRA - WIA Dislocated Workers	17.260	ARRA-AA-17110-08-55-A-6	1,170,621
Subtotal WIA Cluster passed through the State Employment Development Department			6,175,976
Total U.S. Department of Labor			6,175,976

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, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA No.	Federal Agency / Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
<u>Direct Federal Program</u>			
Airport Improvement Program	20.106	3-06-0241-29	26,064
Airport Improvement Program	20.106	3-06-0241-31	617,076
Airport Improvement Program	20.106	3-06-0241-33	208,858
Airport Improvement Program	20.106	3-06-0241-34	1,004,343
Airport Improvement Program	20.106	3-06-0241-36	518,366
ARRA - Airport Improvement Program	20.106	ARRA-3-06-0241-37	1,678,046
Airport Improvement Program	20.106	3-06-0241-38	46,242
Airport Improvement Program	20.106	3-06-0241-39	102,523
Subtotal Direct Federal Program - Airport Improvement Program			4,201,518
<u>Passed through the State Department of Transportation</u>			
Highway Planning and Construction	20.205	BHLO-5920(075)	40,527
Highway Planning and Construction	20.205	BPMP-5920(102)	11,860
Highway Planning and Construction	20.205	BRLS-5920(045)	121,788
Highway Planning and Construction	20.205	ER 4442(086)	1,380,463
Highway Planning and Construction	20.205	ER 4442(087)	344,803
Highway Planning and Construction	20.205	ER 4442(088)	253,094
Highway Planning and Construction	20.205	ER 4442(089)	45,797
Highway Planning and Construction	20.205	ER 4442(090)	25,843
Highway Planning and Construction	20.205	ER 4442(091)	4,305
ARRA - Highway Planning and Construction	20.205	ARRA-ESPL-5920(116)	67,863
Highway Planning and Construction	20.205	SRTSLNI-5920(114)	147,016
Highway Planning and Construction	20.205	STPLZ-5920(030)	109,220
Highway Planning and Construction	20.205	STPLZ-5920(034)	4,427
Highway Planning and Construction	20.205	STPLZ-5920(110)	1,797,309
Highway Planning and Construction	20.205	STPLZ-5920(111)	12,351
Subtotal - Highway Planning and Construction passed through the State Department of Transportation			4,366,666
<u>Passed through the State Office of Traffic Safety</u>			
State and Community Highway Safety	20.600	AL1043	92,832
State and Community Highway Safety	20.600	TR1002	28,707
Subtotal Passed through the State Office of Traffic Safety			121,539
Total U.S. Department of Transportation			8,689,723
U.S. Environmental Protection Agency			
<u>Passed through the State Water Resource Control Board</u>			
Beach Monitoring and Notification Program Implementation Grant	66.472	08-11386, 09-11386	25,000
U.S. Department of Energy			
<u>Direct Federal Programs</u>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	ARRA-DE-SC0003184	234,499
<u>Passed through the State Energy Commission</u>			
ARRA - State Energy Program	81.041	ARRA-DE-EE0000221	86,857
Total U.S. Department of Energy			321,356
U.S. Department of Education			
<u>Passed through State Department of Rehabilitation</u>			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	27345	99,007
<u>Passed through the State Department of Alcohol and Drug Programs</u>			
Safe and Drug-Free Schools and Communities - State Grants	84.186	SDF 07-01	233,491
Total U.S. Department of Education			332,498
U.S. Election Assistance Commission			
<u>Direct Federal Programs</u>			
Help America Vote Act Requirements Payments - Section 301	90.401	07G30142,AMD#1	380,998

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, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA No.	Federal Agency / Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
<u>Direct Federal Programs</u>			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	6H12HA23035-08-03, 6H12HA23035-09-01	220,919
Drug-Free Communities Support Program Grants	93.276	2H79SP014746-06	125,973
HIV Emergency Relief Project Grants:			
Ryan White Part A	93.914	6H89HA00042-15-02	1,097,929
Minority AIDS Initiative	93.914	5H3MHA08435-03-00	50,000
Subtotal HIV Emergency Relief Project Grants			1,147,929
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease - Ryan White Part C	93.918	4H76HA00580-10-01	409,806
Subtotal Direct Federal Programs			<u>1,904,627</u>
<u>Passed through the National Association of County and City Health Official</u>			
Medical Reserve Corps Small Grant Program	93.008	MRC10-48	1,256
<u>Passed through the office of the California Secretary of State</u>			
Voting Access for Individuals with Disabilities - Grants to States	93.617	08G26118	29,387
<u>Passed through the State Department of Aging</u>			
			State Expenditures
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-0910-27	\$ - 7,112
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-0910-27	- 34,334
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-0910-27	- 27,478
National Family Caregiver Support, Title III, Part E Aging Cluster:	93.052	AP-0910-27	- 228,215
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-0910-27	- 726,958
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AP-0910-27	129,970 613,888
Nutrition Services Incentive Program	93.053	AP-0910-27	- 217,534
ARRA - Aging Home - Delivered Nutrition Services for States	93.705	ARRA-AP-0910-27	- 43,771
ARRA - Aging Congregate Nutrition Services for States	93.707	ARRA-AP-0910-27	- 88,909
Subtotal Aging Cluster			1,691,060
Medicare Enrollment Assistance Program	93.071	MI-0910-27	- 11,819
Medical Assistance Program - Title XIX Medicaid Waiver	93.778	MS-0910-11	- 771,300
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	HI-0910-27	307,676 136,760
Subtotal Passed through State Department of Aging			<u>\$ 437,646 2,908,078</u>
<u>Passed through the State Department of Mental Health</u>			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	62,749
Block Grants for Community Mental Health Services	93.958	N/A	246,483
Subtotal passed through the State Department of Mental Health			<u>309,232</u>
<u>Passed through the State Department of Public Health</u>			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs Immunization Cluster:	93.116	TBCB-01-49	30,000
Immunization Grants	93.268	09-11304	176,194
ARRA - Immunization	93.712	ARRA-09-11304	100,000
Subtotal Immunization Cluster			276,194
Centers for Disease Control and Prevention - Investigations and Technical Assistance: Preparedness and Response to Bioterrorism	93.283	EPO CDC 08-49, EPO 09-49	589,109
Temporary Assistance for Needy Families - Community Challenge	93.558	05-45253	209,986
Medical Assistance Program:			
Adolescent Family Life - Title XIX	93.778	2009-49	445,003
Maternal Child and Adolescent Health Grant - Title XIX	93.778	2009-49	198,267
Subtotal Medical Assistance Program			643,270
National Bioterrorism Hospital Preparedness Program	93.889	EPO P3-49, EPO P4-49, EPO 09-49, EPO HPP 07-49, EPO 08-49	1,219,213
Preventive Health Services - Sexually Transmitted Disease Control Grants Chlamydia Screening Project	93.977	09-11155	24,000
Maternal and Child Health Services Block Grants to the States: Maternal and Child Health Services Block Grants to the States - 2009	93.994	2009-49	142,811
Adolescent Family Life - Title V	93.994	2009-49	186,099
Subtotal Maternal and Child Health Services Block Grants to States			328,910
Subtotal Passed through the State Department of Public Health			<u>3,320,682</u>

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, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA No.	Federal Agency / Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued)			
<u>Passed through the State Department of Health Care Services</u>			
Prevention Health and Health Services Block Grant	93.991	N/A	538,155
Children's Health Insurance Program	93.767	N/A	315,711
Medical Assistance Program - Administration	93.778	08-85136	1,365,136
Medical Assistance Program - Children	93.778	N/A	1,025,790
Subtotal Medical Assistance Program			2,390,926
Subtotal passed through the State Department of Health Care Services			3,244,792
<u>Passed through the State Department of Education</u>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-9077	86,296
<u>Passed through the State Department of Public Health - Office of AIDS</u>			
HIV Care Formula Grants	93.917	07-65088-A01	478,918
<u>Passed through the State Department of Alcohol and Drug Programs</u>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SCC49 (09/10)	2,575,150
<u>Passed through the State Department of Social Services</u>			
Promoting Safe and Stable Families	93.556	N/A	321,395
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	24,144
TANF Cluster:			
Temporary Assistance for Needy Families - Program Administration	93.558	11001	19,624,187
Temporary Assistance for Needy Families - FGU	93.558	11001	12,548,155
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	ARRA-11001	944,695
Subtotal TANF Cluster			33,117,037
Child Welfare Services - State Grants - Title IV-B	93.645	12313	317,970
Foster Care - Title IV-E	93.658	12307	3,537,798
Foster Care - Title IV-E - Administration	93.658	12307	3,181,147
Foster Care - Title IV-E - Administration	93.658	0601CA1401	2,410,885
ARRA - Foster Care - Title IV-E	93.658	ARRA-12307	200,656
Subtotal Foster Care - Title IV-E			9,330,486
Adoption Assistance	93.659	12402	2,029,619
Adoption Assistance - Administration	93.659	12402	670,133
ARRA - Adoption Assistance	93.659	ARRA-12402	57,488
Subtotal Adoption Assistance			2,757,240
Social Services Block Grant	93.667	N/A	1,145,284
Chafee Foster Care Independent Program	93.674	12332	126,990
ARRA - Aging Congregate Nutrition Services for States	93.707	ARRA-12402	1,897
Medical Assistance Program	93.778	05-45175	15,865,462
Subtotal Passed through the State Department of Social Services			63,007,905
<u>Passed through the State Department of Child Support Services</u>			
Child Support Enforcement	93.563	N/A	7,675,566
ARRA - Child Support Enforcement	93.563	N/A	1,581,300
Subtotal Passed through the State Department of Child Support Services			9,256,866
Subtotal U.S. Department of Health and Human Services - Passed through other agencies			85,218,562
Total U.S. Department of Health and Human Services			87,123,189
U.S. Department of Homeland Security			
<u>Passed through the California Emergency Management Agency</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR - 1628	10,620
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR - 1628	284,798
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR - 1628	1,883
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR - 1646	188,557
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			485,858
Emergency Management Performance Grants	97.042	2009-15	137,051
State Homeland Security Program (SHSP)	97.073	2008-0006	568,310
Subtotal Passed through the California Emergency Management Agency			1,191,219
<u>Passed through the San Francisco Department of Emergency Management</u>			
Homeland Security Grant Program	97.067	2008-0006	247,542
Total U. S. Department of Homeland Security			1,438,761
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 117,547,807

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (SEFA) for the fiscal year ended June 30, 2010, 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, Sonoma County Library 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	\$ 33,482,002
Sonoma County Transportation Project Fund	4,521,491
Sonoma County Library	53,617

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. The SEFA includes certain expenditures of State awards required by the State Department of Aging.

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 – SENIOR FARMERS MARKET NUTRITION PROGRAM

Senior Farmers Market Nutrition Program expenditures of \$5,000 represent the face value of coupons 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, 2010.

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

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	CFDA Number	Amount Provided to Subrecipients
Housing Opportunities for Persons with AIDS	14.241	\$ 388,810
Drug Court Discretionary Grant Program	16.585	40,587
Edward Byrne Memorial Justice Assistance Grant Program	16.738	71,371
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	159,230
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	130,650
WIA Cluster	17.258, 17.259, 17.260	1,671,600
Highway Planning and Construction	20.205	62,976
State and Community Highway Safety	20.600	92,832
ARRA - State Energy Program	81.041	48,012
Safe and Drug-Free Schools and Communities - State Grants	84.186	108,429
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	34,334
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	18,961
National Family Caregiver Support, Title III, Part E Aging Cluster	93.052	200,679
	93.044, 93.045, 93.053, 93.705, 93.707	1,231,919
Medicare Enrollment Assistance Program	93.071	6,676
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	8,911
Immunization Grants	93.268	79,893
Drug Free Communities Support Program Grants	93.276	13,254
Promoting Safe and Stable Families	93.556	183,840
Temporary Assistance for Needy Families	93.558	493,411
ARRA - Aging Home - Delivered Nutrition Services for States	93.705	39,394
ARRA - Aging Congregate Nutrition Services for States	93.707	80,018

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 5– AMOUNT PROVIDED TO SUBRECIPIENTS (Continued)

Program Title	CFDA Number	Amount Provided to Subrecipients
Medical Assistance Program	93.778	48,119
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	123,551
National Bioterrorism Hospital Preparedness Program	93.889	194,363
HIV Emergency Relief Project Grants	93.914	380,617
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	627,151
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	54,453
Block Grants for Community Mental Health Services	93.958	246,483
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,160,703
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	38,990
Total		<u>\$ 8,040,217</u>

NOTE 6 – PROGRAM TOTALS

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

Program Title	CFDA Number	Pass Through Agency	Amount
Medical Assistance Program	93.778	State Department of Aging	\$ 771,300
		State Department of Public Health	643,270
		State Department of Health Care Services	2,390,926
		State Department of Social Services	15,865,462
		Program Total	<u>\$ 19,670,958</u>
TANF Cluster	93.558	State Department of Social Services	\$ 33,117,037
		State Department of Public Health	209,986
			<u>\$ 33,327,023</u>
Aging Cluster	93.044, 93.045, 93.053, 93.705, 93.707	State Department of Aging	\$ 1,691,060
		State Department of Social Services	1,897
			<u>\$ 1,692,957</u>
			<u>\$ 1,692,957</u>

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

**NOTE 7– SCHEDULE OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT
AGENCY GRANT EXPENDITURES**

The following represents the State of California Emergency Management Agency grant expenditures, by department, for the fiscal year ended June 30, 2010. Budgets are established at the combined grant level.

Vertical Prosecution – Grant No. VB 08060490

<u>Department/Category</u>	<i>2010 State Funded Expenditures</i>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
District Attorney:			
Personal services	\$ 188,075	\$ 188,075	\$ -
Operating expenses	2,069	2,069	-
Total	<u>\$ 190,144</u>	<u>\$ 190,144</u>	<u>\$ -</u>

Anti-Drug Abuse Program - Grant No. DC 09200490

<u>Department/Category</u>	<i>2010 Federally Funded Expenditures</i>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sheriff:			
Personal services	\$ 189,901	\$ 189,901	\$ -
Operating expenses	33,326	33,326	-
Subtotal Sheriff	<u>223,227</u>	<u>223,227</u>	<u>-</u>
District Attorney:			
Operating expenses	55,757	55,757	-
Totals:			
Personal services	189,901	189,901	-
Operating expenses	89,083	89,083	-
Total	<u>\$ 278,984</u>	<u>\$ 278,984</u>	<u>\$ -</u>

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

**NOTE 7– SCHEDULE OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT
AGENCY GRANT EXPENDITURES (Continued)**

California Multi-Jurisdictional Meth Enforcement Team - Grant No. MH 08030490

<u>Department/Category</u>	<i>2010 State Funded Expenditures</i>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sheriff:			
Personal services	\$ 189,088	\$ 189,088	\$ -
Operating expenses	28,988	28,988	-
Total	<u>\$ 218,076</u>	<u>\$ 218,076</u>	<u>\$ -</u>

Victim Assistance/Victim Witness Program - Grant No. VW 09280490

<u>Department/Category</u>	<i>2010 Expenditures</i>			<u>Variance</u>
	<u>Budget</u>	<u>Federal</u>	<u>State</u>	
		<u>Actual</u>	<u>Actual</u>	
District Attorney:				
Personal services	\$ 265,987	\$ 121,600	\$ 139,890	\$ 4,497

COUNTY OF SONOMA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 8- ADDITIONAL INFORMATION FOR THE STATE OF CALIFORNIA
DEPARTMENT OF AGING

The following represents the State of California Department of Aging grant expenditures, for the fiscal year ended June 30, 2010.

<u>Community Based Services Programs and Special Deposit</u>	
Contract AP-0910-27 - State Funded	
	Amount
Alzheimer's Day Care Resource Center Program	\$ 14,187
Brown Bag Program	5,551
Linkages Program	57,953
Administrations	8,404
Ombudsman Initiative (Special Deposit)	48,679
	<u>\$ 134,774</u>

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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 16, 2010. Our report contained an explanatory paragraph describing the County's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. 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, 2010:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Net Assets / Fund Balance</u>	<u>Revenues</u>
Governmental Activities	5.4%	8.0%	7.4
Business-type Activities	8.8	11.9	19.0
Aggregate Remaining Fund Information	4.4	5.4	16.0

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. 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.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

We noted a certain matter that we reported to management of the County in a separate letter dated December 16, 2010.

This report is intended solely for the information and use of management, the County Board of Supervisors, others within the county, 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 Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
December 16, 2010

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the County of Sonoma, California’s (County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the fiscal year ended June 30, 2010. 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, 2010:

Entity	Federal Expenditures
Sonoma County Community Development Commission	\$ 33,482,002
Sonoma County Transportation Project Fund	4,521,491
Sonoma County Library	53,617

Our audit, described below, did not include the operations of those entities as those entities were audited separately 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 could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2 and 2010-3.

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 the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-3 to be significant deficiencies.

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

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, 2010, and have issued our report thereon dated December 16, 2010. Our report contained an explanatory paragraph describing the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. 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, 2010:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Fund Balance</u>	<u>Revenues</u>
Governmental Activities	5.4%	8.0%	7.4
Business-type Activities	8.8	11.9	19.0
Aggregate Remaining Fund Information	4.4	5.4	16.0

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, the Sonoma County Transportation Project Fund and the Sonoma County Library 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 management, the County Board of Supervisors, others within the county, 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 Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
February 21, 2011, except for the
schedule of expenditures of federal awards,
as to which the date is December 16, 2010

**COUNTY OF SONOMA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
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?	Yes
Identification of major programs:	
<u>Program Title</u>	<u>CFDA Number(s)</u>
○ Supplemental Nutrition Assistance Program Cluster	10.561
○ ARRA-Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804
○ WIA Cluster	17.258,17.259,17.260
○ Airport Improvement Program	20.106
○ Highway Planning and Construction	20.205
○ TANF Cluster	93.558, 93.714
○ Foster Care	93.658
○ Adoption Assistance	93.659
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, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2010-1: Procurement and Suspension and Debarment
CFDA Title: ARRA-Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Formula Program/Grants to Units of Local Governments
CFDA Number: 16.804
Award Number: ARRA-2009-SB-B9-2363
Award Year: 2009
Federal Agency: Department of Justice

Criteria

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-133), Subpart C – Auditees, Section .300 – Auditee Responsibilities:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

TITLE 28 – JUDICIAL ADMINISTRATION – CHAPTER I DEPARTMENT OF JUSTICE PART 67 – GOVERNMENT WIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), SUBPART B – Covered Transactions, Section 67.300 - What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the *Excluded Parties List System (EPLS)*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

TITLE 28 – JUDICIAL ADMINISTRATION – CHAPTER I DEPARTMENT OF JUSTICE PART 67 – GOVERNMENT WIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), SUBPART B – Covered Transactions, Section 67.305 – May I enter into a covered transaction with an excluded or disqualified person?

- (a) You as a participant may not enter into a covered transaction with an excluded person, unless the Department of Justice grants an exception under §67.120.
- (b) You may not enter into any transaction with a person who is disqualified from that transaction, unless you have obtained an exception under the disqualifying statute, Executive order, or regulation.

COUNTY OF SONOMA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

Finding 2010-1 (Continued)

Condition

The County does not maintain adequate internal controls over compliance with federal suspension and debarment requirements as demonstrated by not performing procedures, as required by CFR28 Part 67.300, to ensure a vendor selected to enter into a covered transaction was not suspended or debarred from participating in Federal procurement.

Questioned Costs

There are no questioned costs identified as a result of the condition because the vendor was not suspended or debarred per the EPLS.

Context

We reviewed the only covered transaction of the program in the amount of \$81,514.

Effect

By not performing an independent check on the EPLS or obtaining suspension and debarment certifications, the County runs the risk of entering into covered transactions with a party that is excluded from participating in Federal procurement transactions. Entering into covered transactions with a party that is suspended or debarred would result in questioned costs and may not be reimbursed by the awarding federal agency.

Cause

The County does not have adequate policies or procedures in place to ensure parties are not suspended or debarred from participating in Federal procurement transactions.

Recommendation

We recommend that the County establish policies and procedures to ensure that it is performing the required verifications for suspension and debarment for covered transactions.

Management's Response

Sheriff's Office management agrees with the condition and will work with the Sonoma County Auditor Controller Treasurer Tax Collector (ACTTC) and the Sonoma County General Services Department Purchasing Division to assist with the development of County policies and procedures to ensure that verification of federal suspension and/or debarment are adequately checked and certification is required from all vendors and/or service providers that are compensated with federal funds. The Sheriff's Office will incorporate a section in our internal Sheriff's Purchasing and Contracting policies which will address the verification of a service provider and/or product vendor who we intend to do business with.

COUNTY OF SONOMA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

Finding 2010-1 (Continued)

Management's Response (Continued)

This verification will include the assurance that they are not excluded or disqualified from participating in Federal procurement. We will do this by including one of the following federally approved mechanisms:

- (a) Checking the *Excluded Parties List System (EPLS)*; or
- (b) Collecting a certification from that person if allowed by this rule; or
- (c) Adding a clause or condition to the covered transaction with that person.

Finding 2010-2:	Reporting
CFDA Title:	WIA Cluster
CFDA Number:	17.258, 17.259, 17.260
Award Number:	R970573, ARRA-AA-17110-08-55-A-6,
Award Year:	2010
Federal Agency:	Department of Labor
Pass-Through Agency:	State of California Employment Development Department

Criteria

In accordance with the quarterly and monthly financial requirements issued by the State of California Employment Development Department (EDD), the county must submit quarterly financial reports by the 20th day of the month following the end of each report period.

Condition

The County did not submit required quarterly financial reports in a timely manner.

Questioned Costs

There are no questioned costs identified as a result of the condition.

Context

8 of 30 reports reviewed were submitted subsequent to required deadline. All 8 reports were submitted 23 days following the end of the reporting period.

Effect

The county risks disciplinary action from EDD.

Cause

The County does not have adequate policies or procedures in place to comply with its quarterly reporting requirement to EDD.

COUNTY OF SONOMA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

Finding 2010-2 (Continued)

Recommendation

We recommend that the County establish policies and procedures to ensure that it submits its quarterly reports in a timely manner.

Management's Response

In 2001, The State of California Employment Development Department (EDD) agreed to allow counties that had combined Workforce Investment Boards and Human Services Departments to generate program costs using the County Expense Claim (CEC), a quarterly cost accounting and claiming system generated by the State Department of Social Services. The costs generated by the CEC would then be entered into the EDD quarterly claim. The CEC is due on the last day of the month following the end of each report period while the EDD claim is due on the 20th day of the same month.

Because the EDD claim is due earlier than the CEC, counties who are under this methodology have struggled with meeting the EDD deadline. EDD has acknowledged this problem by allowing counties to file their claim later when the county has contacted their analyst at EDD and told them the claim would be late. In every instance when the auditor has noted our EDD report was submitted after the deadline, an EDD analyst has verbally OK'd the late submission. The County was never at risk for disciplinary action from EDD.

The finding lists 8 reports as not submitted timely. This is actually only one quarter with a late submission, but with 8 grant codes reported. Both the staff person who prepares the CEC and the staff person who prepares the EDD claim are aware of the EDD deadline and diligently try to meet that deadline. However, the CEC requires many data components to be compiled, some of which arrive late into their hands. If the situation occurs in the future, the County will ask EDD for a written communication that allows the late submission of the EDD claim.

Finding 2010-3:	Eligibility
CFDA Title:	Adoption Assistance
CFDA Number:	93.659
Award Number:	12402
Award Year:	2010
Federal Agency:	Department of Health and Human Services
Pass-Through Agency:	State of California Department of Social Services

Criteria

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-133), Subpart C – Auditees, Section .300 – Auditee Responsibilities:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

COUNTY OF SONOMA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2010

Finding 2010-3 (Continued)

Condition

A county social worker is required to review and signature approve the State of California's form *AAP 4 - Eligibility Certification – Adoption Assistance Program* (form AAP 4) prepared by the local adoption agency that performed the eligibility determination. The social worker's approval is one of the county's controls performed in combination with other significant controls to ensure each case meets the eligibility criteria of the program prior to authorization of Adoption Assistance Program payments. Documentation of the County's approval was not consistently included on the form AAP 4 maintained in the participants' case files.

Questioned Costs

There are no questioned costs identified as a result of the condition because sufficient documentation was provided to support the eligibility of the cases reviewed.

Context

6 of 40 cases reviewed did not contain signature approval of a County social worker on the form AAP 4.

Effect

The county risks authorizing Adoption Assistance Program payments to participants ineligible for the program.

Cause

The County does not have adequate monitoring policies and procedures in place to ensure form AAP 4 are approved prior to authorization of adoption assistance program payments.

Recommendation

We recommend that the County establish policies and procedures to ensure that it form AAP 4 is approved prior to authorization of adoption assistance benefit payments.

Management's Response

Management agrees with the recommendation. The County has updated the policy for initiating and reviewing Adoption Assistance instructions on the AAP 4 form in order to remedy this finding. To ensure that all current Adoption files have the necessary signatures and the correct funding designation, the foster care unit will review each Adoption Assistance case that is currently receiving Adoption Assistance payments. The Department will develop a list from the CalWIN data system of payments made during the most recent payment month. Each Eligibility Worker will be responsible for reviewing the Adoption cases in their caseload. The review will consist of ensuring that all necessary signatures are present, contacting State Adoptions if an Adoption Worker signature is not present, ensuring that an Eligibility Worker has signed the AAP 4 form and verifying that the funding designation is correct. We expect that this process will take up to 45 days. Once the review has been completed, the list from each EW will be returned to the Foster Care Analyst and will become part of the Audit file.

**COUNTY OF SONOMA, CALIFORNIA
Status of Prior Year Finding
For the Fiscal Year Ended June 30, 2010**

Finding 2009-1: Subrecipient Monitoring – Award Notification
CFDA Title: WIA Cluster
CFDA Number: 17.258, 17.259 & 17.260
Award Number: R970573, R865494, R760358
Award Year: 2009
Federal Agency: Department of Labor

Pass-Through Agency: State of California, Employment Development Department

Audit Finding: In accordance with section OMB Circular A-133 §.400(c)(1) the County must identify Federal awards made by informing each recipient of the CFDA title and number, award name and number, award year. We noted that 2 of the agreements with the County's 5 subrecipients were missing the proper identification of the CFDA title and number.

Status of Corrective Action: Corrected. The County formally notified all of its subrecipients of the proper CFDA title and number in writing and has modified its subrecipient contract template to include the required information.