

COUNTY OF SONOMA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For The Fiscal Year Ended
June 30, 2016*



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

Donna M. Dunk, CPA
Auditor-Controller-Treasurer-Tax Collector



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December 23, 2016

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, 2016, 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 established for this purpose. Because the cost of internal controls 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. Vavrinek, Trine, Day & Co., LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the County's financial statements for the fiscal year ended June 30, 2016.

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 northwest California, about fifty miles north of San Francisco. The County occupies over 1,768 square miles of land and water serving a population of 501,959. Open space and agricultural land account for the 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 healthcare and social services, higher education, manufacturing, retail trade, accommodation and food services, and public administration. The region's world-renowned wineries, geographically diverse open spaces, and a mild climate, make the County a popular tourism and recreation destination.

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 (the Board). Board members are elected to four-year staggered terms, and each member represents one of the County's five districts. The County has four elected department heads: Auditor-Controller-Treasurer-Tax Collector, Clerk-Recorder-Assessor, District Attorney, and Sheriff-Coroner. Other department heads are appointed by the Board.

The County employed 3,855 full-time equivalent employees (including extra-help) in FY 15-16 in order to provide a full range of services to its residents. 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. The majority of services performed by the County are provided for all residents, regardless of whether those residents live in cities or unincorporated areas of the County, and every County resident directly or indirectly benefits from these services.

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 four 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), the Sonoma County Securitization Corporation, Sonoma County Agricultural Preservation and Open Space District, and the Sonoma County Public Financing Authority. Six component units are presented discretely in the financial statements, separate from the primary government: Sonoma County Community Development Commission (the Community Development Commission), Sonoma County Water Agency (the Water Agency), and four sanitation districts (Sonoma Valley County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District, and Occidental County Sanitation District).

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 most 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 County 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 level, within fund level. Appropriations beyond that 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.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

FACTORS AFFECTING ECONOMIC CONDITION

Economy

During FY 15-16 Sonoma County continued to see positive signs in economic conditions, including decreased unemployment, increased retail sales and increased per capita income. The median home price continues to increase, although Sonoma County continues to be one of the more affordable Bay Area counties.

Employment

- The County's unemployment rate decreased from 4.3% as of June 2015 to 4.1% as of June 2016. This is lower than the California unemployment rate of 5.4% and the national unemployment rate of 4.9%.
- As of September 2016, the County unemployment rate decreased further to 3.8%, and continues to be lower than both the California and national rates of 5.5% and 5.0%, respectively.

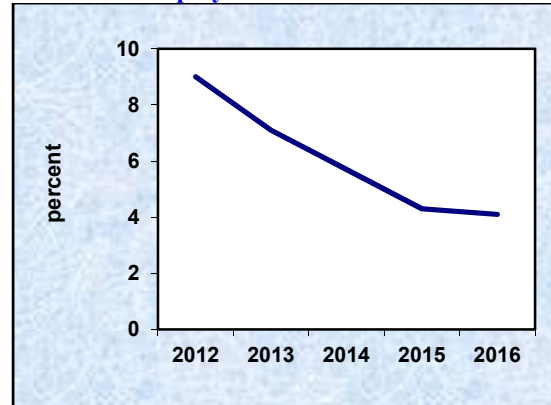
Income

- County per capita personal income increased 8.0% to \$53,540 for the 2015 calendar year from \$49,585 for the 2014 calendar year.

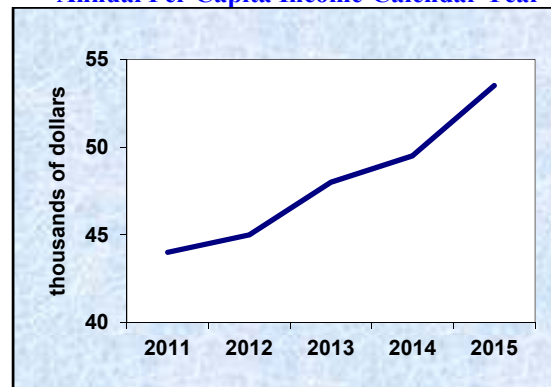
Retail Sales

- Retail sales county-wide increased 4.7% to \$8.9 billion for the 2015 calendar year from \$8.5 billion for 2014 and have increased 2.4% to \$4.3 billion for the first two quarters of 2016 compared to \$4.2 billion for the first two quarters of 2015.
- County unincorporated area retail sales increased 6.3% to \$1.7 billion for the 2015 calendar year from \$1.6 billion for the 2014 calendar year. Retail sales for the first two quarters of 2016, increased 8.2% to \$875 million compared to \$809 million for the first two quarters of 2015.

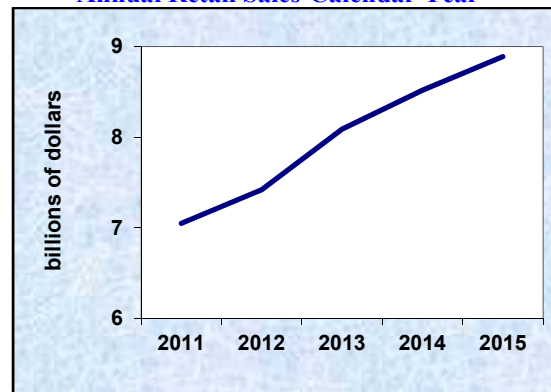
Unemployment Rate as of June 30



Annual Per Capita Income-Calendar Year



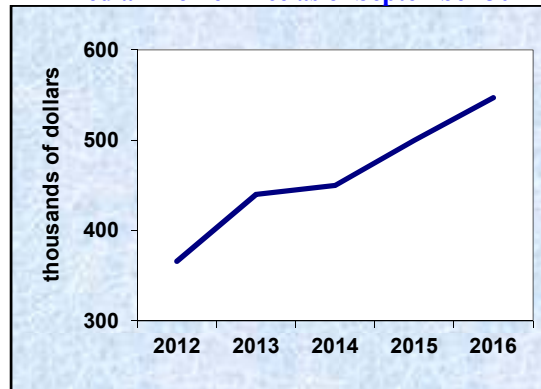
Annual Retail Sales-Calendar Year



Real Estate

- The county-wide median home price continues to increase and it is anticipated that the reduction in unsold existing homes will continue to lift housing prices. As of September 2016 the median home price increased to \$547,000 from \$500,000 in September 2015, an increase of 9.4%.
- Certified valuation of secured and unsecured property, which includes residential and non-residential, increased 8.7% to \$77.8 billion for FY 15-16 from \$71.6 billion for FY 14-15.
- Certified valuation of non-residential property increased 17.1% to \$24.0 billion for FY 15-16 from \$20.5 billion for FY 14-15.
- Certified valuation of residential property increased 5.3% to \$53.8 billion for FY 15-16 from \$51.1 billion for FY 14-15.

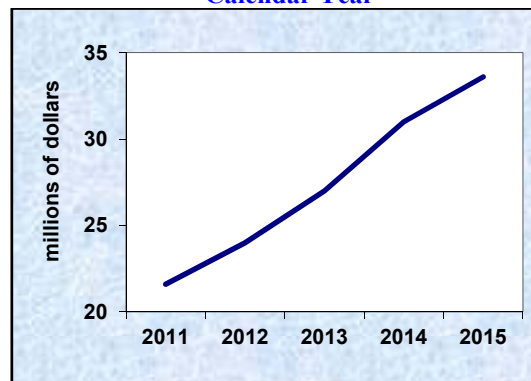
Median Home Price as of September 30



Tourism

- Preliminary results for 2016 suggest that Sonoma County’s lodging industry continues to grow, as average occupancy continues to increase. The County’s annual average occupancy increased to 75.9% in 2015 from 74.3% in 2014.
- County-wide transient occupancy tax (TOT) increased 9.8% to \$33.6 million for the 2015 calendar year compared to \$30.6 million for the 2014 calendar year. TOT has increased 6.3% to \$15.1 million for the first two quarters of 2016 as compared to \$14.2 million for the first two quarters of 2015.

**Annual Transient Occupancy Tax-
Calendar Year**



ECONOMIC INDICATORS

The County’s continued modest economic growth and growth in core industry metrics allow the County to continue to plan for and provide essential services to the community, and deliver high quality public services that enrich our residents’ quality of life.

FINANCIAL INDICATORS

From a county-wide perspective, most tax revenues increased in FY 15-16. Transient occupancy tax increased by 8.9%, local sales tax increased by 3.8%, and the County's largest revenue source, secured property taxes, increased by 7.4%. Other tax revenues remained fairly flat compared with the prior year. Although the overall interest rate environment remains low, investment earnings increased by 40.7%, primarily due to rising interest rates.

The County's recommended budget for FY 16-17 addresses pressing community and organizational needs while maintaining focus on advancing the Board's Strategic Plan goals. The budget builds upon continued economic recovery, making targeted investments while maintaining the County's fiscal health.

For FY 16-17, secured and unsecured property tax revenues are expected to increase by 6.1% and 1.6%, respectively, based on assessed value increases. The overall Assessor's certified valuation increased from \$74.0 billion in FY 15-16 to \$78.5 billion in FY 16-17. Other tax revenues are projected to remain flat or have minimal growth.

The enacted California budget for FY 16-17 reflects an outlook with moderate growth while preparing the state for the next recession. The budget focuses new spending on one-time activities such as repairing and replacing aged infrastructure, building affordable housing, and addressing the effects of the drought. The budget also reflects increased spending in the areas of K-12 and higher education, and health and human services. County staff track and analyze the financial and operational impacts to County services and include recommendations for Board consideration during quarterly budget updates throughout the year.

MAJOR INITIATIVES

The County completed many major initiatives in FY 15-16 while maintaining core services during the year. The following highlights only represent a partial list of the many accomplishments of the Sonoma County organization in FY 15-16:

- Coordinated efforts toward achieving FY 15-16 Board-established priorities, including addressing the impacts of marijuana, increasing affordable housing, supporting the expansion of early learning opportunities, completing the development of a sustainability initiative, and continuing to ensure the long-term fiscal health of the County.
- Established the Independent Office of Law Enforcement Review and Outreach to facilitate improved relationships between County law enforcement personnel and the community through enhanced transparency, auditing of investigations, community engagement, and policy recommendations.
- Launched a new online budget tool that facilitates the public's review of the County's budget and promotes a better understanding of how the budget is structured and where the County is dedicating available resources.
- Launched the new Hyperion budget tool to provide increased financial transparency and robust multi-year fiscal planning opportunities.
- Established the Healthcare Round Table with private and public sector employers, healthcare providers, and labor organizations to identify cost savings opportunities related to healthcare plans.
- Permit & Resource Management Department, with assistance from County Counsel, implemented the Code Enforcement Enhancement Program to enhance regulation compliance processes and identify funding to clean up properties that are not in compliance with building codes.
- Enhanced the County's new Enterprise Financial System by adding project costing, accounts receivable, billing, contracts and reporting functionality.

- Completed a revision to the County’s Comprehensive Multi-Agency Juvenile Justice Plan to improve outcomes for delinquent youth and their families.
- With the addition of a new Immigration Specialist, the Public Defender’s office developed a training and attorney consultation program to improve the representation of non-citizen clients.
- The Sheriff’s office evaluated and responded to Community and Local Law Enforcement Task force recommendations.
- Established a new and expanded Behavioral Health Crisis Stabilization Unit and, with a Mental Health Crisis Facility Grant from the State of California, Sonoma County Behavioral Health leased and renovated a facility.
- Launched ‘Aging Together Sonoma County’, a new initiative to connect Sonoma County residents across their lifespan with resources and support focused on healthy aging.
- The Department of Child Support Services expanded payment options to include MoneyGram and PayNearMe, allowing the department to continue working collaboratively with parents to increase stipulated child support orders.
- After a robust community engagement process, the County adopted updates to the Vacation Rental Ordinance in order to support County tourism while ensuring neighborhood compatibility and protecting the general welfare of residents.
- The Community Development Commission increased and maintained existing housing stock through approval of loans to support development of 118 new affordable housing units and 13 units of new transitional housing.
- The Sonoma County Water Agency completed construction of the Westside Facility to teach Sonoma County students about the County’s water systems through educational exhibits and watershed education classes.
- Two conservation easements were acquired: the Kashia Coastal Reserve (688 acres) and Estero Ranch (547 acres).
- Under the new Land Stewardship Division, implemented increased efficiencies and services related to protecting the environment and promoting the agriculture-driven economy.
- Saralee and Richard’s Barn was completed for use during the 2016 Sonoma County Fair, and will generate non-fair revenue after the conclusion of the Fair.
- A Regional Model with 7 regional councils is being implemented with a goal of creating a more effective, efficient, and sustainable fire service delivery system throughout Sonoma County.
- In partnership with the City of Santa Rosa, the County continued to negotiate a pre-annexation agreement for the Southwest Santa Rosa annexation expected to be completed in FY 16-17.

LONG-TERM FISCAL OUTLOOK

FY 16-17 budgeted General Fund property tax revenues from the current year tax roll (current) are projected to increase by 6.7% to \$173.9 million. FY 15-16 actual current secured, unsecured and Homeowner Property Tax Relief property tax revenues increased by 6.7% to \$167.7 million. This increase reflects the gradual recovery of the real estate market and overall real estate values. The FY 16-17 projected amounts of \$5.0 million in Documentary Transfer Tax and \$2.8 million in Supplemental Property Tax increased from prior recent years, and may indicate what property tax growth will look like beyond FY 16-17.

Fixed costs of doing business, primarily driven by re-negotiated labor agreements, are expected to continue to grow for the next 2-3 years somewhat mitigated by pension reform. The FY 16-17 adopted budget includes a cost of living adjustment for employees and reflects an adjusted fixed County contribution for employee health insurance. It is important to note that by reducing and fixing contributions for employee and retiree health insurance, the County has effectively capped the future liability for these costs. This provides the Board more fiscal control of these costs and the ability to weigh any future adjustments against other factors including the Board's public service priorities. In addition, a recently settled lawsuit filed against the County in 2008 by the Sonoma County Association of Retired Employees established a plan intended to eliminate retiree health benefits by 2041 for approximately 3,300 retirees and dependents through a class-action suit.

Overall General Fund fiscal projections (FY 2017-2019) are expected to result in operating revenues and year-end fund balance sufficient to cover current baseline ongoing expenses. Even though fiscal projections depict a manageable outlook, it is important to note that the County will continue to seek alternative funding to achieve Board priorities and county-wide strategic goals to improve the residents' quality of life. For example, the County will continue to allocate resources to the improvement and maintenance of County roads while a number of unmet community needs such as increased stock of affordable housing, replacement of a voting system, and County facilities replacements have not yet been addressed.

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 priorities are based on the County's Strategic Plan goal areas: Safe, Healthy & Caring Community; Economic & Environmental Stewardship; Invest in the Future; and Civic Services & Engagement. In addition, a 5-year fiscal projection anticipates and minimizes short-term fluctuations in revenues and known program expenditure changes.

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

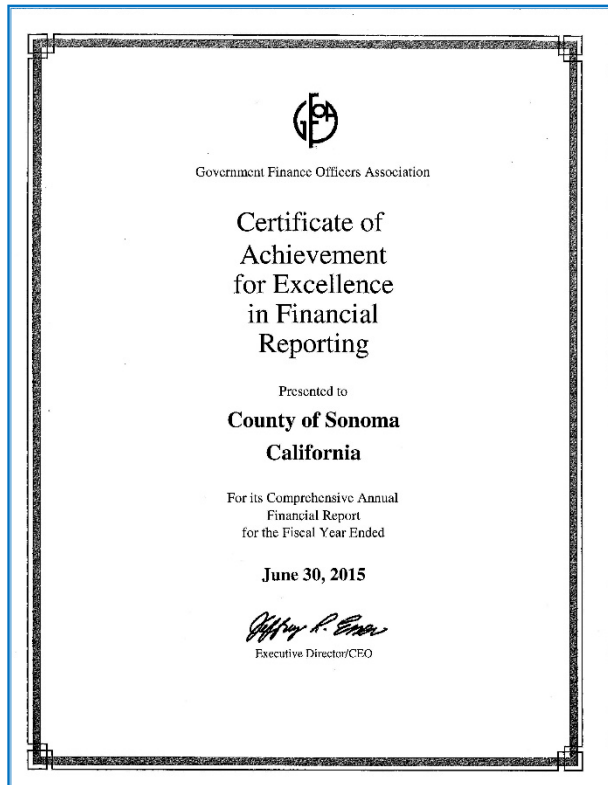
The County has a Debt Advisory Committee (DAC) to provide guidance and support related to all County debt issuance and management. The DAC provides the County Administrator and the Board of Supervisors a review process to ensure that all potential debt obligations are evaluated for cost effectiveness, optimal structure and the ability to maintain post issuance compliance requirements.

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 (GFOA), 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 will be made except in dire emergencies, or where almost immediate replenishment is assured. Further, priority will be given to increase reserve levels. The 10-15% increment of the range represents the yellow light signaling that caution will 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. In September 2015, the GFOA updated their recommendation that general purpose governments should maintain a minimum unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or expenditures. The County is working to implement this recommendation for the FY 2017-18 budget.

AWARDS AND ACKNOWLEDGMENTS

Financial Reporting Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County's CAFR for the fiscal year ended June 30, 2015. This was the twenty-fourth 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, 2015. This was the twenty-first 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, 2015. The County has achieved this prestigious award eighteen 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 and our auditors, Vavrinek, Trine, Day & Co., 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,

Sheryl Bratton

County Administrator

Donna Dunk, CPA

Auditor-Controller-Treasurer-Tax Collector

DIRECTORY OF APPOINTED AND ELECTED OFFICIALS

APPOINTED OFFICERS & DEPARTMENT HEADS

Agricultural Commissioner..... Tony Linegar
Agricultural Preservation & Open Space District General Manager..... Bill Keene
Child Support Services Director Jennifer Traumann
Community Development Commission Director Margaret Van Vliet
County Administrator Sheryl Bratton
County Counsel Bruce Goldstein
Economic Development Director Ben Stone
Fair Manager Becky Bartling
Fire & Emergency Services Director..... Al Terrell
General Services Director Caroline Judy
Health Services Director..... Stephan Betz
Human Resources Director Christina Cramer
Human Services Director Karen Fies
Information Systems Director..... John Hartwig
Permit & Resource Management Director Tennis Wick
Probation Officer, Chief Robert Ochs
Public Defender..... Kathleen Pozzi
Regional Parks Director..... Caryl Hart
Court Executive Officer (Superior Court Of California)..... Jose Guillen
Transportation & Public Works Director..... Susan Klassen
U.C. Cooperative Extension Director Stephanie Larson
Water Agency Director Grant Davis

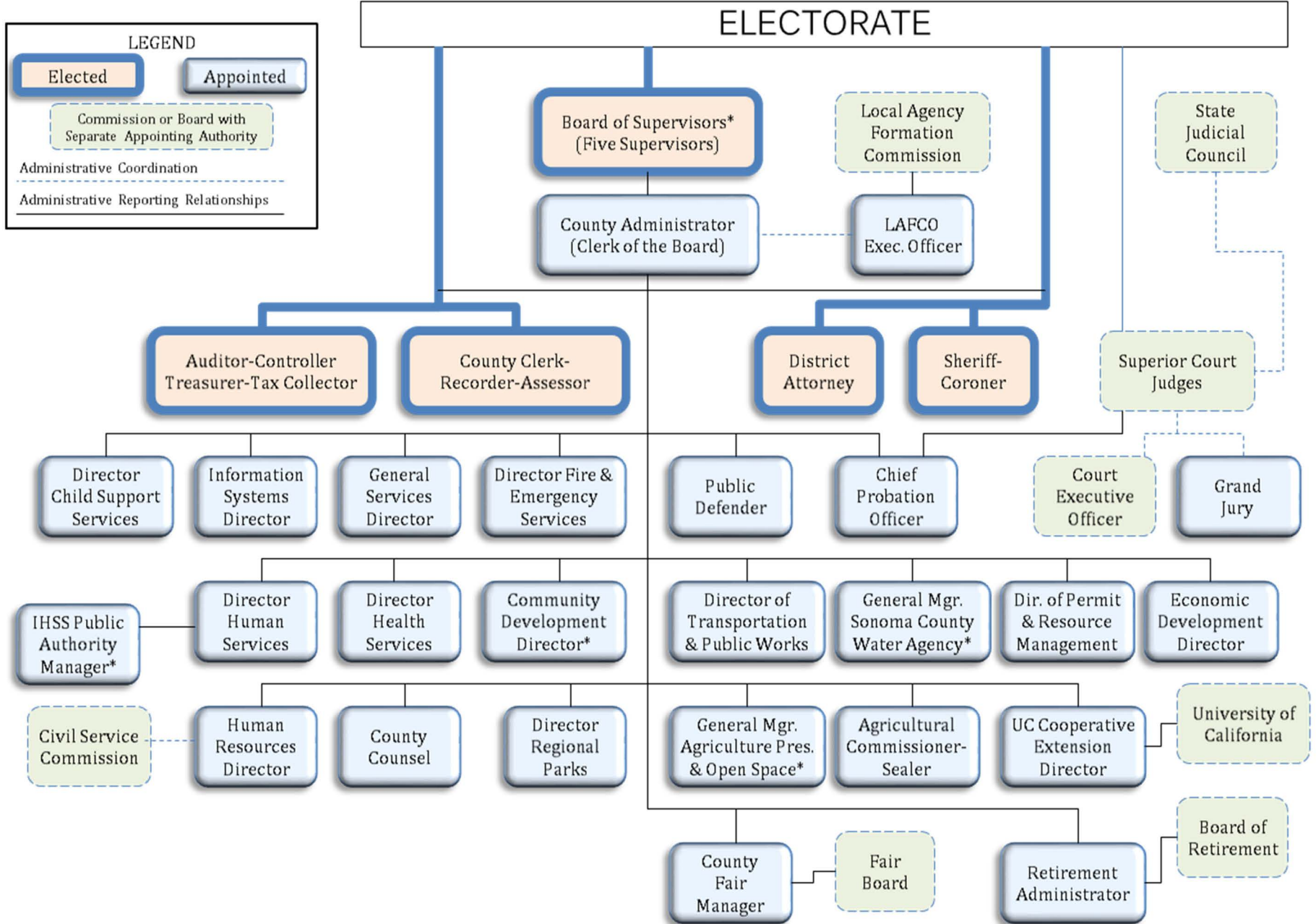
DIRECTORY OF APPOINTED AND ELECTED OFFICIALS

ELECTED OFFICIALS

Board of Supervisors:

District One.....	Susan Gorin
District Two.....	David Rabbitt
District Three	Shirlee Zane
District Four	James Gore
District Five	Efren Carrillo
Auditor-Controller-Treasurer-Tax Collector.....	Donna Dunk
County Clerk\Recorder\Assessor	William F. Rousseau
District Attorney.....	Jill Ravitch
Sheriff-Coroner	Steve Freitas

County of Sonoma chart of administrative reporting relationships on matters under the control of the Board of Supervisors



*Board of Supervisors sit as Board of Directors for the Water Agency, Ag Pres Open Space District, and IHSS Public Authority and also Commissioners of the Community Development Commission.

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Board of Supervisors
 County of Sonoma, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Sonoma, California (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 Agricultural Preservation and Open Space District (nonmajor governmental fund), Refuse Fund (major enterprise fund), Airport Fund (major enterprise fund), Energy Independence Program Fund (major enterprise fund), Transit Fund (major enterprise fund), Community Development Commission (discretely presented component unit), Sonoma County Water Agency (discretely presented component unit), Sonoma Valley County Sanitation District (discretely presented component unit), Russian River County Sanitation District (discretely presented component unit), South Park County Sanitation District (discretely presented component unit), Occidental County Sanitation District (discretely presented component unit), and First 5 Sonoma Commission (nonmajor governmental fund), which represent the following percentages of assets, net position/fund balance and revenues of the opinion units listed below:

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues
Aggregate Discretely Presented Component Units	100%	100%	100%
Governmental Activities	22%	44%	2%
Business-Type Activities	90%	88%	72%
Aggregate remaining fund information	2%	4%	1%
Major Enterprise Fund – Transit Fund	100%	100%	100%
Major Enterprise Fund – Refuse Fund	100%	100%	100%
Major Enterprise Fund – Airport Fund	100%	100%	100%
Major Enterprise Fund – Energy Independence Program Fund	100%	100%	100%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report 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 from material misstatement.

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

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statements for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1 and 3 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 22, the schedule of County's proportionate share of the net pension liability, the schedule of County's contributions, the schedule of funding progress, and the schedule of annual OPEB cost on pages 114 through 115, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual non-major fund financial 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 non-major fund financial statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Rancho Cucamonga, California

December 23, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As management of the County of Sonoma, California (the 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, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the County's Basic Financial Statements, which immediately follow this section.

Financial Highlights

- The County's *net position* was \$1.1 billion at June 30, 2016 and exceeded the prior year by \$71.7 million.
- The County's net position included \$1.3 billion in *net investment in capital assets*, \$214.8 million in *restricted net position* that must be used only for specific purposes, offset by a \$(449.2) million deficit in *unrestricted net position*. The deficit is due to the continued effect of the implementation of GASB 68 in Fiscal Year 2014-15 and the reporting of *net pension liabilities*.
- The County's *governmental funds* reported combined ending *fund balance* of \$428.4 million, an increase of \$17.7 million over the prior year. Amounts available for spending include *restricted, committed, assigned and unassigned fund balances* and total 95.6% of ending fund balance. Of this amount, \$222.5 million is restricted by law or externally imposed requirements, \$7.0 million is committed for specific purposes, \$122.4 million is assigned to specific purposes determined by the Board of Supervisors, and \$19.0 million is nonspendable.
- The General Fund unassigned fund balance was \$57.5 million, or 16.9% of total General Fund *expenditures*.
- The County's *long-term liabilities* increased by \$104.3 million, or 10.5%, during the current fiscal year primarily due to a \$171.5 million increase in the net pension liability offset by scheduled principal payments and a current year bond refunding.

Additional information and analysis on the financial highlights follows in the sections and tables below.

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 consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the basic financial statements*. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements provide a broad overview of the County's finances in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the County's overall financial status.

The *Statement of Net Position* is conceptually the same as a balance sheet in the private-sector and reports the County's *assets, liabilities, and deferred inflows/outflows of resources*, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the County's financial position is improving or deteriorating.

The *Statement of Activities* reports income (revenues) and expenses. Changes in net position (revenue and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, which may occur in a future fiscal year. (e.g., uncollected taxes and earned but unused vacation leave).

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 costs through user fees and charges (*business-type activities*). Governmental activities include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. Business-type activities include Refuse, the Charles M. Schultz Sonoma County

Airport (Airport), the Energy Independence Program (SCEIP), the County of Sonoma Transportation Project (Transit), the Sonoma County Fair and Exposition, Inc. (Fair), Marinas, and other districts.

Component units are included in government-wide financial statements and are legally separate entities for which the County is financially accountable. If the component unit provides services entirely to the County, or has substantially the same governing board as the County, and there is a financial benefit or burden relationship or County management has operational responsibility, then the component is classified as a blended component unit. If a component unit does not meet any of the preceding requirements it is presented as a discrete component unit.

The following is a list of the County's blended component units:

- Sonoma County Fair and Exposition, Inc.
- Sonoma County Agricultural Preservation and Open Space District
- Sonoma County Securitization Corporation
- Sonoma County Public Financing Authority

The following are presented as discrete component units of the County:

- Sonoma County Water Agency
- Sonoma County Community Development Commission (Community Development Commission)
- Four sanitation districts: (Sonoma Valley County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District and Occidental County Sanitation District)

Fund Financial Statements

Fund financial statements are groupings of related accounts used to maintain control over resources that are 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 near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing what financial resources are available or may be needed in the 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.

The County maintains seven *major funds*: General Fund, Human Services Special Revenue Fund, Health and Sanitation Special Revenue Fund, Mandated Revenues Special Revenue Fund, Open Space Special Tax Account Special Revenue Fund, Roads Special Revenue Fund, and the 1991 Realignment Special Revenue Fund. Data from the other non-major governmental funds are combined into a single, aggregated 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 statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The County maintains two different types of proprietary funds: *enterprise funds* and *internal service funds*.

Enterprise funds are included in the government-wide financial statements as business-type activities and include Refuse, Airport, SCEIP, Transit, Fair, Marinas, and other districts.

Internal service funds are included in the government-wide financial statements under governmental activities as they predominantly benefit governmental rather than business-type functions. These funds are used to account for and allocate costs internally among the County's various internal functions. Internal service funds used by the County include: Insurance, Heavy Equipment Replacement, Enterprise Resource Planning (ERP) System, and Employee Retirement.

The proprietary fund financial statements provide separate information for Refuse, Airport, the Energy Independence Program, and Transit, 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 and therefore are not reflected in the government-wide financial statements. The accounting for fiduciary funds is similar to that used for proprietary funds.

Notes to the Basic 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 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, internal service funds, and non-major component units are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government’s financial condition. In the case of the County, *assets* and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,074,552 at the close of the fiscal year.

All dollar amounts in the following charts and analytics are expressed in thousands unless stated otherwise.

**Summary of Net Position
For the Year Ended June 30,
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2016	2015	2016	2015	2016	2015	Dollar Change	Percent Change
Assets:								
Current and other assets	\$ 570,742	\$ 566,354	\$ 105,056	\$ 111,770	\$ 675,798	\$ 678,124	\$ (2,326)	(0.3%)
Capital assets	1,246,037	1,233,001	161,855	157,396	1,407,892	1,390,397	17,495	1.3%
Total assets	1,816,779	1,799,355	266,911	269,166	2,083,690	2,068,521	15,169	0.7%
Deferred Outflows of Resources:								
Deferred charge on refunding	2,965	-	-	-	2,965	-	2,965	-
Deferred amounts related to pension	231,401	85,807	3,110	1,120	234,511	86,927	147,584	169.8%
Total deferred outflows of resources	234,366	85,807	3,110	1,120	237,476	86,927	150,549	173.2%
Liabilities:								
Current and other liabilities	61,236	61,855	6,072	10,320	67,308	72,175	(4,867)	(6.7%)
Long-term liabilities	1,035,132	926,052	64,947	69,734	1,100,079	995,786	104,293	10.5%
Total liabilities	1,096,368	987,907	71,019	80,054	1,167,387	1,067,961	99,426	9.3%
Deferred Inflows of Resources:								
Service concession arrangement	-	-	40,320	41,710	40,320	41,710	(1,390)	(3.3%)
Deferred receipts of assessment interest	-	-	457	-	457	-	457	0.0%
Deferred amounts related to pension	37,283	42,017	1,167	929	38,450	42,946	(4,496)	(10.5%)
Total deferred inflows of resources	37,283	42,017	41,944	42,639	79,227	84,656	(5,429)	(6.4%)
Net position:								
Net investment in capital assets	1,163,262	1,113,783	145,735	137,860	1,308,997	1,251,643	57,354	4.6%
Restricted	210,531	223,011	4,265	1,038	214,796	224,049	(9,253)	(4.1%)
Unrestricted	(456,299)	(481,556)	7,058	8,695	(449,241)	(472,861)	23,620	(5.0%)
Total net position	\$ 917,494	\$ 855,238	\$ 157,058	\$ 147,593	\$ 1,074,552	\$ 1,002,831	\$ 71,721	7.2%

* The 2015 balances have been restated. See Note 21 in the Notes to The Basic Financial Statements for further information.

Analysis of Net Position

The County’s total net position increased by \$71.7 million, or 7.2%, during the fiscal year. Changes in the County’s net position are described below.

Net investment in capital assets

The largest portion of the County’s net position is net investment in capital assets (e.g. land, buildings, roads, bridges, machinery, equipment and intangible assets), less the outstanding *debt* used to acquire those assets. The County uses these *capital assets* to provide services to citizens; as such, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net investment in capital assets was \$1,308,997 at fiscal year-end, and consists of investment in capital assets (net of accumulated depreciation) of \$1,407,892, less related debt of \$98,895. The \$57,354, or 4.6% increase in net investment in capital assets represents capital acquisitions and disposals, less current year depreciation and *amortization*, and the addition and/or retirement of related long-term debt.

Restricted net position

Restricted net position of \$214,796 represents resources that are subject to external restrictions on their use, or by enabling legislation. Due to the unique nature of funding sources, the County has significantly more restricted net position dollars than unrestricted net position dollars.

Restricted net position decreased by \$9,253 or (4.1)%. Significant changes to restricted net position, by function, include:

- Public Ways and Facilities decreased by \$9,128 due to road maintenance expenses paid for with restricted gas tax revenues.
- General Government decreased by \$18,339 primarily due to the transferring of \$30 million toward the County's issuance of refunding debt during this fiscal year offset by an \$8 million increase in the *Capital Projects Fund* to improve County roads.
- Health and Sanitation increased by \$4,390 primarily due to the state releasing \$7,240 in revenues related to expenses incurred in prior years (SB 90 claims), offset by increased spending in the Crisis Stabilization Unit, the Crisis Assessment, Prevention, and Education Team program, and the implementation of a Suicide Prevention program.
- Public Assistance increased by \$7,121 due to additional intergovernmental funding and reimbursements received for In Home Support Services, Medical, adoption programs, and the Title IV-E Waiver Foster Care program.
- Public Protection increased \$6,327 primarily due to increases in 2011 realignment revenues for probation and public defender programs.

Unrestricted net position

Unrestricted net position is a *deficit* of \$(449,241). The majority of the deficit is due to financial reporting for the *net pension liability*. Unrestricted net position increased by \$23,620, or 5.0%, over the prior year, primarily as a result of a \$16,040 increase in the Roads Special Revenue Fund and an \$11,364 increase in the General Fund.

Analysis of Primary Government

The Primary Government (Governmental and Business-type activities) increased net position by \$71.7 million or 7.2%, to \$1,074,552 for the year ended June 30, 2016.

**Changes in Net Position
For the Fiscal Year Ended June 30,
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2016	2015	2016	2015	2016	2015	Dollar Change	Percent Change
Revenues:								
Program revenues:								
Charges for services	\$ 108,020	\$ 93,980	\$ 31,938	\$ 55,249	\$ 139,958	\$ 149,229	\$ (9,271)	(6.2%)
Operating grants and contributions	471,383	426,888	13,232	12,238	484,615	439,126	45,489	10.4%
Capital grants and contributions	3,102	7,754	7,712	21,369	10,814	29,123	(18,309)	(62.9%)
General revenues:								
Property taxes	222,211	208,316	-	-	222,211	208,316	13,895	6.7%
Documentary transfer taxes	5,541	4,953	-	-	5,541	4,953	588	11.9%
Transient occupancy taxes	14,188	16,759	-	-	14,188	16,759	(2,571)	(15.3%)
Grants and other governmental revenues not restricted to specific programs								
	40,686	39,153	-	-	40,686	39,153	1,533	3.9%
Unrestricted investment earnings	8,331	6,157	370	25	8,701	6,182	2,519	40.7%
Other	17,583	22,561	65	70	17,648	22,631	(4,983)	(22.0%)
Total operating revenues	891,045	826,521	53,317	88,951	944,362	915,472	28,890	3.2%
Expenses:								
General government	109,637	95,094	-	-	109,637	95,094	14,543	15.3%
Public protection	281,574	272,963	-	-	281,574	272,963	8,611	3.2%
Public ways and facilities	38,964	36,868	-	-	38,964	36,868	2,096	5.7%
Health and sanitation	132,071	118,085	-	-	132,071	118,085	13,986	11.8%
Public assistance	212,754	201,913	-	-	212,754	201,913	10,841	5.4%
Education	1,056	1,020	-	-	1,056	1,020	36	3.5%
Recreation and cultural services	16,004	14,482	-	-	16,004	14,482	1,522	10.5%
Interest on long-term debt	35,344	37,598	-	-	35,344	37,598	(2,254)	(6.0%)
Refuse	-	-	5,494	26,492	5,494	26,492	(20,998)	(79.3%)
Airport	-	-	5,330	4,743	5,330	4,743	587	12.4%
Energy Independence Program	-	-	2,581	2,197	2,581	2,197	384	17.5%
Transit	-	-	17,923	16,762	17,923	16,762	1,161	6.9%
Fair	-	-	10,661	13,645	10,661	13,645	(2,984)	(21.9%)
Marinas	-	-	2,213	2,708	2,213	2,708	(495)	(18.3%)
Other	-	-	1,035	1,235	1,035	1,235	(200)	(16.2%)
Total operating expenses	827,404	778,023	45,237	67,782	872,641	845,805	26,836	3.2%
Excess before transfers	63,641	48,498	8,080	21,169	71,721	69,667	2,054	2.9%
Transfers	(1,385)	(1,464)	1,385	1,464	-	-	-	0.0%
Change in net position	62,256	47,034	9,465	22,633	71,721	69,667	2,054	2.9%
Net position at beginning of year as restated	855,238	808,204	147,593	124,960	1,002,831	933,164	69,667	7.5%
Net position at end of year	\$ 917,494	\$ 855,238	\$ 157,058	\$ 147,593	\$ 1,074,552	\$ 1,002,831	\$ 71,721	7.2%

* The 2015 balances have been restated. See Note 21 in the Notes to The Basic Financial Statements for further information.

Analysis of Governmental Activities

Governmental activities increased the County's net position to \$917,494, an increase of \$62,256 over the prior year, accounting for 86.8% of the County's total increase in net position. Governmental activities operating revenues exceeded operating expenses by \$63,641. Transfers to business-type activities decreased net position by \$1,385.

Revenues:

Operating revenues for the County's governmental activities had an overall increase from the prior year of \$64,524 or 7.8%, to \$891,045. Revenues are divided into two categories: *Program Revenues* and *General Revenues*.

Program Revenues:

Program Revenues overall increased \$53,883, or 10.2%, from the prior year to \$582,505. As an arm of the state government, a significant portion of charges for services and operating grants and contributions are tied to mandated services such as public assistance, health and alcohol/drug/mental health services (ADMHS). Program revenues represent 65.4% of the County's funding for governmental activities.

- Charges for services increased by \$14,040, or 14.9%, to \$108,020 due mainly to an increase of \$10,798 in General Government services, related primarily to property tax late payment fines and fees, and a \$1,961 increase in Public Protection services provided to external customers primarily for planning and engineering services.
- Operating grants and contributions increased by \$44,495, or 10.4% to \$471,383 due primarily to:
 - General Government increased \$15.7 million, comprised of approximately \$12 million in vehicle license fees reclassifications from the Health and Sanitation Function and a \$3.0 million increase in contributions to the Agricultural Preservation and Open Space District Special Revenue Fund received from the Open Space Special Tax Account Special Revenue Fund for capital acquisitions.
 - Public Protection increased \$6,615 primarily due to the collection of state revenues related to prior years.
 - Health and Sanitation increased \$9,515, comprised of increased funding for various programs including Foundation Fighting Blindness, Triage and Bridges grants, Medi-Cal, Substance Abuse Prevention and Treatment, California Health Facilities Financing Authority funding for Crisis Stabilization, and Women, Infant & Children Programs.
 - Public Assistance increased \$15,793 primarily due to an increase in the Adoptions program reimbursement rate and case load, reimbursements and allocations for In Home Support Services, Medi-Cal and Title IV-E Waiver funding for Foster Care.
- Capital grants and contributions decreased due to a decrease in property donations from the Sonoma County Agricultural Preservation & Open Space District to Parks Capital Projects.

General Revenues

General Revenues had an overall increase of \$10,641, or 3.6%, to \$308,540 from the prior year. These revenues include general taxes that provided the Board of Supervisors with the most discretionary spending ability.

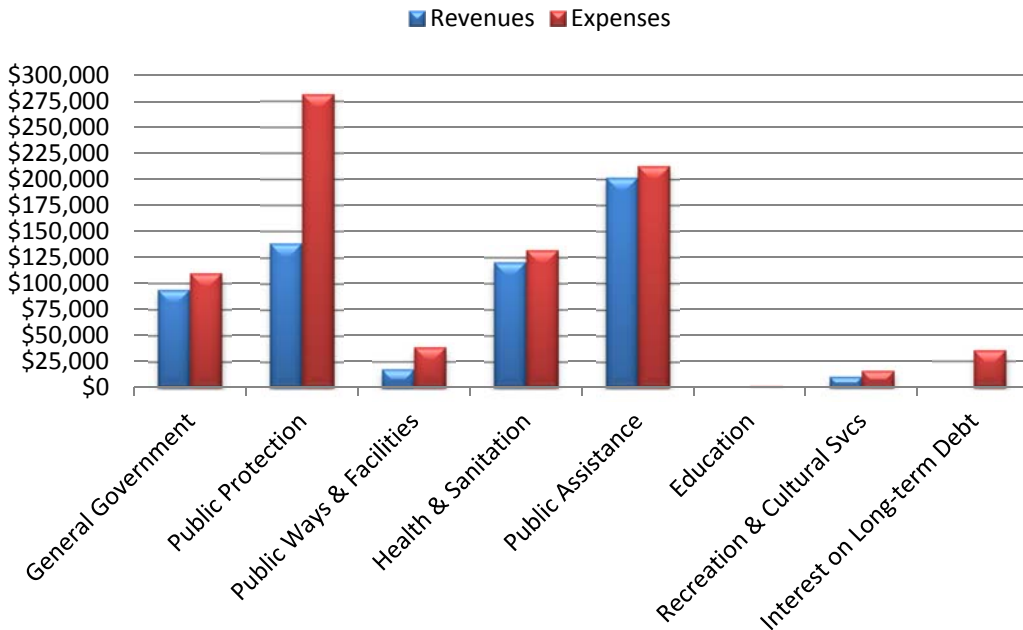
- Property tax revenues increased by \$13,895, or 6.7%, to \$222,211 due to a 6.9% increase in secured property tax values.
- Revenues related to fines, forfeitures and penalties increased \$7,564 primarily as a result of the Board of Supervisors approval to transfer funds from the Tax Loss Reserve Special Revenue Fund for funding of road maintenance and improvements.
- Transient occupancy taxes decreased \$2,571 due to a change in accounting method in the prior year that resulted in five quarters of revenues in the prior year compared to four quarters in the current year. Adjusted to a comparable annual basis, transient occupancy tax revenues increased \$1,429 or 11.2%.
- Grants and other governmental revenues not restricted for specific programs increased by \$1,533, or 3.9%, to \$40,686 due to an increase in sales tax revenues.
- Unrestricted investment earnings increased by \$2,174 or 35.3%, to \$8,331 due to market interest rate increases which positively affected the Treasury Pool return and the fair market value of the Treasury Pool.
- Other general revenues decreased by \$4,978 or 22.1% to \$17,583 due to transactional timing differences in FY 15-16 compared to FY 14-15.

Expenses:

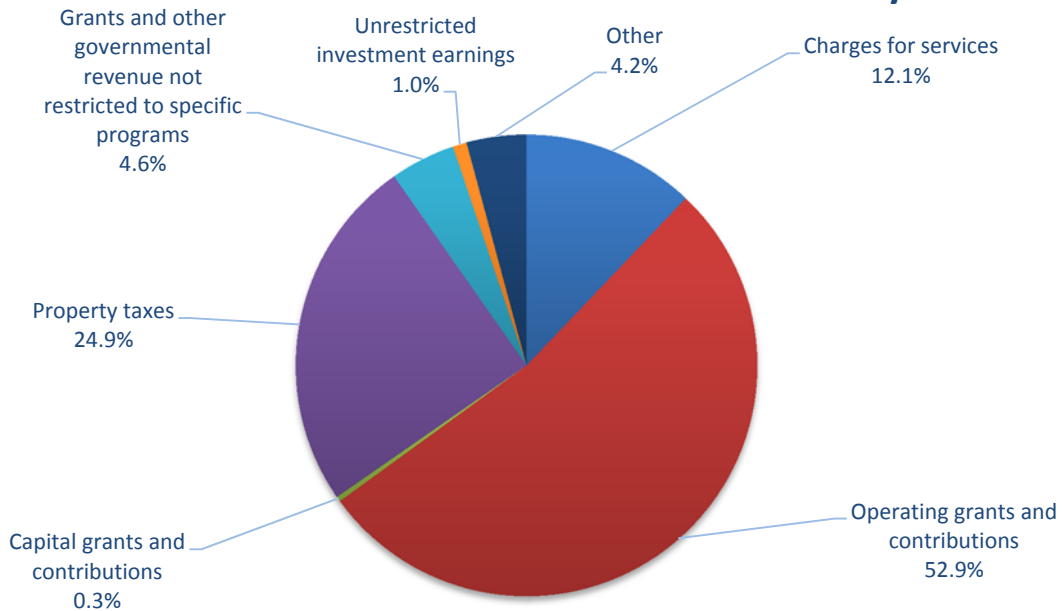
Total expenses for governmental activities increased \$49,381, or 6.3%, from the prior year to \$827,404.

- General Government function expenses increased by \$14,543, or 15.3%, to \$109,637 due primarily to a \$1.6 million increase in employee benefits resulting from labor negotiations, a \$1 million Redevelopment Agency distribution, and \$4.6 million in payroll tax penalties (see Note 18 in the Basic Financials for more information).
- Public Protection function expenses increased by \$8,611, or 3.2% to \$281,574 due primarily to an increase in Sheriff salaries and benefit costs resulting from increased overtime and new employee contracts, \$2.1 million increase in Probation spending for the Title IV-E Well-Being Project, Keeping Kids in School truancy reduction program, juvenile hall, and adult supervision, \$2.8 million increase in Permit and Resource Management Department (PRMD) salaries and benefits, and services and supply costs related to increased workload in Engineering, Comprehensive Planning (Special Projects) and PRMD Administration, and pass through project costs related to the generation of grants and at-cost charges for services revenue.
- Health and Sanitation expenses increased by \$13,986 or 11.8% to \$132,071 primarily due to a \$6,580 increase in spending on the Crisis Stabilization Unit, expansion of mental health services and the Crisis Assessment Prevention, and Education Team program, and a \$5,036 increase in spending of 1991 Realignment funds primarily due to increased costs for mental and medical health programs.
- Public Assistance function expenses increased by \$10,841 or 5.4% to \$212,754 primarily due to an increase in Title IV-E Waiver spending resulting from increased funding and an increase in salaries and benefits resulting from labor negotiations.

Governmental Activities - Expenses and Program Revenues



Governmental Activities - Revenues by Source

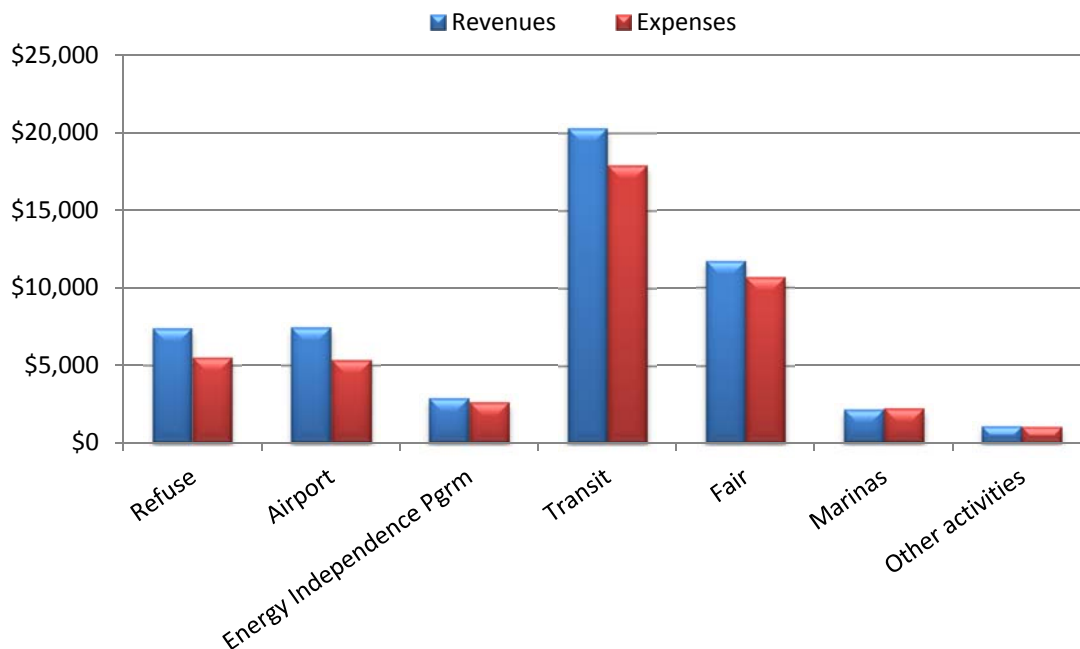


Analysis of Business-Type Activities

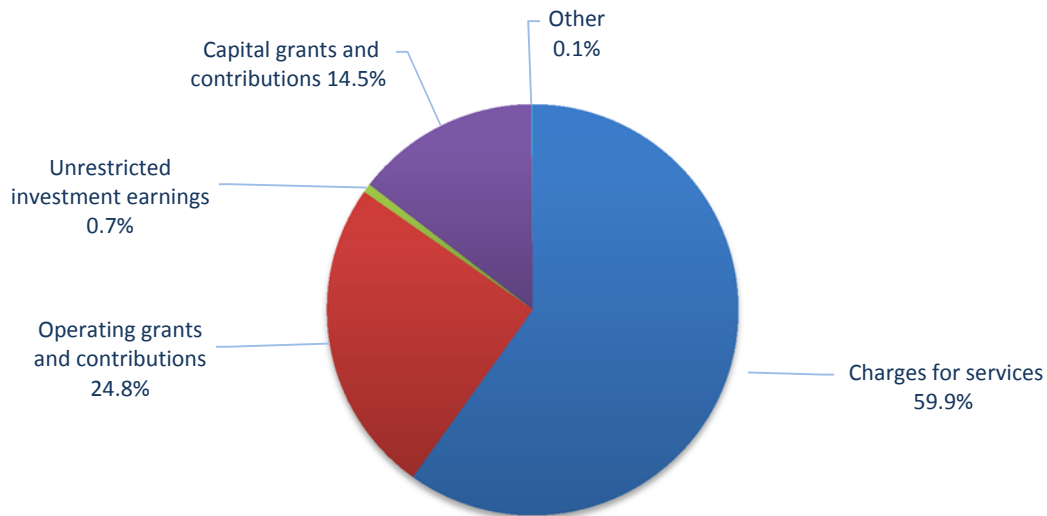
Business-type activities net position increased by \$9,465, to \$157,058 for the year ended June 30, 2016, accounting for 13.2% of the County's total increase in net position.

Revenues for the County's Business-Type Activities had a significant overall decrease from the prior year of \$35,634 or 40.1% to \$53,317 which is discussed in detail starting with Proprietary Funds.

Business-Type Activities - Expenses and Program Revenues



Business-Type Activities - Revenues by Source



Financial Analysis of the Government's Funds

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, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2016, the County's governmental funds reported combined fund balances of \$428,375, an increase of \$17,728 compared to the prior year. The components of fund balance are as follows, and with the exception of nonspendable fund balance, are available for *appropriation* at any time (for more information see Note 13 – Fund Balances):

- Nonspendable fund balance, \$18,999, consists of amounts that are not spendable in form or are legally or contractually required to be maintained intact and primarily consists of:
 - Advances - \$14,198
 - Prepaid items and deposits - \$3,843
 - Inventories - \$958
- Restricted fund balance, \$222,475, consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations and enabling legislation and consists of amounts restricted to:
 - Agricultural Preservation and Open Space District - \$63,610
 - Capital projects and equipment replacement - \$36,923
 - Debt service - \$13,017
 - First 5 Children and Families Commission - \$15,810
 - Health services programs - \$18,006
 - Lighting districts - \$7,289

- Public assistance - \$12,433
 - Public protection - \$28,560
 - Road maintenance - \$9,499
 - Clerk, Recorder, Assessor operations - \$4,416
 - Courthouse/criminal justice construction - \$2,464
 - Air pollution control - \$3,943
 - Other - \$6,505 (includes fire and emergency services, parks donations, mitigation & operations and other programs)
- Committed fund balance, \$7,027, consists of amounts that have been committed to specific purposes by the Board of Supervisors and consists of amounts committed to:
 - Advertising activities - \$5,985
 - Roads Aggregate Resources Management activities- \$1,039
 - Other programs - \$3
 - Assigned fund balance, \$122,377, represents amounts intended for use as determined by the Board of Supervisors and consists of amounts assigned to:
 - Capital projects and equipment replacement - \$47,252
 - Fiscal year 2016-17 budgetary deficit - \$15,027
 - Road maintenance - \$10,554
 - Tribal development impact mitigation - \$13,170
 - Redevelopment agencies - \$18,600
 - Public protection - \$3,413
 - General services - \$6,907
 - Other programs - \$7,454 (includes encumbrances, audit reserves and other programs)
 - Unassigned fund balance, \$57,497, represents the residual classification for the General Fund and negative amounts from other governmental funds, if any.

Approximately 95.6%, or \$409,376, of the total fund balance is available to meet the County's current and future needs. With the approval of the Board of Supervisors, County management can earmark a portion of fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of fund balance. With the exception of the nonspendable portion, fund balances are available for appropriation at any time.

General Fund

The General Fund is the main operating fund of the County. The General Fund's total fund balance increased by 10.5%, or \$13,876, to \$145,765 at June 30, 2016. The nonspendable portion of fund balance was \$14,673 and the spendable portion was \$131,092, an increase of \$11,277, or 9.4%, from the prior year spendable balance of \$119,815. The increase in the spendable fund balance is mainly due to strategic cost saving measures implemented by the Board of Supervisors during the current year, increased property tax revenues, and County-wide efforts to reduce spending.

As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total General Fund expenditures. Total fund balance equates to approximately 42.9% of total General Fund expenditures. Total spendable fund balance equates to 38.6% of total General Fund expenditures. Of the General Fund spendable fund balance, \$73,592, or 56.1%, was assigned. There was no restricted fund balance. General Fund unassigned fund balance at June 30, 2016, was \$57,497, or 43.9% of spendable fund balance, an increase of \$2,172 from the prior year balance of \$55,325.

Other Major Governmental Funds

As compared with the prior year, the total fund balances of the remaining governmental funds increased 1.4%, or \$3,852, to \$282,610 with the following significant changes:

- Human Services Special Revenue fund balance increased by \$7,038, from \$8,098 to \$15,406 as a result of additional intergovernmental funding, allocations and reimbursements for various programs.
- The Open Space Special Tax Account Special Revenue fund balance decreased by \$18,451, from \$75,040 to \$56,589 due to transfers related to a current year bond refunding.
- The Roads Special Revenue fund balance increased by \$16,611 from \$41,978 to \$58,589. The majority of this increase is attributed to additional operating transfers received from the General Fund to provide funding for County road improvements/maintenance.
- The fund balance for nonmajor governmental funds as a whole decreased by \$7,333 from \$98,050 to \$90,717 primarily due to expenditures related to a Sonoma County Agricultural Preservation and Open Space District bond refunding.

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 total net position of County enterprise funds increased by \$9,465 in the current year to \$157,058, primarily due to:

- Refuse net position increased \$2,981, from \$19,555 to \$22,356. Overall revenues decreased by \$21,963 compared to the prior year due to the Service Concession Arrangement (SCA) with Republic Services to operate the central landfill and transfer stations starting April 1, 2015. The decrease in revenues was offset by a decrease in expense of \$20,500 compared to the prior year due to reduced operating and maintenance costs as a result of the SCA. Total revenues and operating transfers exceeded total expenses by \$2,981 as compared to \$3,942 in the prior fiscal year.
- Airport net position increased by \$2,113, from \$78,327 to \$80,440, primarily due to \$1,837 in capital contributions of FAA grants for airport improvements.
- Transit net position increased by \$2,462, from \$30,335 to \$32,997, primarily due to Transportation Development Act (TDA) operating grants and Federal and State Transit Assistance (STA) grants.
- Sonoma County Energy Independence Program (SCEIP) net position increased \$295 from \$1955 to \$2,250 primarily as a result of \$2,845 in assessment interest income and fees offset by \$2,582 in total program expenses.
- Non-major enterprise funds net position increased by \$1,614 from \$17,221 to \$18,835 primarily due to reduced services, supplies, salaries and employee benefit costs.

The net position of the internal service funds decreased by \$7,414 from \$(524,901) to \$(532,315), primarily due to:

- Insurance internal service fund net position decreased by \$6,322 from \$32,249 to \$25,927, primarily due to a \$3,262 operating loss resulting from unemployment insurance collection rates charged to departments strategically set to utilize accumulated net position and a \$3.5 million transfer to the General Fund.

General Fund Budgetary Highlights

The County's final *budget* appropriations for expenditures for the General Fund differ from the original budget by \$17,919, or 4.9%. The major changes in appropriations are as follows:

- Other General Government increased by \$10,109 primarily due to \$1,600 in employee benefits related to SEIU negotiations, \$4,600 payroll tax penalty accrual and a \$1,000 Redevelopment Successor Agency distribution.
- Sheriff Division increased by \$2,814 for increased salary and benefits related to overtime, new employee contracts and related benefits.
- Probation Division increased by \$1,086 for increased costs primarily related to the Title IV-E Well-Being Project, Keeping Kids in School truancy reduction program, juvenile hall and adult supervision.
- Permit and Resource Management increased by \$1,580 related to increased salaries, benefits, services and supplies costs for increased workloads in Engineering, Comprehensive Planning (Special Projects), and PRMD administration.

Revenues:

General Fund actual revenues were \$4,033 greater than the final budget revenue estimates. The main reasons are as follows:

- Tax revenues out performed revenue estimates by \$8,081, or 3.4%, primarily due to the gradual recovery of the real estate market and overall real estate values.
- Licenses, permits, and franchise fees had a positive \$3,880, or 24.9%, variance from revenue estimates due to an increase in permit and franchise fees.
- Intergovernmental revenues were under budgeted estimates by \$4,448, or 4.8%, due primarily to the County collecting less revenue than anticipated from a variety of federal and state reimbursement sources, which in most cases also had offsetting expenditure savings.
- Charges for services under performed revenue estimates by \$6,273 primarily due to reduction in Assessment and Admin fees and information technology projects.
- Miscellaneous revenues increased \$3,301 primarily due to funding received from the state related to prior years.

Expenditures:

General Fund expenditures variance between the final budget and actual expenditures resulted in \$27,039 of unspent appropriations. Key variances are as follows: \$9,818 cost savings in salaries and benefits expenditures, primarily in General Government and Public Protection, \$10,509 savings in services and supplies, primarily in General Government and Public Protection, \$4,370 savings in other charges, primarily in General Government, \$3,451 in unspent appropriations for contingencies, \$1,436 in capital expenditures, primarily in General Government, offset by an increase in reimbursements of \$5,556, primarily in Public Protection.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2016 were \$1,407,892. Capital assets include land, intangible assets, buildings and 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 \$17,495, or 1.3%.

Capital asset activities during the current fiscal year included the following:

	Capital Assets (net of depreciation)							
	For the Fiscal Year Ended June 30,							
	(in thousands)							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Dollar</u>	<u>Percent</u>
							<u>Change</u>	<u>Change</u>
<i>Total capital assets, not being depreciated</i>								
Intangible assets	\$ 319,639	\$ 312,995	\$ -	\$ -	\$ 319,639	\$ 312,995	\$ 6,644	2.1%
Land	397,974	398,246	23,143	23,381	421,117	421,627	(510)	(0.1%)
Work in progress	8,882	17,546	-	-	8,882	17,546	(8,664)	(49.4%)
Construction in progress	55,920	46,674	9,647	55,781	65,567	102,455	(36,888)	(36.0%)
Total capital assets, not being depreciated	<u>782,415</u>	<u>775,461</u>	<u>32,790</u>	<u>79,162</u>	<u>815,205</u>	<u>854,623</u>	<u>(39,418)</u>	<u>(4.6%)</u>
<i>Total capital assets, net of accumulated depreciation</i>								
Intangible assets	21,442	16,583	2,431	2,773	23,873	19,356	4,517	23.3%
Infrastructure	137,477	138,776	1,502	1,572	138,979	140,348	(1,369)	(1.0%)
Buildings and improvements	276,176	276,471	109,161	60,135	385,337	336,606	48,731	14.5%
Land improvements	810	811	46	50	856	861	(5)	(0.6%)
Machinery and equipment	27,717	24,899	15,925	13,704	43,642	38,603	5,039	13.1%
Total capital assets, being depreciated	<u>463,622</u>	<u>457,540</u>	<u>129,065</u>	<u>78,234</u>	<u>592,687</u>	<u>535,774</u>	<u>56,913</u>	<u>10.6%</u>
Total	<u>\$ 1,246,037</u>	<u>\$ 1,233,001</u>	<u>\$ 161,855</u>	<u>\$ 157,396</u>	<u>\$ 1,407,892</u>	<u>\$ 1,390,397</u>	<u>\$ 17,495</u>	<u>1.3%</u>

The County both purchases and constructs capital assets throughout the year. When a capital project will be completed in a subsequent fiscal year, related current year expenditures are recorded as Construction in progress (CIP) or Work in progress (WIP). In the year of completion, a project's CIP is allocated to the appropriate capital asset classification(s).

Total CIP decreased \$36,888 due to project completion transfers/disposals of \$75,183 offset by expenditures of \$38,295. CIP increased by \$9,246 for governmental activities and decreased \$46,134 for business-type activities, primarily due to the new Airport runway project being completed during the fiscal year.

Total WIP decreased \$8,664 due to the completion of phase II of the County's new Enterprise Financial System during the current fiscal year.

The County completed and capitalized construction in progress projects costing approximately \$73,192. Major projects completed include:

- Sonoma County's Airport runway extension - \$50,058
- Transit buses and other equipment placed in service - \$4,092

- Main Adult Detention Facility new auger system, roof replacement and security improvements - \$3,240
- Transit's Cotati Intermodal Facility - \$2,798
- Hood Mountain Regional Park trails expansion to Highway 12 - \$997
- North County Detention Facility perimeter fence security enhancements - \$908
- Americans with Disabilities Act (ADA) compliance improvements - \$625
- Human Services building security and functional improvements - \$545
- Family Justice Center roof replacement - \$327
- Fuel Cell energy complex boiler and burner replacement - \$232
- West County Trail expansion to Occidental - \$226
- Bridge improvements and road repaving - \$8,185
 - Major projects: Bennett Valley Road - \$1,435, Westside Road - \$2,492, Arnold Road - \$992

The County capitalized \$7,493 in equipment and buildings and improvements and recorded *depreciation* of \$35,014 against all depreciable capital assets. Capital asset disposals totaled \$2,966 net of accumulated depreciation. Additional capital asset information, including depreciation and outstanding CIP as of June 30, 2016, can be found in Note 7 of the Notes to the Financial Statements.

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities of \$1,100,079.

**Long Term Liabilities
For the Fiscal Year Ended June 30,
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2016	2015	2016	2015*	2016	2015*	Dollar Change	Percent Change
Pension obligation bonds	\$ 425,250	\$ 443,565	\$ -	\$ -	\$ 425,250	\$ 443,565	\$ (18,315)	(4.1%)
Net pension liability	343,189	173,436	5,367	3,587	348,556	177,023	171,533	96.9%
Bonds and bond premium payable	55,415	87,254	-	-	55,415	87,254	(31,839)	(36.5%)
Loans payable	74,490	76,246	17	19	74,507	76,265	(1,758)	(2.3%)
Net OPEB obligation	46,042	52,628	-	-	46,042	52,628	(6,586)	(12.5%)
Certificates of participation	22,356	25,384	-	-	22,356	25,384	(3,028)	(11.9%)
Notes payable	-	-	7,200	8,400	7,200	8,400	(1,200)	(14.3%)
Self-Insurance	40,080	40,442	-	-	40,080	40,442	(362)	(0.9%)
Compensated absences	25,448	23,707	480	479	25,928	24,186	1,742	7.2%
Landfill closure and postclosure obligation	-	-	4,834	5,005	4,834	5,005	(171)	(3.4%)
Energy bonds payable	-	-	38,250	42,427	38,250	42,427	(4,177)	(9.8%)
Advances from other governments	-	-	8,799	9,817	8,799	9,817	(1,018)	(10.4%)
Other long-term obligations	2,862	3,390	-	-	2,862	3,390	(528)	(15.6%)
Total	\$ 1,035,132	\$ 926,052	\$ 64,947	\$ 69,734	\$ 1,100,079	\$ 995,786	\$ 104,293	10.5%

* The 2015 balances have been restated. See Note 21 in the Notes to The Basic Financial Statements for further information.

Long-term liabilities increased by \$104,293, or 10.5%, during the current fiscal year largely driven by increases in net pension liability \$171,533 offset by a total Bonds payable decrease of \$36,016 from the partial refunding of the 2007 Open Space Bonds, principal payments on pension obligation bonds of \$18,315 and many other smaller decreases as noted on the table above.

Additional information on the County's long-term liabilities can be found in Note 10 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sonoma County's economy is seeing positive trends led by increased consumer spending, increased real estate values, increased tourism and decreased unemployment. We are expecting the economic upturn to continue through the next fiscal year. A summary of current Sonoma County economic factors follows:

- The County's Net Position increased by \$71.7 million, as County revenues exceeded expenses.
- Sonoma County unemployment rate is currently at 4.1%, an improvement from the County's unemployment rate of 4.3% in 2015.
- Per capita income increased 8.0% when compared to the prior year.
- County-wide retail sales increased 4.7% when compared to the prior year.
- Real estate prices continued to rise during 2016, with the median home price increasing by \$47, or 9.4%, from the prior year.
- From a county-wide perspective, most tax revenues increased, transient occupancy tax increased by 8.9%, local sales tax increased by 14.5%, and the County's largest revenue source, secured property taxes, increased by 7.4% going from \$863.0 million to \$926.6 million.

The adopted budget for the next year adheres to the County's policy for fiscal discipline and reflects an expectation of continued modest regional economic growth. The budget addresses new labor agreements and operational changes, while maintaining focus on advancing the Board's strategic priority projects to support a safe, healthy and caring community, promote economic and environmental stewardship, and invest in the future.

The following factors were included in preparing the County's operational budget for fiscal year 2016-2017:

- The County's budget for fiscal year 2016-2017 is \$1.65 billion representing a \$23 million, or 1.4%, increase from the prior year budget. While the General Fund budget includes tax revenue growth, the Special Revenue Funds depict revenue reduction due to a cost allocation change between funds, not due to decreased program funding or activity.
- The General Fund budget totals \$443.4 million, an increase of \$12.2 million, or 2.8%.
- Anticipated secured property tax revenue is expected to increase by 6.1% from \$74.0 billion in fiscal year 2015-2016 to \$78.5 billion in fiscal year 2016-2017. Unsecured property tax revenue is also expected to increase.
- Long term funding for road infrastructure, pension cost reduction, and keeping strong reserves.
- The State of California adopted a budget on time and its financial condition continues to improve. The improving condition of State finances is helping the County's own effort to balance the local budget. In an effort to maintain a balanced budget, which is an adopted County policy, the Board continues to take a cautious fiscal approach.

New this year, as part of management's commitment to transparency, open government, and citizen engagement, a new budget tool has been developed to facilitate the public's review of the County's budget. The Sonoma County Budget link is <http://budget.sonomacounty.ca.gov#!/year/default>.

BASIC FINANCIAL STATEMENTS



COUNTY OF SONOMA, CALIFORNIA

Statement of Net Position

June 30, 2016

(Dollars in Thousands)

	Primary Government			Discrete Component Units		
	Governmental	Business-Type	Total	Community	Sonoma	Nonmajor
	Activities	Activities		Development	County	Component
			Commission	Water Agency	Units	
ASSETS:						
Cash and investments	\$ 402,160	\$ 53,796	\$ 455,956	\$ 20,925	\$ 163,758	\$ 24,418
Restricted cash and investments	14,307	2,572	16,879	17	15,297	6,282
Receivables, net	55,055	40,849	95,904	61,493	10,208	1,558
Inventories	958	725	1,683	-	19	-
Assets held for resale	-	-	-	-	1,388	-
Internal balances	582	(582)	-	-	-	-
Due from other governments	93,584	7,218	100,802	-	-	63
Advances to other governments	-	-	-	-	-	1,622
Prepaid expenses and deposits	4,096	478	4,574	25	3,630	182
Capital assets:						
Nondepreciable	782,415	32,790	815,205	6,750	157,019	16,049
Depreciable, net	463,622	129,065	592,687	2,799	194,513	102,747
Total assets	<u>1,816,779</u>	<u>266,911</u>	<u>2,083,690</u>	<u>92,009</u>	<u>545,832</u>	<u>152,921</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred charge on refunding	2,965	-	2,965	-	760	357
Deferred amounts related to pensions	231,401	3,110	234,511	2,179	14,912	-
Total deferred outflows of resources	<u>234,366</u>	<u>3,110</u>	<u>237,476</u>	<u>2,179</u>	<u>15,672</u>	<u>357</u>
LIABILITIES:						
Accounts payable and accrued liabilities	37,974	3,792	41,766	682	6,510	1,123
Due to other governments	8,957	398	9,355	274	481	-
Advances from grantors and third parties	8,522	1,259	9,781	-	-	43
Interest payable	3,146	519	3,665	-	2,587	441
Deposits and other liabilities	-	104	104	34	47	-
Other liabilities	2,637	-	2,637	183	5,415	1,298
Long-term liabilities:						
Due within one year	67,197	10,354	77,551	191	8,800	2,155
Due in more than one year	967,935	54,593	1,022,528	3,410	163,592	29,417
Total liabilities	<u>1,096,368</u>	<u>71,019</u>	<u>1,167,387</u>	<u>4,774</u>	<u>187,432</u>	<u>34,477</u>
DEFERRED INFLOWS OF RESOURCES:						
Service concession arrangement	-	40,320	40,320	-	-	-
Deferred receipts of assessment interest	-	457	457	-	-	-
Deferred amounts related to pensions	37,283	1,167	38,450	354	2,538	-
Total deferred inflows of resources	<u>37,283</u>	<u>41,944</u>	<u>79,227</u>	<u>354</u>	<u>2,538</u>	<u>-</u>
NET POSITION:						
Net investment in capital assets	<u>1,163,262</u>	<u>145,735</u>	<u>1,308,997</u>	<u>9,549</u>	<u>206,503</u>	<u>87,582</u>
Restricted:						
Capital projects	24,979	323	25,302	-	-	-
Debt service	13,017	3,852	16,869	-	-	-
Agricultural preservation and open spaces	63,610	-	63,610	-	-	-
First 5 Children and Families Commission	15,810	-	15,810	-	-	-
Health services programs	18,006	-	18,006	-	-	-
Public protection	28,560	-	28,560	-	-	-
Public assistance	12,433	-	12,433	-	-	-
Parks Donations, Mitigation and operations	2,427	-	2,427	-	-	-
Road maintenance	9,499	-	9,499	-	-	-
Lighting districts	7,289	-	7,289	-	-	-
Air pollution control	3,943	-	3,943	-	-	-
Fire and emergency services	2,817	-	2,817	-	-	-
Courthouse/Criminal Justice Construction	2,464	-	2,464	-	-	-
Clerk, Recorder, Assessor operations	4,416	-	4,416	-	-	-
Other programs	1,261	90	1,351	-	-	-
Discrete Component Units	-	-	-	1	108,448	6,043
Total Restricted	<u>210,531</u>	<u>4,265</u>	<u>214,796</u>	<u>1</u>	<u>108,448</u>	<u>6,043</u>
Unrestricted	<u>(456,299)</u>	<u>7,058</u>	<u>(449,241)</u>	<u>79,510</u>	<u>56,583</u>	<u>25,176</u>
Total net position	<u>\$ 917,494</u>	<u>\$ 157,058</u>	<u>\$ 1,074,552</u>	<u>\$ 89,060</u>	<u>\$ 371,534</u>	<u>\$ 118,801</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Activities

For the Fiscal Year Ended June 30, 2016

(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	\$ 109,637	\$ 52,021	\$ 41,251	\$ 609
Public protection	281,574	34,737	103,454	188
Public ways and facilities	38,964	395	17,379	-
Health and sanitation	132,071	6,501	113,993	-
Public assistance	212,754	9,173	192,324	78
Education	1,056	-	46	-
Recreation and cultural services	16,004	5,193	2,936	2,227
Interest on long-term debt	35,344	-	-	-
Total governmental activities	<u>827,404</u>	<u>108,020</u>	<u>471,383</u>	<u>3,102</u>
Business-type activities:				
Refuse	5,494	7,380	-	-
Airport	5,330	4,935	642	1,837
Energy Independence Program	2,581	2,845	-	-
Transit	17,923	2,035	12,590	5,692
Fair	10,661	11,520	-	183
Marinas	2,213	2,145	-	-
Other	1,035	1,078	-	-
Total business-type activities	<u>45,237</u>	<u>31,938</u>	<u>13,232</u>	<u>7,712</u>
Total primary government	<u>\$ 872,641</u>	<u>\$ 139,958</u>	<u>\$ 484,615</u>	<u>\$ 10,814</u>
Component units:				
Community Development Commission	\$ 37,081	\$ 724	\$ 37,868	\$ -
Sonoma County Water Agency	82,014	50,325	6,194	1,668
Sonoma Valley Sanitation District	14,440	14,990	78	252
Russian River Sanitation District	5,033	4,312	-	12
South Park Sanitation District	2,507	3,513	-	7
Occidental Sanitation District	1,178	544	615	235
Total component units	<u>\$ 142,253</u>	<u>\$ 74,408</u>	<u>\$ 44,755</u>	<u>\$ 2,174</u>

GENERAL REVENUES:

Taxes:

 Property

 Documentary transfer

 Transient occupancy

Grants and other governmental revenues

 not restricted to specific programs

Unrestricted investment earnings

Other

TRANSFERS

Total general revenues and transfers

Change in net position

NET POSITION, BEGINNING OF YEAR, as restated

NET POSITION, END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Discrete Component Units		
Governmental Activities	Business- Type Activities	Total	Community Development Commission	Sonoma County Water Agency	Nonmajor Component Units
\$ (15,756)	\$ -	\$ (15,756)			
(143,195)	-	(143,195)			
(21,190)	-	(21,190)			
(11,577)	-	(11,577)			
(11,179)	-	(11,179)			
(1,010)	-	(1,010)			
(5,648)	-	(5,648)			
(35,344)	-	(35,344)			
<u>(244,899)</u>	<u>-</u>	<u>(244,899)</u>			
-	1,886	1,886			
-	2,084	2,084			
-	264	264			
-	2,394	2,394			
-	1,042	1,042			
-	(68)	(68)			
-	43	43			
<u>-</u>	<u>7,645</u>	<u>7,645</u>			
<u>(244,899)</u>	<u>7,645</u>	<u>(237,254)</u>			
			\$ 1,511	\$ -	\$ -
			-	(23,827)	-
					880
					(709)
					1,013
					216
			<u>1,511</u>	<u>(23,827)</u>	<u>1,400</u>
222,211	-	222,211	-	23,676	142
5,541	-	5,541	-	-	-
14,188	-	14,188	-	-	-
40,686	-	40,686	-	-	-
8,331	370	8,701	1,465	2,666	394
17,583	65	17,648	-	-	(25)
(1,385)	1,385	-	-	-	-
<u>307,155</u>	<u>1,820</u>	<u>308,975</u>	<u>1,465</u>	<u>26,342</u>	<u>511</u>
62,256	9,465	71,721	2,976	2,515	1,911
855,238	147,593	1,002,831	86,084	369,019	116,890
<u>\$ 917,494</u>	<u>\$ 157,058</u>	<u>\$ 1,074,552</u>	<u>\$ 89,060</u>	<u>\$ 371,534</u>	<u>\$ 118,801</u>

FUNCTION/PROGRAM ACTIVITIES:

Primary government:

Governmental activities:

General government
Public protection
Public ways and facilities
Health and sanitation
Public assistance
Education
Recreation and cultural services
Interest on long-term debt
Total governmental activities

Business-type activities:

Refuse
Airport
Energy Independence Program
Transit
Fair
Marinas
Other
Total business-type activities

Total primary government

Component units:

Community Development Commission
Sonoma County Water Agency
Sonoma Valley Sanitation District
Russian River Sanitation District
South Park Sanitation District
Occidental Sanitation District
Total component units

GENERAL REVENUES:

Taxes:

Property
Documentary transfer
Transient occupancy
Grants and other governmental revenues
not restricted to specific programs
Unrestricted investment earnings
Other

TRANSFERS

Total general revenues and transfers

Change in net position

NET POSITION, BEGINNING OF YEAR, as restated

NET POSITION, END OF YEAR

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Balance Sheet
Governmental Funds
June 30, 2016
(Dollars in Thousands)

	General	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and investments	\$ 91,670	\$ 5,018	\$ 4,804	\$ 45,832
Cash and investments with trustee	11	3	-	2
Receivables, net				
Accounts	1,122	-	61	125
Interest and other	42,848	11	940	139
Due from other funds	7,849	6,275	782	-
Inventories	251	-	-	-
Due from other governments	21,476	21,518	30,350	567
Advances to other funds	13,356	-	-	-
Advances to other governments	842	-	-	-
Prepaid items and deposits	224	3,585	11	1
Total assets	<u>\$ 179,649</u>	<u>\$ 36,410</u>	<u>\$ 36,948</u>	<u>\$ 46,666</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES:				
Liabilities:				
Accounts payable and accrued salaries and benefits	\$ 20,217	\$ 910	\$ 4,636	\$ 76
Due to other funds	674	10,634	13,495	317
Due to other governments	3,974	3,393	1,564	-
Advances from grantors and third parties	1,077	2,212	1,692	4
Deposits from others	1,086	-	-	11
Other liabilities	10	-	1,536	855
Total liabilities	<u>27,038</u>	<u>17,149</u>	<u>22,923</u>	<u>1,263</u>
 Deferred inflows of resources:				
Unavailable revenue	<u>6,846</u>	<u>3,855</u>	<u>8,750</u>	<u>-</u>
Total deferred inflows of resources	<u>6,846</u>	<u>3,855</u>	<u>8,750</u>	<u>-</u>
 Fund balances:				
Nonspendable	14,673	3,585	11	1
Restricted	-	11,821	5,264	45,402
Committed	3	-	-	-
Assigned	73,592	-	-	-
Unassigned	<u>57,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>145,765</u>	<u>15,406</u>	<u>5,275</u>	<u>45,403</u>
 Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 179,649</u>	<u>\$ 36,410</u>	<u>\$ 36,948</u>	<u>\$ 46,666</u>

See accompanying notes to the basic financial statements.

Open Space Special Tax Account Special Revenue	Roads Special Revenue	1991 Realignment Special Revenue	Other Funds	Total
\$ 53,035	\$ 57,822	\$ 118	\$ 75,460	\$ 333,759
-	-	-	13,015	13,031
-	5	-	13	1,326
3,554	271	-	5,799	53,562
-	-	6,080	-	20,986
-	695	-	12	958
-	747	7,754	9,351	91,763
-	-	-	-	13,356
-	-	-	-	842
-	207	-	58	4,086
<u>\$ 56,589</u>	<u>\$ 59,747</u>	<u>\$ 13,952</u>	<u>\$ 103,708</u>	<u>\$ 533,669</u>
\$ -	\$ 759	\$ -	\$ 5,605	\$ 32,203
-	-	3,321	3,925	32,366
-	-	-	26	8,957
-	178	-	3,359	8,522
-	12	-	-	1,109
-	206	-	30	2,637
<u>-</u>	<u>1,155</u>	<u>3,321</u>	<u>12,945</u>	<u>85,794</u>
-	3	-	46	19,500
<u>-</u>	<u>3</u>	<u>-</u>	<u>46</u>	<u>19,500</u>
-	696	-	33	18,999
56,589	21,240	10,631	71,528	222,475
-	1,039	-	5,985	7,027
-	35,614	-	13,171	122,377
-	-	-	-	57,497
<u>56,589</u>	<u>58,589</u>	<u>10,631</u>	<u>90,717</u>	<u>428,375</u>
<u>\$ 56,589</u>	<u>\$ 59,747</u>	<u>\$ 13,952</u>	<u>\$ 103,708</u>	<u>\$ 533,669</u>

See accompanying notes to the basic financial statements.



COUNTY OF SONOMA, CALIFORNIA
 Reconciliation of the Balance Sheet to Statement of Net Position
 Governmental Funds
 June 30, 2016
 (Dollars in Thousands)

Fund balances - total governmental funds	\$	428,375
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets		1,835,363
Less: accumulated depreciation		(609,469)
Certain amounts are not available to pay current period expenditures and therefore are not reported in the governmental funds		
Deferred charge on refunding		2,965
Deferred amounts related to pensions		1,982
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the governmental funds		
		19,500
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 deferred outflows and liabilities and deferred inflows of certain funds are included as governmental activities in the statement of net position		
		(532,315)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Net pension liability	(3,497)	
Compensated absences	(25,213)	
Certificates of participation	(22,356)	
Bonds payable	(48,865)	
Bond premium	(6,550)	
Loans payable	(72,348)	
Net OPEB obligation	(46,042)	
Capital lease obligations	(2,862)	
Accrued interest payable	(1,174)	
	(228,907)	(228,907)
Net position of governmental activities	\$	917,494

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, 2016
(Dollars in Thousands)

	General Fund	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue
REVENUES:				
Taxes	\$ 244,899	\$ -	\$ -	\$ -
Licenses, permits and franchise fees	19,448	-	5,629	2,705
Fines, forfeitures and penalties	18,740	-	625	4,822
Use of money and property	5,868	101	(23)	473
Intergovernmental	88,729	132,204	64,888	14,026
Charges for services	42,698	1,056	1,772	6,252
Other	7,816	6,159	3,052	(598)
Total revenues	<u>428,198</u>	<u>139,520</u>	<u>75,943</u>	<u>27,680</u>
EXPENDITURES:				
Current:				
General government	78,505	-	-	35
Public protection	232,677	-	-	19,004
Public ways and facilities	769	-	-	-
Health and sanitation	-	-	85,386	3,621
Public assistance	33	151,583	-	34
Education	1,032	-	-	-
Recreation and cultural services	15,101	-	-	-
Capital outlay	7,630	596	181	35
Debt service:				
Principal	3,122	-	-	435
Interest and other	1,113	-	-	13
Total expenditures	<u>339,982</u>	<u>152,179</u>	<u>85,567</u>	<u>23,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>88,216</u>	<u>(12,659)</u>	<u>(9,624)</u>	<u>4,503</u>
Other financing sources (uses):				
Transfers in	7,997	19,967	15,713	321
Transfers out	(82,685)	-	(413)	(4,737)
Issuance of long-term debt	-	-	-	-
Premium on long-term debt issued	-	-	-	-
Proceeds from sale of capital assets	348	-	-	-
Total other financing sources (uses)	<u>(74,340)</u>	<u>19,967</u>	<u>15,300</u>	<u>(4,416)</u>
NET CHANGE IN FUND BALANCES	13,876	7,308	5,676	87
Fund balances, beginning of year	<u>131,889</u>	<u>8,098</u>	<u>(401)</u>	<u>45,316</u>
FUND BALANCES, END OF YEAR	<u>\$ 145,765</u>	<u>\$ 15,406</u>	<u>\$ 5,275</u>	<u>\$ 45,403</u>

See accompanying notes to the basic financial statements.

Open Space Special Tax Account Special Revenue	Roads Special Revenue	1991 Realignment Special Revenue	Other Funds	Total
\$ 22,203	\$ -	\$ -	\$ 15,563	\$ 282,665
-	1	-	794	28,577
-	598	-	51	24,836
301	270	(14)	585	7,561
-	17,378	65,768	86,370	469,363
-	1,407	-	1,422	54,607
-	2,045	-	11,021	29,495
<u>22,504</u>	<u>21,699</u>	<u>65,754</u>	<u>115,806</u>	<u>897,104</u>
12,409	-	-	17,177	108,126
-	-	-	29,785	281,466
-	29,097	-	630	30,496
-	-	35,160	10,914	135,081
-	-	33,378	33,385	218,413
-	-	-	-	1,032
-	-	-	130	15,231
-	4,754	-	26,790	39,986
-	-	-	79,197	82,754
-	-	-	17,571	18,697
<u>12,409</u>	<u>33,851</u>	<u>68,538</u>	<u>215,579</u>	<u>931,282</u>
<u>10,095</u>	<u>(12,152)</u>	<u>(2,784)</u>	<u>(99,773)</u>	<u>(34,178)</u>
10,422	30,088	2,738	55,883	143,129
(38,968)	(1,325)	-	(13,822)	(141,950)
-	-	-	43,335	43,335
-	-	-	7,044	7,044
-	-	-	-	348
<u>(28,546)</u>	<u>28,763</u>	<u>2,738</u>	<u>92,440</u>	<u>51,906</u>
(18,451)	16,611	(46)	(7,333)	17,728
<u>75,040</u>	<u>41,978</u>	<u>10,677</u>	<u>98,050</u>	<u>410,647</u>
<u>\$ 56,589</u>	<u>\$ 58,589</u>	<u>\$ 10,631</u>	<u>\$ 90,717</u>	<u>\$ 428,375</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, 2016
(Dollars in Thousands)

Net change in fund balances - total governmental funds: \$ 17,728

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	39,986	
Depreciation expense	<u>(24,417)</u>	15,569

The statement of activities reports losses arising from the sale of capital assets as the difference between the proceeds from sale of capital assets and the book value of the sold capital assets, while the governmental funds report the proceeds from sale of capital assets. The difference is the book value of the sold capital assets. (1,151)

Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources. 587

Change in deferred inflows of resources - unavailable revenue reported in the statement of net position. (7,432)

Issuance of long-term debt provides current financial resources to governmental funds. Repayment of debt principal is an expenditure in the governmental funds. Neither has any effect on net position. Also, governmental funds report the effect of premiums when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.

Long-term debt issuance	(43,335)	
Premium on long-term debt issued	(7,044)	
Principal repayments	82,754	
Amortization of bond premium	3,728	
Amortization of deferred charge on refunding	(423)	
Deferred charge on refunding	<u>3,388</u>	39,068

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest		590
Change in compensated absences		(1,684)
Change in OPEB		6,586
Change in net pension liability		(191)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (7,414)

Change in net position of governmental activities \$ 62,256

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, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 235,220	\$ 236,818	\$ 244,899	\$ 8,081
Licenses, permits, and franchise fees	15,547	15,568	19,448	3,880
Fines, forfeitures, and penalties	9,739	19,039	18,740	(299)
Use of money and property	5,620	6,037	5,868	(169)
Intergovernmental	85,683	93,217	88,729	(4,488)
Charges for services	48,803	48,971	42,698	(6,273)
Other	4,484	4,515	7,816	3,301
Total revenues	405,096	424,165	428,198	4,033
EXPENDITURES:				
General government:				
Board of Supervisors	3,552	3,586	3,406	180
County Administrator	3,904	4,198	4,144	54
General Services	1,619	1,656	1,615	41
Assessor	10,772	10,992	10,467	525
Auditor-Controller-Treasurer-Tax Collector	15,000	15,547	14,447	1,100
Purchasing Agent	1,484	1,466	1,373	93
County Counsel	7,727	8,150	8,042	108
Human Resources	5,309	5,421	5,171	250
Registrar of Voters	4,154	4,234	3,493	741
Property Management	19,806	20,447	19,744	703
Other General Government	69,534	79,643	64,879	14,764
Total general government	142,861	155,340	136,781	18,559
Public protection:				
District Attorney	21,617	21,992	21,765	227
Public Defender	9,967	10,332	10,332	-
Superior/Municipal Court	18,852	18,833	17,791	1,042
Grand Jury	102	102	92	10
Sheriff Division	74,162	76,976	76,158	818
Detention	69,372	68,117	66,064	2,053
Probation Department	25,398	26,484	24,289	2,195
Juvenile Halls	20,202	19,914	17,888	2,026
Emergency Services	2,090	2,852	2,005	847
Permit and Resource Management	21,911	23,491	20,354	3,137
Agricultural Commissioner	5,853	6,091	5,831	260
Total public protection	269,526	275,184	262,569	12,615

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, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public ways and facilities:				
Public Works	945	957	769	188
Public assistance:				
Human Services	353	353	33	320
Education:				
Agricultural Extension	1,116	1,128	1,126	2
Recreation and cultural services:				
Regional Parks	18,245	18,907	18,084	823
Veterans Buildings	655	742	654	88
Total recreation and cultural services	18,900	19,649	18,738	911
Reimbursements	(84,599)	(85,590)	(80,034)	(5,556)
Total expenditures	349,102	367,021	339,982	27,039
Excess of revenues over expenditures	55,994	57,144	88,216	31,072
OTHER FINANCING SOURCES (USES):				
Transfers in	13,995	28,655	7,997	(20,658)
Transfers out	(84,767)	(128,461)	(82,685)	45,776
Proceeds from sale of capital asset	-	-	348	348
Other financing sources (uses)	(2,524)	(2,518)	-	2,518
Total other financing sources (uses)	(73,296)	(102,324)	(74,340)	27,984
NET CHANGE IN FUND BALANCE	\$ (17,302)	\$ (45,180)	\$ 13,876	\$ 59,056

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, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 8	\$ 8	\$ 101	\$ 93
Intergovernmental	131,570	131,751	132,204	453
Charges for services	1,113	1,113	1,056	(57)
Other revenue	6,361	6,789	6,159	(630)
Total revenues	<u>139,052</u>	<u>139,661</u>	<u>139,520</u>	<u>(141)</u>
EXPENDITURES:				
Public assistance	159,544	161,462	152,179	9,283
Total expenditures	<u>159,544</u>	<u>161,462</u>	<u>152,179</u>	<u>9,283</u>
Deficiency of revenues under expenditures	(20,492)	(21,801)	(12,659)	9,142
OTHER FINANCING SOURCES:				
Transfers in	19,398	19,967	19,967	-
Transfers out	(157)	-	-	-
Total other financing sources (uses)	<u>19,241</u>	<u>19,967</u>	<u>19,967</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,251)</u>	<u>\$ (1,834)</u>	<u>\$ 7,308</u>	<u>\$ 9,142</u>

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, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ 5,822	\$ 5,943	\$ 5,629	\$ (314)
Fines, forfeitures and penalties	88	88	625	537
Use of money and property	(124)	(124)	(23)	101
Intergovernmental	64,021	66,987	64,888	(2,099)
Charges for services	1,777	1,853	1,772	(81)
Other revenue	1,223	2,221	3,052	831
Total revenues	72,807	76,968	75,943	(1,025)
EXPENDITURES:				
Health and sanitation	125,385	89,941	85,567	4,374
Total expenditures	125,385	89,941	85,567	4,374
Deficiency of revenues under expenditures	(52,578)	(12,973)	(9,624)	3,349
OTHER FINANCING SOURCES (USES):				
Transfers in	74,537	15,795	15,713	(82)
Transfers out	(26,493)	(413)	(413)	-
Total other financing sources (uses)	48,044	15,382	15,300	(82)
NET CHANGE IN FUND BALANCE	\$ (4,534)	\$ 2,409	\$ 5,676	\$ 3,267

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
Mandated Revenues Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ 2,356	\$ 2,356	\$ 2,705	\$ 349
Fines, forfeitures and penalties	3,838	3,838	4,822	984
Use of money and property	351	351	473	122
Intergovernmental	18,391	18,625	14,026	(4,599)
Charges for services	6,490	6,490	6,252	(238)
Other revenue	569	569	(598)	(1,167)
Total revenues	31,995	32,229	27,680	(4,549)
EXPENDITURES:				
General government	333	202	35	167
Public protection:				
Recorder	6,888	7,124	3,608	3,516
Superior Court	559	559	526	33
District Attorney	17,193	17,194	13,293	3,901
Sheriff	1,060	1,068	14	1,054
Detention and Corrections	163	238	206	32
Probation	899	899	572	327
Emergency services	1,542	1,572	1,495	77
Other	30	105	88	17
Health and sanitation	3,255	4,063	3,621	442
Public assistance				
Child Fund	65	65	34	31
Recreation and cultural services	52	52	-	52
Reimbursements	(240)	(240)	(315)	75
Total expenditures	31,799	32,901	23,177	9,724
Excess (deficiency) of revenues over (under) expenditures	196	(672)	4,503	5,175
OTHER FINANCING SOURCES (USES):				
Transfers in	1,912	2,177	321	(1,856)
Transfers out	(13,670)	(21,065)	(4,737)	16,328
Total other financing sources (uses)	(11,758)	(18,888)	(4,416)	14,472
NET CHANGE IN FUND BALANCE	\$ (11,562)	\$ (19,560)	\$ 87	\$ 19,647

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
 Open Space Special Tax Account Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2016
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 20,800	\$ 20,800	\$ 22,203	\$ 1,403
Use of money and property	400	400	301	(99)
Total revenues	21,200	21,200	22,504	1,304
EXPENDITURES:				
General government	36,855	36,855	12,409	24,446
Total expenditures	36,855	36,855	12,409	24,446
Excess (deficiency) of revenues over (under) expenditures	(15,655)	(15,655)	10,095	25,750
OTHER FINANCING SOURCES (USES):				
Transfers in	-	10,422	10,422	-
Transfers out	(7,507)	(38,968)	(38,968)	-
Total other financing sources (uses)	(7,507)	(28,546)	(28,546)	-
NET CHANGE IN FUND BALANCE	\$ (23,162)	\$ (44,201)	\$ (18,451)	\$ 25,750

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Roads Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Licenses, permits and franchise fees	\$ -	\$ -	\$ 1	\$ 1
Fines, forfeitures and penalties	380	380	598	218
Use of money and property	182	182	270	88
Intergovernmental	24,363	24,363	17,378	(6,985)
Charges for services	1,538	1,538	1,407	(131)
Other revenue	1,040	1,040	2,045	1,005
Total revenues	<u>27,503</u>	<u>27,503</u>	<u>21,699</u>	<u>(5,804)</u>
EXPENDITURES:				
Public ways and facilities	<u>59,619</u>	<u>64,287</u>	<u>33,851</u>	<u>30,436</u>
Total expenditures	<u>59,619</u>	<u>64,287</u>	<u>33,851</u>	<u>30,436</u>
Deficiency of revenues under expenditures	<u>(32,116)</u>	<u>(36,784)</u>	<u>(12,152)</u>	<u>24,632</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	26,977	38,024	30,088	(7,936)
Transfers out	<u>(3,729)</u>	<u>(3,862)</u>	<u>(1,325)</u>	<u>2,537</u>
Total other financing sources (uses)	<u>23,248</u>	<u>34,162</u>	<u>28,763</u>	<u>(5,399)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,868)</u>	<u>\$ (2,622)</u>	<u>\$ 16,611</u>	<u>\$ 19,233</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
1991 Realignment Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 108	\$ 108	\$ (14)	\$ (122)
Intergovernmental	53,905	58,636	65,768	7,132
Total revenues	<u>54,013</u>	<u>58,744</u>	<u>65,754</u>	<u>7,010</u>
EXPENDITURES:				
Health and sanitation	171	36,845	35,160	1,685
Public assistance	42,202	40,602	33,378	7,224
Total expenditures	<u>42,373</u>	<u>77,447</u>	<u>68,538</u>	<u>8,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,640</u>	<u>(18,703)</u>	<u>(2,784)</u>	<u>15,919</u>
OTHER FINANCING SOURCES (USES) :				
Transfers in	16,320	17,153	2,738	(14,415)
Transfers out	<u>(30,278)</u>	<u>(500)</u>	<u>-</u>	<u>500</u>
Total other financing sources (uses)	<u>(13,958)</u>	<u>16,653</u>	<u>2,738</u>	<u>(13,915)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,318)</u>	<u>\$ (2,050)</u>	<u>\$ (46)</u>	<u>\$ 2,004</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2016

(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Energy					Total	
	Refuse	Airport	Independence Program	Transit	Other		
ASSETS:							
Current assets:							
Cash and investments	\$ 43,180	\$ 216	\$ 4,305	\$ 909	\$ 3,234	\$ 51,844	\$ 68,401
Cash and investments with trustee	-	-	-	-	1,952	1,952	1,276
Restricted cash and investments	-	-	-	-	291	291	-
Receivables, net:							
Accounts	1,305	400	21	213	936	2,875	167
Contractual assessments	-	-	899	-	-	899	-
Interest and other	-	27	-	-	-	27	-
Inventories	-	-	-	688	37	725	-
Due from other funds	-	-	-	-	-	-	16,374
Due from other governments	-	1,969	-	2,081	32	4,082	979
Prepaid expenses and deposits	8	6	-	202	-	216	10
Total current assets	<u>44,493</u>	<u>2,618</u>	<u>5,225</u>	<u>4,093</u>	<u>6,482</u>	<u>62,911</u>	<u>87,207</u>
Noncurrent assets:							
Restricted cash and investments	1,220	40	-	1,021	-	2,281	-
Deposits and other assets	234	-	-	28	-	262	-
Receivables:							
Loan	-	454	-	-	-	454	-
Contractual assessments	-	-	36,594	-	-	36,594	-
Due from other governments	-	3,136	-	-	-	3,136	-
Capital assets:							
Nondepreciable	3,421	21,606	-	4,852	2,911	32,790	28
Depreciable, net	19,728	65,484	-	26,341	17,512	129,065	20,115
Total noncurrent assets	<u>24,603</u>	<u>90,720</u>	<u>36,594</u>	<u>32,242</u>	<u>20,423</u>	<u>204,582</u>	<u>20,143</u>
Total assets	<u>69,096</u>	<u>93,338</u>	<u>41,819</u>	<u>36,335</u>	<u>26,905</u>	<u>267,493</u>	<u>107,350</u>
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred amounts related to pensions	692	748	-	272	1,398	3,110	229,056
Total deferred outflows of resources	<u>692</u>	<u>748</u>	<u>-</u>	<u>272</u>	<u>1,398</u>	<u>3,110</u>	<u>229,056</u>

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Net Position (Continued)

Proprietary Funds

June 30, 2016

(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Energy Independence					Total	
	Refuse	Airport	Program	Transit	Other		
LIABILITIES:							
Current liabilities:							
Accounts payable and accrued liabilities	97	491	205	1,452	354	2,599	4,662
Due to other funds	-	239	100	-	8	347	4,647
Contract retention payable	-	104	-	-	-	104	-
Due to other government	-	-	-	398	-	398	-
Interest payable	-	55	357	-	107	519	1,972
Compensated absences	83	110	-	63	224	480	235
Self-funded insurance	-	-	-	-	-	-	10,710
Advances from grantors and third parties	-	16	-	1,165	78	1,259	-
Advances from other governments	-	500	-	-	446	946	-
Bonds payable, net	-	-	1,726	-	-	1,726	21,065
Notes payable	-	6,500	-	-	700	7,200	-
Loans payable	-	-	-	-	2	2	1,079
Current liabilities payable from restricted assets:							
Other	-	40	-	-	1,153	1,193	-
Total current liabilities	180	8,055	2,388	3,078	3,072	16,773	44,370
Noncurrent liabilities:							
Self-funded insurance	-	-	-	-	-	-	29,370
Advances from other funds	-	-	200	-	35	235	13,121
Advances from other governments	-	4,268	-	-	3,585	7,853	-
Landfill closure and postclosure costs	4,834	-	-	-	-	4,834	-
Loans payable	-	-	-	-	15	15	1,063
Bonds payable, net	-	-	36,524	-	-	36,524	404,185
Net pension liabilities	1,230	1,199	-	476	2,462	5,367	339,692
Total noncurrent liabilities	6,064	5,467	36,724	476	6,097	54,828	787,431
Total liabilities	6,244	13,522	39,112	3,554	9,169	71,601	831,801
DEFERRED INFLOWS OF RESOURCES:							
Service concession arrangement	40,320	-	-	-	-	40,320	-
Deferred amounts related to pensions	688	124	-	56	299	1,167	36,920
Deferred receipts of assessment interest	-	-	457	-	-	457	-
Total deferred inflows of resources	41,008	124	457	56	299	41,944	36,920
NET POSITION:							
Net investment in capital assets	23,149	75,718	-	31,193	15,675	145,735	18,001
Restricted for:							
Debt service	3,852	-	-	-	-	3,852	-
Junior Livestock Auction	-	-	-	-	78	78	-
Scholarships	-	-	-	-	12	12	-
Passanger Facility Charges	-	323	-	-	-	323	-
Unrestricted	(4,465)	4,399	2,250	1,804	3,070	7,058	(550,316)
Total net position (deficit)	\$ 22,536	\$ 80,440	\$ 2,250	\$ 32,997	\$ 18,835	\$ 157,058	\$ (532,315)

See accompanying notes to the basic financial statements.



COUNTY OF SONOMA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other	Total	
OPERATING REVENUES:							
Charges for services	\$ 1,087	\$ 328	\$ 114	\$ 2,035	\$ 2,674	\$ 6,238	\$ 147,636
Rents and concessions	6,179	4,596	-	-	11,492	22,267	-
Interest income	-	-	2,731	-	-	2,731	-
Sales and miscellaneous	114	11	-	-	577	702	-
Total operating revenues	<u>7,380</u>	<u>4,935</u>	<u>2,845</u>	<u>2,035</u>	<u>14,743</u>	<u>31,938</u>	<u>147,636</u>
OPERATING EXPENSES:							
Services and supplies	2,116	2,799	1,367	13,990	6,733	27,005	17,058
Salaries and employee benefits	1,185	1,793	-	689	5,886	9,553	82,038
Claims expenses	-	-	-	-	-	-	26,854
Depreciation and amortization	2,193	941	-	2,919	1,119	7,172	3,425
Total operating expenses	<u>5,494</u>	<u>5,533</u>	<u>1,367</u>	<u>17,598</u>	<u>13,738</u>	<u>43,730</u>	<u>129,375</u>
Operating income (loss)	<u>1,886</u>	<u>(598)</u>	<u>1,478</u>	<u>(15,563)</u>	<u>1,005</u>	<u>(11,792)</u>	<u>18,261</u>
NONOPERATING REVENUES (EXPENSES):							
Investment income	287	21	21	15	26	370	770
Interest expense	-	-	(1,214)	-	(176)	(1,390)	(23,930)
Intergovernmental	-	642	-	12,590	-	13,232	-
Miscellaneous	-	12	-	53	(5)	60	15
Gain (Loss) on disposal of capital assets	10	203	-	(325)	-	(112)	34
Total nonoperating revenues (expenses)	<u>297</u>	<u>878</u>	<u>(1,193)</u>	<u>12,333</u>	<u>(155)</u>	<u>12,160</u>	<u>(23,111)</u>
Income (loss) before contributions and transfers	2,183	280	285	(3,230)	850	368	(4,850)
Capital contributions	-	1,837	-	5,692	183	7,712	-
Transfers in	809	2	15	-	582	1,408	1,102
Transfers out	(11)	(6)	(5)	-	(1)	(23)	(3,666)
	<u>798</u>	<u>1,833</u>	<u>10</u>	<u>5,692</u>	<u>764</u>	<u>9,097</u>	<u>(2,564)</u>
Change in net position	2,981	2,113	295	2,462	1,614	9,465	(7,414)
Net position (deficit), beginning of year as restated	19,555	78,327	1,955	30,535	17,221	147,593	(524,901)
Net position (deficit), end of year	<u>\$ 22,536</u>	<u>\$ 80,440</u>	<u>\$ 2,250</u>	<u>\$ 32,997</u>	<u>\$ 18,835</u>	<u>\$ 157,058</u>	<u>\$ (532,315)</u>

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, 2016
(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other	Total	
Cash flows from operating activities:							
Received from customers	\$ 6,246	\$ 4,855	\$ 137	\$ 1,903	\$ 15,042	\$ 28,183	\$ -
Received from interfund services provided	-	-	-	-	-	-	167,762
Received from other sources	-	-	-	-	-	-	3,515
Received from assessments	-	-	7,312	-	-	7,312	-
Received for interest	-	-	2,855	-	-	2,855	-
Payments for assessments	-	-	(3,237)	-	-	(3,237)	-
Payments to suppliers for goods and services	(1,763)	(1,594)	(506)	(14,102)	(6,486)	(24,451)	(45,107)
Payments to employees for services	(1,304)	(1,717)	-	(671)	(5,874)	(9,566)	(84,784)
Payments for interfund services used	(1,147)	(903)	(878)	-	(134)	(3,062)	-
Net cash provided by (used in) operating activities	<u>2,032</u>	<u>641</u>	<u>5,683</u>	<u>(12,870)</u>	<u>2,548</u>	<u>(1,966)</u>	<u>41,386</u>
Cash flows from noncapital financing activities:							
Transfers in	809	2	15	-	582	1,408	1,102
Transfers out	(11)	(6)	(5)	-	(1)	(23)	(3,666)
Advances made to other funds	-	-	-	-	(32)	(32)	1,226
Proceeds from bonds	-	-	2,760	-	-	2,760	-
Principal paid on bonds	-	-	(6,937)	-	-	(6,937)	(18,315)
Interest paid	-	-	(1,247)	-	-	(1,247)	(23,910)
Proceeds from other governments	-	25	-	11,566	-	11,591	-
Repayments of advances to other funds	-	-	(250)	-	-	(250)	-
Miscellaneous noncapital financing sources	-	10	-	53	-	63	-
Net cash provided by (used in) noncapital financing activities	<u>798</u>	<u>31</u>	<u>(5,664)</u>	<u>11,619</u>	<u>549</u>	<u>7,333</u>	<u>(43,563)</u>
Cash flows from capital and related financing activities:							
Receipts from passenger facility charges	-	566	-	-	-	566	-
Proceeds from sale of capital assets	10	21	-	-	-	31	68
Acquisition and construction of capital assets	(331)	(6,502)	-	(5,531)	(1,546)	(13,910)	(1,490)
Repayments of advances to other funds	-	-	-	-	(6)	(6)	-
Proceeds from notes payable	-	3,000	-	-	-	3,000	-
Principal paid on notes payable	-	(4,000)	-	-	(200)	(4,200)	(1,048)
Repayments to other governments	-	(587)	-	-	(428)	(1,015)	-
Capital contributions	-	1,255	-	4,319	-	5,574	-
Interest paid	-	(312)	-	-	(190)	(502)	(88)
Net cash provided by (used in) capital and related financing activities	<u>(321)</u>	<u>(6,559)</u>	<u>-</u>	<u>(1,212)</u>	<u>(2,370)</u>	<u>(10,462)</u>	<u>(2,558)</u>
Cash flows from investing activities:							
Interest received on investments	287	20	21	15	26	369	770
Net cash provided by investing activities	<u>287</u>	<u>20</u>	<u>21</u>	<u>15</u>	<u>26</u>	<u>369</u>	<u>770</u>
Net increase (decrease) in cash and cash equivalents							
	2,796	(5,867)	40	(2,448)	753	(4,726)	(3,965)
Cash and cash equivalents, beginning of year	41,604	6,123	4,265	4,378	4,724	61,094	73,642
Cash and cash equivalents, end of year	<u>\$ 44,400</u>	<u>\$ 256</u>	<u>\$ 4,305</u>	<u>\$ 1,930</u>	<u>\$ 5,477</u>	<u>\$ 56,368</u>	<u>\$ 69,677</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, 2016
(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 1,886	\$ (598)	\$ 1,478	\$ (15,563)	\$ 1,005	\$ (11,792)	\$ 18,261
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	2,193	941	-	2,919	1,119	7,172	3,425
Miscellaneous	-	-	-	-	(37)	(37)	15
Changes in operating assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	256	(93)	(21)	(141)	250	251	(255)
Loans receivable	-	-	4,075	-	-	4,075	-
Inventories	-	-	-	(57)	36	(21)	-
Prepaid expenses and deposits	8	(6)	-	45	2	49	(10)
Deferred Outflow of resources	-	-	-	(194)	-	(194)	-
Other assets	-	-	-	(28)	-	(28)	-
Increase (decrease) in:							
Accounts payable	(424)	337	150	(73)	86	76	(3,626)
Due to other funds	-	-	-	-	-	-	4,647
Due to other governments	(208)	-	-	-	-	(208)	-
Customer deposits	-	4	-	-	58	62	-
Unearned revenue	-	(20)	-	10	(55)	(65)	-
Landfill closure and postclosure costs	(171)	-	-	-	-	(171)	-
Self-funded insurance	-	-	-	-	-	-	(362)
Long-term postemployment benefits	-	-	-	-	53	53	-
Deferred inflows of resources	(1,390)	-	1	(9)	-	(1,398)	-
Net pension activity	(95)	58	-	214	-	177	19,234
Compensated absences	(23)	18	-	7	(1)	1	57
Net cash provided by (used in) operating activities	<u>\$ 2,032</u>	<u>\$ 641</u>	<u>\$ 5,683</u>	<u>\$ (12,870)</u>	<u>\$ 2,516</u>	<u>\$ (1,998)</u>	<u>\$ 41,386</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:							
Cash and investments	\$ 43,180	\$ 216	\$ 4,305	\$ 909	\$ 5,186	\$ 53,796	\$ 69,677
Restricted cash and investments, current	-	-	-	-	291	291	-
Restricted cash and investments, noncurrent	1,220	40	-	1,021	-	2,281	-
Total cash and cash equivalents	<u>\$ 44,400</u>	<u>\$ 256</u>	<u>\$ 4,305</u>	<u>\$ 1,930</u>	<u>\$ 5,477</u>	<u>\$ 56,368</u>	<u>\$ 69,677</u>
Noncash investing, capital and financing activities:							
Capital contributions receivable	\$ -	\$ 582	\$ -	\$ -	\$ -	\$ 582	\$ -
Acquisition of capital assets through payables	-	242	-	329	-	571	-
Increase in capital assets for capitalized interest	-	334	-	-	-	334	-
Reduction in capital assets due to impairment	-	297	-	-	-	297	-
Book value of disposed capital assets	-	-	-	325	-	325	-

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

(Dollars in Thousands)

	Investment Trust	Other Postemployment Benefits (OPEB) Trust	Private Purpose Trust	Agency
	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>	<u>Agency</u>
ASSETS:				
Cash and investments	\$ 949,787	\$ 1,870	\$ 7,185	\$ 272,804
Restricted cash and investments:				
Restricted investments with trustee:				
Interest-bearing cash	-	5,000	-	-
Mutual funds	-	37,080	12	-
Receivables:				
Taxes	-	-	-	15,014
Notes, net	-	-	884	-
Interest and other	-	-	94	4,634
Due from other governments	-	-	-	3,588
Assets held for sale	-	-	95	-
Capital assets:				
Depreciable, net	-	-	65	-
Total assets	<u>949,787</u>	<u>43,950</u>	<u>8,335</u>	<u>\$ 296,040</u>
LIABILITIES:				
Accounts payable	-	195	43	\$ -
Interest payable	-	-	68	-
Due to other agencies	-	-	-	296,040
Long-term debt:				
Due within one year	-	-	415	-
Due in more than one year	-	-	11,233	-
Total liabilities	<u>-</u>	<u>195</u>	<u>11,759</u>	<u>\$ 296,040</u>
NET POSITION (DEFICIT):				
Net position held in trust for pool participants	949,787	-	-	
Net position held in trust for OPEB	-	43,755	-	
Net position held in trust for other purposes	-	-	(3,424)	
Total net position (deficit)	<u>\$ 949,787</u>	<u>\$ 43,755</u>	<u>\$ (3,424)</u>	

See accompanying notes to the basic financial statements.

COUNTY OF SONOMA, CALIFORNIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Investment Trust	Other Postemployment Benefits (OPEB) Trust	Private Purpose Trust
ADDITIONS:			
Contributions	\$ 21,696,037	\$ -	\$ -
Property taxes	-	-	3,781
Investment income	5,348	(23)	70
Employer contributions	-	26,999	-
Member contributions	-	5,452	-
OPEB employer contributions outside of trust	-	4,871	-
OPEB member contributions outside of trust	-	4,619	-
Miscellaneous	-	-	14
Total additions	<u>21,701,385</u>	<u>41,918</u>	<u>3,865</u>
DEDUCTIONS:			
Distributions	21,676,633	134	7,742
Employer plan expenses	-	19,066	-
Member plan expenses	-	5,452	-
OPEB employer reimbursements outside of trust	-	4,871	-
OPEB member reimbursements outside of trust	-	4,619	-
Services and salaries	-	-	474
Fiscal agent expenses	-	1,155	338
Legal expenses	-	1,146	-
Interest expense	-	-	720
Total deductions	<u>21,676,633</u>	<u>36,443</u>	<u>9,274</u>
Change in net position	24,752	5,475	(5,409)
Net position held in trust, beginning of year	<u>925,035</u>	<u>38,280</u>	<u>1,985</u>
Net position (deficit) held in trust, end of year	<u>\$ 949,787</u>	<u>\$ 43,755</u>	<u>\$ (3,424)</u>

See accompanying notes to the basic financial statements.



NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

(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 significant accounting 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 five member Board of Supervisors (the Board), which, 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.

As required by generally accepted accounting principles (GAAP) in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the Board is typically their governing body. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Blended Component Units

Sonoma County Fair and Exposition, Inc. (Fair) – The governing body of the Fair is the County's governing body. The County owns the Fairgrounds property and has a contract with the Fairgrounds for operations and all debts and obligations of the Fair are County debts and obligations.

Sonoma County Securitization Corporation – The Sonoma County Securitization Corporation (Corporation) is a California non-profit public benefit corporation established by the County Board of Supervisors in October 2000. The Corporation is governed by a Board of 3 directors, 2 of which are officials of the County. Transactions related to the Corporation have been included in these financial statements as a blended component unit of the County including a liability for Series 2005 Tobacco Settlement Asset-Backed Refunding Bonds (loan payable) in the amount of \$72.2 million as of June 30, 2016. However, in the event of a decline in the tobacco settlement revenues that are used to repay the loan payable, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a possible default on the loan payable, neither the California County Tobacco Securitization Agency, the County nor the Corporation have any liability to make up any such shortfall. This is reported within the Mandated Revenues Special Revenue Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sonoma County Agricultural Preservation and Open Space District – The governing body of the District is the County’s governing body. Voters approved a ¼% County levied sales tax to fund District activities and the County issued bonds secured by the sales tax revenues. The District donates land to the County’s Regional Parks and other entities for use by citizens.

Sonoma County Public Financing Authority – The governing body of the Authority is the County’s governing body. The Authority was formed for the purpose of assisting in financing public improvements of the County and other local agencies. The County has operational responsibility for the Authority and manages it in the same manner as its own departments. The Authority is combined with Sonoma County Energy Independence Program (SCEIP) and reported as an enterprise fund.

Discretely Presented Component Units

Sonoma County Water Agency – The governing body of the Agency is the County’s governing body. The Agency is not managed the same as other County departments and their employees are not civil service employees. The Agency’s 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, the Town of Windsor, and the Valley of the Moon and North Marin Water Districts) along with the engineering, administration, and operational services of four Sanitation Zones (Sea Ranch, Penngrove, Geyserville, and Airport-Larkfield-Wikiup). These activities are financed primarily from user fees.

Sonoma County Community Development Commission (Community Development Commission) – The governing body of the Commission is the County’s governing body. The Commission is not managed the same as other County departments and their employees are not civil service employees. The Commission, established as a separate public and corporate entity pursuant to Section 34110 of the Health and Safety Code, enables the community to have the option of operating and governing its housing authority. The Board of Supervisors has designated itself as the Board of Commissioners of the Community Development Commission, and Sonoma County Housing Authority, which is also the governing body of the Housing Successor Agency to the former Redevelopment Agency.

Sonoma Valley County Sanitation District – Accounts for the activities of the Sonoma Valley County Sanitation District, which is responsible for operating and maintaining the local sanitation collection systems, pump stations and treatment plants. The Sonoma Valley County Sanitation District is managed by the Sonoma County Water Agency, which provides administrative, engineering, operational and maintenance services. The activities of the Sonoma Valley County Sanitation District are primarily financed through user fees.

Russian River County Sanitation District – Accounts for the activities of the Russian River County Sanitation District, which is responsible for operating and maintaining the local sanitation collection systems, pump stations and treatment plants. The Russian River County Sanitation District is managed by the Sonoma County Water Agency, which provides administrative, engineering, operational and maintenance services. The activities of the Russian River County Sanitation District are primarily financed through user fees.

South Park County Sanitation District – Accounts for the activities of the South Park County Sanitation District, which is responsible for operating and maintaining the local sanitation collection systems, pump stations and treatment plants. The South Park County Sanitation District is managed by the Sonoma County Water Agency, which provides administrative, engineering, operational and maintenance services. The activities of the South Park County Sanitation District are primarily financed through user fees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Occidental County Sanitation District – Accounts for the activities of the Occidental County Sanitation District, which is responsible for operating and maintaining the local sanitation collection systems, pump stations and treatment plants. The Occidental County Sanitation District is managed by the Sonoma County Water Agency, which provides administrative, engineering, operational and maintenance services. The activities of the Occidental County Sanitation District are primarily financed through user fees.

Financial statements for each of the discretely presented component units can be obtained from the Auditor-Controller-Treasurer-Tax Collector's Office at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.

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 position 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 user fees and charges 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues. Expenditures are primarily expended for functions of general government, public protection, public ways and facilities, public assistance, education, recreation and cultural services, capital outlay and debt service.
- The **Human Services Special Revenue Fund** accounts for proceeds restricted for the activities of the County's various state and federally funded public assistance programs. Revenues are primarily derived from intergovernmental revenues; charges for services; and other revenues.
- The **Health and Sanitation Special Revenue Fund** accounts for proceeds restricted for public health and mental health programs, which are primarily funded by state and federal agencies. Revenues are primarily derived from licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues.
- The **Mandated Revenues Special Revenue Fund** accounts for state programs that are required to be accounted for in a separate fund. Revenues are primarily restricted and derived from licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues.
- The **Open Space Special Tax Account Special Revenue Fund** accounts for revenues received from County levied sales tax Measure F which funds are restricted to certain activities of the Sonoma County Agricultural Preservation and Open Space District.
- The **Roads Special Revenue Fund** accounts for proceeds restricted for the planning, design, construction, maintenance and administration of County roads. The Roads Special Revenue 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. Revenues are primarily derived from taxes; licenses, permits and franchises; fines, forfeitures and penalties; use of money and property; intergovernmental revenues; charges for services; and other revenues.
- The **1991 Realignment Special Revenue Fund** accounts for proceeds restricted for the activities of the Health and Welfare Realignment Act of 1991, which provided the County's Health and Human Services Departments with state revenues from sales tax and vehicle license fees. Realignment revenues, while restricted in use, are under the control and discretion of the Board of Supervisors. Revenues are primarily derived from use of money and property and intergovernmental revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major proprietary 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 two franchised commercial refuse haulers, and development, administration and implementation of the County Integrated Waste Management Plan.
- The **Airport Enterprise Fund** accounts for activities related to the operations of the Charles M. Schultz Sonoma County Airport (the Airport). Airport operations include commercial passenger services as well as air cargo, private and corporate flights, military, search and rescue, firefighting, and law enforcement services.
- The **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 **Transit Enterprise Fund** accounts for activities related to the 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 fourteen intercity and nine local bus routes.

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, heavy equipment financing of the County, the County's ERP System and the County's employee retirement program.
- The **Investment Trust Fund** accounts for the assets of legally separate entities, which invest in the County Treasurer's investment 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 Postemployment Benefits Trust Fund** account for assets held in trust by the Public Agency Retirement Services (PARS) for future postemployment healthcare plan benefits. The trust is used to accumulate resources to fund future benefits.
- The **Private-Purpose Trust Fund** was established by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities and activities of the Sonoma County Redevelopment Successor Agency.
- **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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting

The government-wide, proprietary funds and fiduciary trust funds 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 taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes 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 financial statements 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. 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 fiscal year 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 asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of general long-term debt, capital leases and the sale of capital assets are reported as other financing sources.

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 position.

(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

In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and External Investment Pools*" and GASB Statement No. 72, "*Fair Value Measurement and Application*", investments are stated at fair value in the statement of net position and balance sheet and the corresponding changes in the fair value of investments are recognized in the year in which the change occurred. The County follows the practice of pooling cash and investments of all funds with the County Treasurer except for certain restricted funds held by outside custodians, funds held by a trustee or funds in dedicated investments for the benefit of an individual pool participant.

The fair value of investments is determined annually. Interest earned on pooled investments is allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter. At the Board's direction, the investment income related to certain County funds is allocated to the General Fund.

(g) Restricted Cash and Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(h) Inventories**

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at the lower of cost or market, using the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased. Inventories reported in governmental funds are offset by nonspendable fund balance, which indicates that inventories do not represent expendable available financial resources.

(i) Contractual Assessments Receivable

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/Expenses and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid expense is recorded as an expense when consumed rather than when purchased. In the fund financial statements, prepaid expenses and deposits are offset by corresponding nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

(k) Capital Assets

Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (e.g. land easements and computer software). Assets that are purchased or constructed are reported at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date of donation.

Normal maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital outlays are recorded as expenditures in the governmental funds and as additions to capital assets in the proprietary and fiduciary funds and the government-wide financial statements, in accordance with the County's capitalization policy. Interest is capitalized on construction in progress in the enterprise funds. 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 tax-exempt borrowings until the specified asset is ready for its intended use. Interest paid by the County totaled \$38,478 of which \$1,383 was capitalized during the fiscal year ended June 30, 2016.

Assets acquired under capital lease are amortized over the lesser of the useful life of the asset or the lease term. Capital assets used in operations are depreciated or amortized using the straight-line method over the estimated useful life in the government-wide statements, proprietary funds, and fiduciary trust funds statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Land improvements	25,000	15 to 50 years
Buildings and improvements:		
Buildings	25,000	50 years
Service and safety systems	25,000	15 years
Building improvements	25,000	20 years
Machinery and equipment		
Equipment, construction and grounds equipment	5,000	5 to 15 years
Vehicles	15,000	5 to 15 years
Furniture	25,000	5 years
Infrastructure:		
Pavement	100,000	25 years
Bridges	100,000	50 years
Other small systems	100,000	25 years
Intangible assets:		
Purchased canned software	25,000	3 years
Internally created software	25,000	10 years
Leasehold improvements	25,000	Life of Lease
Other capital assets		
Works of art or historical treasures	5,000	Varies
Library books and equipment	5,000	Varies
Easements	-	N/A
Construction in progress / work in progress	Projects expected to exceed capitalization threshold for the applicable asset class	N/A

(l) Deferred Outflows and Inflows of Resources

The County recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

(m) Long-term Obligations

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

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

(n) Net Position/Fund Balance

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets (net of related debt), restricted or unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Net Investment in Capital Assets** – This category groups all capital assets, including intangible assets and infrastructure, into one category of net position. 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** – This category represents 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** – This category represents net position not restricted for any project or other purpose.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable Fund Balance** – Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** – Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance or resolution of the County’s highest decision-making authority (the Board of Supervisors) and that remain binding unless removed by an equally binding action.
- **Assigned Fund Balance** – Amounts that are constrained by the County’s intent to be used for specific purposes. The intent can be established by the County’s highest level of decision-making authority (the Board of Supervisors) or by a body or an official to which the Board has delegated the authority (i.e. County Administrator). The Board has delegated the authority to assign fund balance to the County Administrator. This is also the classification for residual fund balance in all governmental funds other than the General Fund.
- **Unassigned Fund Balance** – The residual classification for the County’s General Fund that includes amounts not contained in the other classifications. In other funds the unassigned classification is used only if the expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes (i.e. negative fund balance).

The Board of Supervisors establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution, each resulting in equally binding constraints, and through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, followed by committed, assigned and unassigned resources as they are needed.

(o) 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. Unsecured property taxes are due in a single installment due July 31 and are delinquent after August 31. Unsecured property taxes added to the unsecured roll after July 31 are delinquent after the last day of the month succeeding the month of enrollment. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 was approximately \$77.8 billion, which includes secured, unsecured, Home Owner Property Tax Relief, and unitary values. The tax rate was \$1 per \$100 of valuation (\$0.35 for the County and Special Districts, \$0.48 for schools, \$0.09 for cities, and \$0.08 for redevelopment activities within the County of Sonoma). On February 1, 2012, the State of California dissolved all redevelopment agencies (see Note 20 – Successor Agency Private Purpose Trust Fund). 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 1.0% 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-Treasurer-Tax Collector, 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, and retains all penalties and interest upon collection of the applicable delinquent taxes.

(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 interfund loans, which are short-term in nature) or “advances to/from other funds” (i.e., interfund loans, which are long-term in nature). 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 corresponding nonspendable portion of fund balance in the general fund to indicate that they are not available for appropriation and are not expendable/available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur 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) Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment and position held. Vacation pay is subject to certain maximum accumulations and is payable upon termination. Sick leave may be accumulated without limitation. An average of the most recent three years cost to convert sick leave to service credits for employees separating due to retirement from the County has been included in the compensated absence liability. Because vacation, sick leave and other compensated absence balances do not require the use of current financial resources, no liability is recorded within the governmental funds.

However, this liability is reflected in the government-wide statement of net position. In proprietary funds, the liability for compensated absences is recorded in the period that 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(r) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the County's Pension Plan (CPP) and additions to/deductions from CPP's fiduciary net position have been determined on the same basis as they are reported by CPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(s) Estimates

The preparation of 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. Actual results could differ from those estimates.

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

The requirements of the following GASB Statements are effective for the purpose of implementation, if applicable to the County, for the fiscal year ending June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. See Note 3 for additional information.

GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement did not impact the County's financial statements.

(u) Future Pronouncements

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

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain provisions of this Statement are effective in fiscal year 2016 while others will become effective in fiscal year 2017. Management has not determined the effect of the provisions of this Statement that are effective for fiscal year 2017. The County did not have any circumstances applicable during fiscal year 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide transparency in financial statements prepared by state and local governments in conformity with generally accepted accounting principles, provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address certain pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of this Statement became effective in fiscal year 2016 while others become effective in fiscal year 2017. The County did not have any circumstances applicable during fiscal year 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for the County's fiscal year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measure in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the County's fiscal year ending June 30, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**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 recommended budget.
- On or before July 20, the Board formally approves the recommended budget.
- The Board conducts hearings to obtain public comment on the recommended 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, Health and Sanitation Special Revenue Fund, Mandated Revenues Special Revenue Fund, Open Space Special Tax Account Special Revenue Fund, Road Special Revenue Fund and 1991 Realignment 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 issuance of long-term debt. 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, data processing, 2011 realignment and are eventually applied to other funds.

NOTE 3 – CASH AND INVESTMENTS

(a) Financial Statement Presentation

Total cash and investments at June 30, 2016 were presented on the County’s financial statements as follows:

	Investments Held by Sonoma County Treasury	Cash and Investments Held with Third Parties	Petty Cash	Total Cash and Investments
Primary government	\$ 456,288	\$ 16,421	\$ 126	\$ 472,835
Discrete component units	179,407	51,289	1	230,697
Investment trust fund	949,787	-	-	949,787
Other postemployment benefits trust	1,870	42,080	-	43,950
Private purpose trust fund	7,185	12	-	7,197
Agency funds	272,804	-	-	272,804
	<u>\$ 1,867,341</u>	<u>\$ 109,802</u>	<u>\$ 127</u>	<u>\$ 1,977,270</u>

(b) Investment Guidelines and Investment Policy

The County’s cash and investments are invested by the County Treasurer, in accordance with investment policy guidelines and California Government Code. The objectives of the policy are, in order of priority, safety of capital, 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 Treasury Oversight Committee requires an annual audit to ensure the County’s Investment Portfolio is in compliance with its policy and California Government Code Section 53601.

The investment policy restricts the maximum investment of agency funds in one issuer for the following investment types:

- Bankers’ Acceptance - 30%
- Commercial Paper – 10%
- Mutual Funds – 10%
- Money Market Mutual Funds – 10%

Investments held with trustees under bond indentures or other restrictive agreements are invested by the County Treasurer, and reviewed and approved by the Board of Supervisors.

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 or can be found online at www.Sonoma-County.org on the Auditor-Controller-Treasurer-Tax Collector’s page.

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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S Treasury and Agency Securities (§53601 (b & f))	5 years	100	N/A
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank (§53601 (q))	5 years	30	AA
Bonds and Notes issued by local agencies (§53601 (a & e))	5 years	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 (c & d))	5 years	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Term Corporate Notes (§53601 (k))	5 years	30	A
Mutual Funds & Money Market Mutual Funds (See Section 13) (§53601 (l))	N/A	20	Aaa & AAAm
Collateralized Mortgage Obligations (§53601 (o))	5 years	20	AA
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649et seq.)	5 years	N/A	N/A

NOTE 3 – CASH AND INVESTMENTS (Continued)

(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. In a rising interest rate market, the fair value of investments could decline below original cost. Conversely, in a declining interest rate market, the fair value of investments will generally increase. The County investment policy does not contain requirements that would limit the exposure to interest rate risk. The County manages its exposure to interest rate risk 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 evenly over time as necessary to provide the cash flow and liquidity needed for operations, which precludes the County from having to sell investments below original cost. Of the County’s \$1.9 billion portfolio, 37% of the investments have a maturity of one year or less. Of the remainder, only 1% 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 a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal to 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.

(e) Credit Risk

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.

(f) Concentration of Credit Risk

The County investment policy 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 pooled investments are as follows:

Issuer	Investment Type	Amount	Percentage Holdings
Federal Farm Credit Banks	Federal Agency Security	\$ 360,520	18.64 %
Federal Home Loan Bank	Federal Agency Security	222,898	11.53
Federal Home Loan Mortgage Corp.	Federal Agency Security	371,715	19.22
Federal National Mortgage Association	Federal Agency Security	121,993	6.31

NOTE 3 – CASH AND INVESTMENTS (Continued)

(g) Treasury Pool

The Treasury Pool includes amounts held for various school districts, whose participation in the Treasury Pool is mandated by State code. Cash on deposit with the Treasury Pool at June 30, 2016, is stated at fair value. The Treasury Pool’s fair value calculations at fiscal year-end are based on quoted market values provided by the County’s investment software. The fair value adjustment increased the Treasury Pool’s investment income and carrying value by \$2,566 at June 30, 2016. Involuntary participants of the County’s investment pool totaled \$1,124,569 at June 30, 2016. Investments held in the Treasury Pool are summarized as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>
U.S. Agency securities	\$ 1,075,914	\$ 1,077,126	0.375-1.875 %	7/5/2016-6/9/2021
U.S. Treasury notes	230,492	230,950	0.50-2.375	8/15/2016-10/31/2017
Corporate and medium term notes	195,485	196,332	.829-2.9	7/12/2016-5/24/2019
Other government obligations	41,094	41,104	0.50-3.0	7/1/2016-9/2/2035
Certificates of deposit	200,000	200,039	.54-1.20	7/1/2016-7/28/2017
Money market mutual funds	11,976	11,976	0.422-.56	27 day
LAIF	22,018	22,018	0.463	27 day
CAMP	95,844	95,844	0.5073	27 day
CalTRUST	5,523	5,523	0.4224	27 day
Totals	<u>\$ 1,878,346</u>	<u>\$ 1,880,912</u>		

(h) Condensed Pool Statements

The Treasury Pool includes investments with a fair value of \$1,880,912 and deposits of \$29,926. The following represents a condensed statement of net position and changes in net position for the Treasury Pool as of and for the fiscal year ended June 30, 2016:

Statement of Net Position

Cash and investments	\$ 1,933,831
Less: Investments held by fiscal agent	<u>(55,132)</u>
Net position held in trust for pool participants	<u>\$ 1,878,699</u>
Equity of internal participants	\$ 928,912
Equity of external pool participants	<u>949,787</u>
Net position held in trust for pool participants	<u>\$ 1,878,699</u>

Statement of Changes in Net Position

Net position at July 1, 2015	\$ 1,794,806
Net change in pooled cash and investments	<u>83,893</u>
Net position held in trust for pool participants at June 30, 2016	<u>\$ 1,878,699</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

(i) Investment Credit Ratings and Maturity

As of June 30, 2016, 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	AAAm	\$ 55,132	\$ -	\$ -	\$ -	\$ -	\$ 55,132
Total investments held by fiscal agents		<u>55,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,132</u>
Investments managed by County Treasurer:							
U.S. Agency Securities:							
Federal Farm Credit Banks	Aaa/AA+	-	45,299	30,014	285,207	-	360,520
Federal Home Loan Bank	Aaa/AA+	14,955	34,907	45,067	127,969	-	222,898
Federal Home Loan Mortgage Corp.	Aaa/AA+	-	9,978	25,743	335,994	-	371,715
Federal National Mortgage Association	Aaa/AA+	4,993	9,986	-	107,014	-	121,993
Subtotal U. S. Agency Securities		<u>19,948</u>	<u>100,170</u>	<u>100,824</u>	<u>856,184</u>	<u>-</u>	<u>1,077,126</u>
U.S. Treasury notes	Aaa/AA+	-	55,019	15,027	160,904	-	230,950
Corporate and medium term notes	A1 - Aa1	31,442	-	55,283	109,607	-	196,332
Other government obligations	Not rated	2,390	6,230	1,700	4,761	26,023	41,104
Certificates of deposit	Not rated	69,989	105,050	-	25,000	-	200,039
Money market mutual funds	AAAm	11,976	-	-	-	-	11,976
LAIF	Not rated	22,018	-	-	-	-	22,018
Joint Powers Authority Pool:							
CAMP	AAAm	95,844	-	-	-	-	95,844
CaITRUST	Aaa/AAA	5,523	-	-	-	-	5,523
Total investments managed by County Treasurer		<u>\$ 259,129</u>	<u>\$ 266,469</u>	<u>\$ 172,834</u>	<u>\$ 1,156,456</u>	<u>\$ 26,023</u>	<u>1,880,912</u>
Cash and deposits	N/A						29,926
Less outstanding warrants	N/A						(32,139)
Subtotal cash and investments							<u>\$ 1,933,831</u>

Discretely presented component units

	Credit Rating (S & P)	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	AAAm	\$ 1,507	\$ -	\$ -	\$ -	\$ 1,507
SCEIP bonds	N/A	312	360	1,242	9,251	11,165
U.S. Treasury STRIPS	N/A	-	12,135	6,036	11,719	29,890
Total investments		<u>\$ 1,819</u>	<u>\$ 12,495</u>	<u>\$ 7,278</u>	<u>\$ 20,970</u>	<u>\$ 42,562</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

	<u>Credit Rating</u> (S & P)	<u>Maturity</u> 12 Months or Less	<u>Fair Value</u>
Sonoma Valley County Sanitation District			
Non-pooled investments:			
Money market mutual funds	AAAm	\$ 877	\$ 877
Total cash and investments			<u>\$ 1,977,270</u>

(j) Investment in the 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 \$22,018 at June 30, 2016. The total amount invested by all public agencies in LAIF at June 30, 2016, was \$22.7 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2016 was \$73.4 billion the majority of which is invested in non-derivative financial products. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 167 days as of June 30, 2016. 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.

(k) Joint Powers Authorities

The County is a voluntary participant in two Joint Powers Authorities (JPAs), the California Asset Management Program (CAMP) and the Investment Trust of California (CalTRUST), which fall under California Government Code 53601(p). CAMP and CalTRUST are each directed by a Board of Trustees made up of experienced investment officers, local government finance directors and treasurers of the public agency members. The value of pool shares in CAMP and CalTRUST that may be withdrawn is determined on an amortized cost basis, which is the same as the fair value of the County’s portion in the pool. As of June 30, 2016, the County’s total investment in JPAs was \$101,367.

(l) Tobacco Endowment

In accordance with California Government Code Section 53601, any investment with a maturity in excess of five years requires the express authorization of the County’s Board of Supervisors. In 2002, the County established the Sonoma County Tobacco Endowment Fund for the purpose of funding future capital improvements (The ‘Endowment’). The Endowment was funded from a portion of the proceeds of the Series 2002B Tobacco Securitization Bonds. Pursuant to a resolution by the Board of Supervisors on October 24, 2000, the County Treasurer was authorized to purchase tax-exempt municipal obligations of any state or local government with a final maturity of no later than the final maturity of the Bonds in 2030. As of June 30, 2016, the County’s investment in the Tobacco Endowment was invested in money market mutual funds totaling \$11,976.

(m) Sonoma County Energy Independence Program (SCEIP)

On March 24, 2009, the Board of Supervisors authorized the creation of the Sonoma County Energy Independence Program (SCEIP) in Sonoma County, enabling Sonoma County property owners to finance energy conservation and generation improvements through voluntary contractual property assessments. State Assembly Bill 811 is the authorizing legislation for SCEIP and was signed into law the fall of 2008. To finance the program, on April 21, 2009, the Board of Supervisors authorized the Sonoma County Treasury Pooled Investment Fund to purchase up to \$60,000 of SCEIP bonds issued by the Sonoma County Public Financing Authority with maturities of 5, 10 and 20 years. As of June 30, 2016, the County’s investment in SCEIP bonds, included as other governmental obligations was \$27,085.

NOTE 3 – CASH AND INVESTMENTS (Continued)

(n) Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the hierarchy are based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1: Investments reflect prices quoted in active markets for identical assets
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active
- Level 3: Investments reflect prices based on unobservable inputs which reflect the County’s own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the County’s own data

The County’s investments measured at fair value as of June 30, 2016 are as follows:

Investments	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Agency securities	\$ 1,077,126	\$ -	\$ 1,077,126	\$ -
U.S. Treasury notes	230,950	-	230,950	-
Corporate and medium term notes	196,332	-	196,332	-
Other government obligations	41,104	-	-	41,104
Certificates of deposit	200,039	-	200,039	-
Total investments measured at fair value	<u>1,745,551</u>	<u>\$ -</u>	<u>\$ 1,704,447</u>	<u>\$ 41,104</u>
Investments not subject to fair value hierarchy:				
Money market mutual funds	11,976			
LAIF	22,018			
CAMP	95,844			
CalTRUST	5,523			
Total pooled and directed investments	<u>\$ 1,880,912</u>			

Discretely presented component units

Investments	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Sonoma County Water Agency</i>				
U.S. Treasury STRIPS	\$ 29,891	\$ 29,891	\$ -	\$ -
SCEIP bonds	11,165	-	-	11,165
Total investments	<u>\$ 41,056</u>	<u>\$ 29,891</u>	<u>\$ -</u>	<u>\$ 11,165</u>

NOTE 4 – RECEIVABLES

Receivables for the fiscal year ended June 30, 2016, for the County’s individual major funds, nonmajor and internal service funds in the aggregate are as follows:

Accounts and other receivables - Governmental Activities	General	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue	Open Space Special Tax Account Special Revenue	Roads Special Revenue	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 1,122	\$ -	\$ 61	\$ 125	\$ -	\$ 5	\$ 13	\$ 167	\$ 1,493
Interest and other	42,848	11	940	139	3,554	271	5,799	-	53,562
Total	<u>\$ 43,970</u>	<u>\$ 11</u>	<u>\$ 1,001</u>	<u>\$ 264</u>	<u>\$ 3,554</u>	<u>\$ 276</u>	<u>\$ 5,812</u>	<u>\$ 167</u>	<u>\$ 55,055</u>

Accounts and other receivables - Business-Type Activities	Refuse	Airport	Energy Independence Program	Transit	Other Enterprise Funds	Total Business Type Activities
Accounts	\$ 1,305	\$ 400	\$ 21	\$ 213	\$ 936	\$ 2,875
Loan	-	454	-	-	-	454
Contractual assessments	-	-	37,493	-	-	37,493
Interest and other	-	27	-	-	-	27
Total	<u>\$ 1,305</u>	<u>\$ 881</u>	<u>\$ 37,514</u>	<u>\$ 213</u>	<u>\$ 936</u>	<u>\$ 40,849</u>

NOTE 5 – DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources for the fiscal year ended June 30, 2016, for the County’s individual major funds, nonmajor and internal service funds in the aggregate are as follows:

Deferred Outflows of Resources Governmental Activities	Internal Service Funds	Other Governmental Activities	Total Governmental Activities
Deferred amounts related to pensions	\$ 229,056	\$ 2,345	\$ 231,401
Deferred amount on refunding	-	2,965	2,965
Total	<u>\$ 229,056</u>	<u>\$ 5,310</u>	<u>\$ 234,366</u>

Deferred Outflows of Resources Business-Type Activities	Refuse	Airport	Transit	Other Enterprise Funds	Total Business-Type Activities
Deferred amounts related to pensions	\$ 692	\$ 748	\$ 272	\$ 1,398	\$ 3,110

For additional information related to the deferred pension items, please see Note 14.

NOTE 6 – 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, 2016 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue	\$ 2,634
	Energy Independence Program	100
	Mandated Revenue Special Revenue Fund	30
	1991 Realignment Special Revenue Fund	72
	Airport Enterprise Fund	239
	Internal Service Funds	4,647
	Other governmental funds	119
	Other enterprise funds	8
		<u>7,849</u>
Human Services Special Revenue Fund	1991 Realignment Special Revenue Fund	3,249
	Other governmental funds	3,026
		<u>6,275</u>
Health and Sanitation Special Revenue Fund	Mandated Revenue Special Revenue Fund	2
	Other governmental funds	780
		<u>782</u>
1991 Realignment Special Revenue Fund	Mandated Revenue Special Revenue Fund	285
	Health Services Special Revenue Fund	5,795
		<u>6,080</u>
Internal service funds	General Fund	674
	Health Services Special Revenue Fund	7,700
	Human Services Special Revenue Fund	8,000
		<u>16,374</u>
		<u>\$37,360</u>

Advances to/from other funds:

Advances to/from other funds represent interfund loans not anticipated to be paid within the subsequent year.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Energy Independence Program	\$ 200
	Other enterprise funds	35
	Internal service funds	13,121
		<u>\$13,356</u>

NOTE 6 – INTERFUND TRANSACTIONS (Continued)

(b) Transfers

Transfers are indicative of funding for capital projects, lease payments for debt service, subsidies of various County operations and re-allocations of special revenues. The following schedules summarize the County’s transfer activity during the fiscal year ended June 30, 2016:

(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>			
General Fund	<i>Business-type activities:</i> Refuse Enterprise Fund	\$ 809	Funding for operations
	Airport Enterprise Fund	2	Funding for operations
	Energy Independence Program	15	Funding for operations
	Other enterprise funds	<u>449</u>	Funding for operations
		1,275	
Mandated Revenues	Other enterprise funds	<u>133</u>	Funding for operations
Special Revenue Fund		<u>1,408</u>	and capital outlay
<i>Business-type activities:</i>			
Refuse Enterprise Fund	<i>Governmental activities:</i> General Fund	(11)	Funding for operations
Airport Enterprise Fund	General Fund	(6)	Funding for operations
Energy Independence Program	General Fund	(5)	Funding for operations
Other enterprise funds	General Fund	<u>(1)</u>	Funding for operations
		<u>(23)</u>	
Net transfers between Governmental and Business-type activities		<u><u>\$1,385</u></u>	

NOTE 6 – INTERFUND TRANSACTIONS (Continued)

(2) Between Funds within the Governmental Activities:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Human Services Special Revenue Fund	\$ 19,814	Funding for operations
	Health and Sanitation Special Revenue Fund	15,713	Funding for operations
	Mandated Revenues Special Revenue Fund	46	Funding for operations
	Roads Special Revenue Fund	30,078	Funding for operations
	1991 Realignment Special Revenue Fund	2,738	Funding for operations
	Internal service funds	2	Funding for operations and capital outlay
	Other governmental funds	<u>13,019</u>	Funding for operations and capital outlay
		81,410	
Health and Sanitation Special Revenue Fund	General Fund	355	Funding for operations
	Mandated Revenues Special Revenue Fund	<u>58</u>	Funding for operations
		413	
Mandated Revenues Special Revenue Fund	General Fund	763	
	Human Services Special Revenue Fund	153	Funding for operations
	Other governmental funds	<u>3,688</u>	Funding for capital outlay
		4,604	
Open Space Special Tax Account Special Revenue Fund	Debt Service Fund	38,968	Funding for debt service
Roads Special Revenue Fund	General Fund	47	Funding for operations
	Internal service funds	1,100	Funding for capital outlay
	Other governmental funds	<u>178</u>	Funding for operations
		1,325	
Other governmental funds	General Fund	3,143	Funding for operations
	Mandated Revenues Special Revenue Fund	217	Funding for operations
	Roads Special Revenue Fund	10	Funding for operations
	Open Space Special Tax Account Special Revenue Fund	10,422	Funding for operations
	Other governmental funds	<u>30</u>	Funding for operations
		13,822	
Internal service funds	General Fund	<u>3,666</u>	Funding for operations
		<u>\$144,208</u>	

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental activities:					
<i>Total capital assets, not being depreciated</i>					
Intangible assets	\$ 312,995	\$ 6,050	\$ -	\$ 594	\$ 319,639
Land	398,246	-	-	(272)	397,974
Work in progress	17,546	3,584	(58)	(12,190)	8,882
Construction in progress	46,674	25,453	(509)	(15,698)	55,920
Total capital assets, not being depreciated	<u>775,461</u>	<u>35,087</u>	<u>(567)</u>	<u>(27,566)</u>	<u>782,415</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	27,982	-	-	8,458	36,440
Infrastructure	530,948	-	(814)	8,185	538,319
Buildings and improvements	414,266	-	-	7,656	421,922
Land improvements	837	36	-	-	873
Machinery and equipment	87,920	6,910	(4,678)	3,267	93,419
Total capital assets, being depreciated	<u>1,061,953</u>	<u>6,946</u>	<u>(5,492)</u>	<u>27,566</u>	<u>1,090,973</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(11,399)	(3,599)	-	-	(14,998)
Infrastructure	(392,172)	(9,233)	563	-	(400,842)
Buildings and improvements	(137,795)	(7,951)	-	-	(145,746)
Land improvements	(26)	(37)	-	-	(63)
Machinery and equipment	(63,021)	(7,022)	4,341	-	(65,702)
Total accumulated depreciation	<u>(604,413)</u>	<u>(27,842)</u>	<u>4,904</u>	<u>-</u>	<u>(627,351)</u>
Total capital assets, being depreciated, net	457,540	(20,896)	(588)	27,566	463,622
Governmental activities capital assets, net	<u>\$1,233,001</u>	<u>\$ 14,191</u>	<u>\$ (1,155)</u>	<u>\$ -</u>	<u>\$ 1,246,037</u>
Business-type activities:					
<i>Total capital assets, not being depreciated</i>					
Land	\$ 23,381	\$ 53	\$ (325)	\$ 34	\$ 23,143
Construction in progress	55,781	12,842	(1,482)	(57,494)	9,647
Total capital assets, not being depreciated	<u>79,162</u>	<u>12,895</u>	<u>(1,807)</u>	<u>(57,460)</u>	<u>32,790</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	9,142	-	-	-	9,142
Infrastructure	1,626	-	(5)	-	1,621
Land improvements	51	-	-	-	51
Buildings and improvements	184,323	245	(96)	53,368	237,840
Machinery and equipment	32,266	302	(62)	4,092	36,598
Total capital assets, being depreciated	<u>227,408</u>	<u>547</u>	<u>(163)</u>	<u>57,460</u>	<u>285,252</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(6,369)	(342)	-	-	(6,711)
Infrastructure	(54)	(65)	-	-	(119)
Land improvements	(1)	(4)	-	-	(5)
Buildings and improvements	(124,188)	(4,588)	97	-	(128,679)
Machinery and equipment	(18,562)	(2,173)	62	-	(20,673)
Total accumulated depreciation	<u>(149,174)</u>	<u>(7,172)</u>	<u>159</u>	<u>-</u>	<u>(156,187)</u>
Total capital assets, being depreciated, net	78,234	(6,625)	(4)	57,460	129,065
Business-type activities capital assets, net	<u>\$ 157,396</u>	<u>\$ 6,270</u>	<u>\$ (1,811)</u>	<u>\$ -</u>	<u>\$ 161,855</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Discrete Component Units	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Sonoma County Water Agency					
<i>Total capital assets, not being depreciated</i>					
Intangible assets	\$ 107,547	\$ -	\$ -	\$ 3	\$ 107,550
Land	12,245	-	-	-	12,245
Intangible work in progress	1,250	925	(13)	(633)	1,529
Construction in progress	26,665	12,595	(701)	(2,864)	35,695
Total capital assets, not being depreciated	<u>147,707</u>	<u>13,520</u>	<u>(714)</u>	<u>(3,494)</u>	<u>157,019</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	2,622	-	(909)	626	2,339
Infrastructure	288,424	689	-	364	289,477
Land improvements	3,471	-	-	708	4,179
Buildings and improvements	50,221	-	-	1,796	52,017
Machinery and equipment	12,801	1,073	(726)	-	13,148
Total capital assets, being depreciated	<u>357,539</u>	<u>1,762</u>	<u>(1,635)</u>	<u>3,494</u>	<u>361,160</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(1,136)	(339)	477	-	(998)
Infrastructure	(135,975)	(8,230)	-	-	(144,205)
Land and improvements	(1,648)	(155)	-	-	(1,803)
Buildings and improvements	(10,678)	(1,497)	(85)	-	(12,260)
Machinery and equipment	(7,310)	(796)	725	-	(7,381)
Total accumulated depreciation	<u>(156,747)</u>	<u>(11,017)</u>	<u>1,117</u>	<u>-</u>	<u>(166,647)</u>
Total capital assets, being depreciated, net	<u>200,792</u>	<u>(9,255)</u>	<u>(518)</u>	<u>3,494</u>	<u>194,513</u>
Discrete component unit capital assets, net	<u>\$ 348,499</u>	<u>\$ 4,265</u>	<u>\$ (1,232)</u>	<u>\$ -</u>	<u>\$ 351,532</u>
Community Development Commission					
<i>Total capital assets, not being depreciated</i>					
Land	\$ 6,750	\$ -	\$ -	\$ -	\$ 6,750
Total capital assets, not being depreciated	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
<i>Total capital assets, being depreciated</i>					
Buildings and improvements	3,642	-	-	-	3,642
Machinery and equipment	120	-	(39)	-	81
Total capital assets, being depreciated	<u>3,762</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>3,723</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(718)	(202)	-	-	(920)
Machinery and equipment	(125)	-	121	-	(4)
Total accumulated depreciation	<u>(843)</u>	<u>(202)</u>	<u>121</u>	<u>-</u>	<u>(924)</u>
Total capital assets, being depreciated, net	<u>2,919</u>	<u>(202)</u>	<u>82</u>	<u>-</u>	<u>2,799</u>
Discrete component unit capital assets, net	<u>\$ 9,669</u>	<u>\$ (202)</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 9,549</u>

NOTE 7 – CAPITAL ASSETS (Continued)*Depreciation*

Depreciation expense charged to governmental activities for the fiscal year ended June 30, 2016 was as follows:

General government	\$ 4,472
Public protection	8,088
Public ways and facilities	9,332
Health and sanitation	734
Public assistance	532
Education	54
Recreation and cultural services	1,205
Depreciation on capital assets held by the heavy equipment	630
Depreciation for internal services funds	<u>2,795</u>
Total depreciation expense – governmental activities	<u>\$ 27,842</u>

Depreciation expense charged to business-type activities for the fiscal year ended June 30, 2016 was as follows:

Refuse	\$ 2,193
Airport	941
Transit	2,919
Fair	728
Marinas	217
Other Districts	<u>174</u>
Total depreciation expense – business-type activities	<u>\$ 7,172</u>

NOTE 8 – PAYABLES

Accounts payable and accrued liabilities for the fiscal year ended June 30, 2016, for the County’s individual major funds, nonmajor and internal service funds in the aggregate are as follows:

Accounts payable other accrued liabilities Governmental Activities	General	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue	Roads Special Revenue	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 5,712	\$ 910	\$ 4,636	\$ 76	\$ 759	\$ 5,605	\$ 4,662	\$ 22,360
Accrued salaries and benefits	14,505	-	-	-	-	-	-	14,505
Deposits from others	1,086	-	-	11	12	-	-	1,109
Total	<u>\$ 21,303</u>	<u>\$ 910</u>	<u>\$ 4,636</u>	<u>\$ 87</u>	<u>\$ 771</u>	<u>\$ 5,605</u>	<u>\$ 4,662</u>	<u>\$ 37,974</u>

Accounts payable other accrued liabilities Business-Type Activities	Refuse	Airport	Energy Independence Program	Transit	Other Enterprise Funds	Total Business-Type Activities
Accounts	\$ 97	\$ 491	\$ 205	\$ 1,452	\$ 354	\$ 2,599
Other accrued liabilities	-	40	-	-	1,153	1,193
Total	<u>\$ 97</u>	<u>\$ 531</u>	<u>\$ 205</u>	<u>\$ 1,452</u>	<u>\$ 1,507</u>	<u>\$ 3,792</u>

NOTE 9 – 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, 2016, are:

Fiscal Year Ending June 30,	Future Minimum Lease Payments
2017	\$ 8,771
2018	7,882
2019	6,786
2020	6,098
2021	4,006
Thereafter	4,220
Total	<u>\$ 37,763</u>

Total rental expense for operating leases for the fiscal year ended June 30, 2016 was \$8,830.

NOTE 10 – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental activities					
Compensated absences	\$ 23,707	\$ 24,311	\$ (22,570)	\$ 25,448	\$ 25,448
Net pension liability	173,436	227,619	(57,866)	343,189	-
Net OPEB obligation	52,628	-	(6,586)	46,042	-
Certificates of participation	25,384	-	(3,028)	22,356	3,183
Bonds payable	84,020	43,335	(78,490)	48,865	5,220
Pension obligation bonds	443,565	-	(18,315)	425,250	21,065
Loans payable	76,246	-	(1,756)	74,490	1,152
Self-insurance	40,442	23,973	(24,335)	40,080	10,710
Capital lease obligations	3,390	-	(528)	2,862	419
Subtotal, long-term obligations	<u>922,818</u>	<u>319,238</u>	<u>(213,474)</u>	<u>1,028,582</u>	<u>67,197</u>
Add deferred amounts:					
Issuance premiums	3,234	7,044	(3,728)	6,550	-
Subtotal, deferred amounts	<u>3,234</u>	<u>7,044</u>	<u>(3,728)</u>	<u>6,550</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 926,052</u>	<u>\$ 326,282</u>	<u>\$ (217,202)</u>	<u>\$ 1,035,132</u>	<u>\$ 67,197</u>
	Balance July 1, 2015*	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Business-type activities					
Compensated absences	\$ 479	\$ 469	\$ (468)	\$ 480	\$ 480
Net pension liability	3,587	2,672	(892)	5,367	-
Landfill closure and postclosure	5,005	57	(228)	4,834	-
Advances from other governments	9,817	-	(1,018)	8,799	946
Energy bonds payable	42,427	2,760	(6,937)	38,250	1,726
Loan payable	19	-	(2)	17	2
Note payable	8,400	3,000	(4,200)	7,200	7,200
Total business-type activities long-term obligations	<u>\$ 69,734</u>	<u>\$ 8,958</u>	<u>\$ (13,745)</u>	<u>\$ 64,947</u>	<u>\$ 10,354</u>

* The 2015 balances have been restated. See Note 21 in the Notes to The Basic Financial Statements for further information.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Discrete Component Units					
Sonoma County Water Agency					
Long-term contract payable	\$ 91,598	\$ -	\$ (3,331)	\$ 88,267	\$ 3,439
Compensated absences	1,964	2,691	(2,498)	2,157	2,157
Net pension liability	12,464	16,046	(4,065)	24,445	-
Pollution remediation	191	9	-	200	-
Revenue and general obligation bonds	25,342	23,865	(10,473)	38,734	1,480
Advances from other governments	15,518	-	(3,352)	12,166	892
Capital lease obligations	9,355	-	(4,341)	5,014	746
Subtotal, long-term obligations	<u>156,432</u>	<u>42,611</u>	<u>(28,060)</u>	<u>170,983</u>	<u>8,714</u>
Add deferred amounts:					
Issuance premiums	728	1,055	(174)	1,609	86
Subtotal, deferred amounts	<u>728</u>	<u>1,055</u>	<u>(174)</u>	<u>1,609</u>	<u>86</u>
Total Sonoma County Water Agency long-term obligations	<u>\$ 157,160</u>	<u>\$ 43,666</u>	<u>\$ (28,234)</u>	<u>\$ 172,592</u>	<u>\$ 8,800</u>
Community Development Commission					
Compensated absences	\$ 139	\$ 378	\$ (326)	\$ 191	\$ 191
Net pension liability	1,653	2,324	(567)	3,410	-
Total Community Development Commission long-term obligations	<u>\$ 1,792</u>	<u>\$ 2,702</u>	<u>\$ (893)</u>	<u>\$ 3,601</u>	<u>\$ 191</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, \$40,080 of internal service funds self-insurance liability is included in the above amounts. In governmental activities, the liabilities for compensated absences as well as the unfunded OPEB obligation are primarily liquidated by the General Fund.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

Individual issues of bonds, notes, loans, capital leases and certificates of participation outstanding at June 30, 2016 are as follows:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates / Ranges</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance June 30, 2016</u>
Governmental activities					
Certificates of Participation (2):					
2009 General Services Energy (11)	2027	5%	\$ 415-2,217	\$ 18,900	\$ 17,128
2010 Administration Building COP	2024	2.89-3.8%	71-138	1,475	938
2013 Series A (Refunding 2003 COPs) (15)	2017	.08-1.55%	1,665-1,715	8,455	3,410
2013 Series B (Refunding 2003 COPs) (15)	2017	.08-1.55%	430-445	2,185	880
					<u>22,356</u>
Bonds payable (3):					
2007 Series A Agricultural Preservation And Open Space (Measure F) (16)	2031	4.00–5.00%	0-7,340	93,845	7,685
2015 Series A Agricultural Preservation And Open Space (Measure F) (16)	2024	2.00–5.00%	0-7,010	43,335	41,180
					<u>48,865</u>
Pension obligation bonds (4):					
2003 Series A	2022	1.55-5.07%	7,685-25,970	210,200	129,150
2003 Series B	2022	1.55-5.07%	0-21,000	21,000	21,000
2010 Series	2030	2.12-6.0%	0-38,030	289,355	275,100
					<u>425,250</u>
Loans payable					
Sonoma County Tobacco Securitization Corporation (5)	2045	4.25-5.25%	755-4,200	83,060	72,175
Pacific Gas & Electric Loans	2018	0%	6-17	398	172
Enterprise Financial System Loans (10)	2018	2.21-3.34%	8-195	2,104	2,143
					<u>74,490</u>
Capital lease obligations (6)	2027	3.62-6.77%	26-245	10,429	<u>2,862</u>
Total governmental activities					<u>\$ 573,823</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates / Ranges</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance June 30, 2016</u>
<u>Business-type activities</u>					
Advances from other governments (8):					
California Department of Boating and Waterways to Spud Point Marina	2023	4.50%	192-356	6,000	\$ 2,195
Various state and local agencies for the County's other enterprise funds	2053	2.75-3.41%	4-213	4,172	1,836
California Department of Transportation to the Airport Enterprise Fund	2020	4.37-5.06%	21-405	7,987	4,768
					<u>8,799</u>
Energy Bonds Payable (12):					
Energy Independence Program	2037	3.00%	93-2,926	70,358	<u>38,250</u>
Loans Payable:					
Pacific Gas & Electric Loan	2025	0.00%	0-2	20	<u>17</u>
Notes Payable:					
Airport (13)	2017	1.40%	0-1,000	1,000	1,000
Airport (13)	2016	Variable	0-10,000	12,000	5,500
Fair (14)	2017	Variable	0-1,200	1,200	700
					<u>7,200</u>
Total business-type activities					<u>\$ 54,266</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates / Ranges</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance June 30, 2016</u>
Discrete component units					
Sonoma County Water Agency					
Long-term contract payable (1)	2034	3.23%	\$ 2,934-6,286	\$ 102,371	\$ 88,267
Revenue and General Obligation Bonds (7):					
Water Agency General Obligation Bonds	2017-2020	5.00%	31-41	800	134
2005 Water and Wastewater Revenue Bonds, Series C	2027	2.70-5.00%	235-445	6,220	3,885
2012A Water Revenue Refunding Bonds	2032	.30-5.00%	0-815	12,265	10,850
2015A & AT Water Revenue Refunding Bonds	2040	2.3-5.2%	0-1,335	23,865	23,865
					<u>38,734</u>
Advances from other governments (8) & (9):					
California Department of Water Resources to Water Agency	2027	2.79%	653-1,019	15,857	10,544
Sonoma Valley County Sanitation District	2019	4.20%	358-563	5,443	1,622
					<u>12,166</u>
Capital Lease Obligations (6):					
Water Agency	2020-2023	4.08-4.54%	260-4,340	10,585	5,014
Total Sonoma County Water Agency					<u>\$ 144,181</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

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) Debt service payments are funded by legally available resources of the Open Space Special Tax Account (OSSTA) and are fully collateralized by the Measure F quarter cent sales tax revenue and assets financed with the proceeds.
- (4) Pension obligation bonds were issued in 2003 and 2010 to fund the County's unfunded pension liability. Debt service payments are funded by charges to County departments based on their proportionate share of salaries and benefit expenses.
- (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 County entered into an agreement with Oracle Credit Corporation for a line of credit in order to provide payment as invoices were due for the new financial system acquired.
- (11) The County issued Certificates 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.
- (12) 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 lent to the Energy Independence Program major enterprise fund to fund the County's Energy Independence program.
- (13) These notes were issued for expenditures and land acquisition related to the Runway Safety Area Enhancement project and are secured by Federal Aviation Administration grants.
- (14) The note is pledged by the Fair's enterprise fund assets and revenue.
- (15) Refunded amounts covered the par amount of the bonds and cost of issuance resulting in no loss on refunding. The cost savings of refunding the COPs totaled \$652 with a present value savings on cash flows of \$634.
- (16) Open Space 2007A bond debt refunding resulted in a partial defeasance of outstanding debt of \$72,770 in FY15-16. The remaining 2007A bond principal of \$11,250 will be fully extinguished by September 1, 2017.

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

The Sonoma County Securitization Corporation has pledged all revenues to be received from the tobacco Master Settlement Agreement (MSA) to repay the outstanding principal of \$72,175 in the Series 2005 Tobacco Settlement Asset-Backed Refunding Bonds issued in October 2005. The MSA was originally entered into by the four major cigarette manufacturers, 46 states and six other U.S. jurisdictions (Settling States) to provide state governments (including California) with compensation for smoking related medical costs and to help reduce smoking in the United States. There is no limit to the yearly settlement payments; they are perpetual. In addition, a Memorandum of Understanding (MOU) and a supplemental agreement (ARIMOU) was agreed to by the State of California and all California counties and four California cities, granting those California municipalities the right to receive tobacco settlement allocation payments, (also known as Tobacco Settlement Revenues-(TSRs)). The tobacco bonds were issued to finance the acquisition of the County Tobacco Assets for the County of Sonoma. Total principal and interest remaining on the bonds is \$154,481 payable through 2045.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

Under the terms of the tobacco bond indenture, the bonds are payable solely from certain funds held under the indenture, including TSRs and earnings on such funds. However, actual payments on the bonds depend on the amount of TSRs received by the County. The amount of these TSRs is affected by cigarette consumption and the financial capability of the participating manufacturers. There are a number of risks associated with the amount of actual TSRs the County receives each year, including a decline in cigarette consumption materially beyond forecasted levels, and other future adjustments to the calculation of the TSRs. If actual events deviate from one or more of the assumptions underlying the Base Case, the amount of TSRs available to make Turbo Redemption, interest, and principal payments will be affected. No assurance can be given that the projected payments and Turbo Redemptions will be realized. During the fiscal year ended June 30, 2016, principal and interest payments were \$4,348 while tobacco settlement revenue was \$4,171. Based on the information above, the County presents the bonds debt service to maturity assuming no further turbo payments.

Following is a schedule of debt payment requirements of governmental activities to maturity for long-term obligations, excluding compensated absences, OPEB, and self-insurance liabilities that have indefinite maturities, outstanding at June 30, 2016:

Year ending June 30:	Certificates of Participation		Bonds Payable		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,183	\$ 912	\$ 5,220	\$ 2,283	\$ 21,065	\$ 23,081
2018	3,366	829	5,465	2,038	24,260	22,093
2019	1,371	750	5,740	1,765	27,555	20,894
2020	1,550	679	6,035	1,471	30,955	19,400
2021	1,745	599	6,340	1,162	34,725	17,636
2022-2026	10,377	1,535	20,065	1,491	153,790	59,882
2027-2031	764	9	-	-	132,900	16,062
Subtotals	22,356	5,313	48,865	10,210	425,250	179,048
Plus: Issuance premiums	-	-	6,550	-	-	-
Total	\$ 22,356	\$ 5,313	\$ 55,415	\$ 10,210	\$ 425,250	\$ 179,048

Year ending June 30:	Loans Payable ⁽¹⁾		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2017	\$ 1,152	\$ 3,796	\$ 419	\$ 147
2018	1,135	3,762	443	127
2019	24	3,741	182	109
2020	4	3,741	196	99
2021	3,950	3,603	211	89
2022-2026	9,920	17,544	1,166	258
2027-2031	-	15,328	245	11
2032-2036	-	15,111	-	-
2037-2041	31,045	10,338	-	-
2042-2046	27,260	5,725	-	-
Total	\$ 74,490	\$ 82,689	\$ 2,862	\$ 840

⁽¹⁾ Debt service requirements relating to 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.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2016, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30:	Loans Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 2	\$ -	\$ 7,200	\$ -
2018	2	-	-	-
2019	2	-	-	-
2020	2	-	-	-
2021	2	-	-	-
2022-2026	7	-	-	-
Total	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 7,200</u>	<u>\$ -</u>

Year ending June 30:	Advances From Other Governments		Energy Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 946	\$ 365	\$ 1,726	\$ 1,096
2018	878	324	1,893	1,082
2018	893	286	2,028	1,024
2020	862	247	2,098	962
2021	766	211	2,091	899
2022-2026	2,478	644	11,314	3,528
2027-2031	1,296	206	13,348	1,642
2032-2036	122	87	3,658	230
2037-2041	138	69	94	1
2042-2046	159	49	-	-
2047-2051	182	26	-	-
2052-2056	79	3	-	-
Total	<u>\$ 8,799</u>	<u>\$ 2,517</u>	<u>\$ 38,250</u>	<u>\$ 10,464</u>

As of June 30, 2016, annual debt service requirements of the component unit Sonoma County Water Agency to maturity are as follows:

Year ending June 30:	Long-term Contract		Revenue and General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 3,439	\$ 2,847	\$ 1,480	\$ 1,346
2018	3,550	2,736	1,526	1,303
2019	3,664	2,621	1,556	1,253
2020	3,782	2,503	1,602	1,200
2021	3,905	2,381	1,640	1,137
2022-2026	21,495	9,933	9,360	4,469
2027-2031	25,192	6,236	9,340	1,316
2032-2036	23,240	1,903	7,710	1,306
2037-2041	-	-	4,520	357
Subtotals	88,267	31,160	38,734	13,687
Plus: Issuance premiums	-	-	1,609	-
Total	<u>\$ 88,267</u>	<u>\$ 31,160</u>	<u>\$ 40,343</u>	<u>\$ 13,687</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

Year ending June 30:	Capital Lease Obligations		Advances From Other Governments	
	Principal	Interest	Principal	Interest
	2017	\$ 746	\$ 207	\$ 892
2018	778	175	1,302	325
2019	812	141	1,346	281
2020	845	106	805	235
2021	585	71	827	213
2022-2026	1,248	82	4,500	702
2027-2031	-	-	2,494	106
Total	<u>\$ 5,014</u>	<u>\$ 782</u>	<u>\$ 12,166</u>	<u>\$ 2,077</u>

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, 2016, does not expect to incur a liability.

Non-Exchange Financial Guarantee

In June 2016, Sonoma County issued a \$700 one year note, on behalf of the Sonoma County Fair and Exposition, Inc. (Fair), sold to the Sonoma County Treasurer. The County is authorized pursuant to Government Code Section 53850 to borrow money on a temporary basis. Although the Fair is a separate legal entity, it is considered a blended component unit of Sonoma County, and as such, Fair operations are reported with Sonoma County operations.

NOTE 11 – ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both modified accrual and accrual basis of accounting, revenue may be recognized only when earned. Therefore, governmental and enterprise funds report advances from grantors and third parties in connection with resources that have been received, but not yet earned as a liability. At June 30, 2016, advances from grantors and third parties are as follows:

Advances from grantors and third parties - Governmental Activities	General	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue	Roads Special Revenue	Other Governmental Funds	Total Governmental Activities
Total	<u>\$ 1,077</u>	<u>\$ 2,212</u>	<u>\$ 1,692</u>	<u>\$ 4</u>	<u>\$ 178</u>	<u>\$ 3,359</u>	<u>\$ 8,522</u>

Advances from grantors and third parties - Business Type Activities	Airport	Transit	Other Enterprise Funds	Total Business Type Activities
Total	<u>\$ 16</u>	<u>\$ 1,165</u>	<u>\$ 78</u>	<u>\$ 1,259</u>

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

The largest portions of the County’s deferred inflows of resources are SB90. SB90 is California Senate Bill 90 of 1972 which established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. The amounts receivable from SB90 claims are reported as deferred inflows of resources, as the amounts are not available and collection is anticipated after the period of availability, and total \$12,403 as of June 30, 2016.

At June 30, 2016, deferred inflows of resources are as follows:

<u>Deferred Inflows of Resources</u> <u>Governmental Funds</u>	<u>General</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Roads Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Unavailable revenue	\$6,846	\$ 3,855	\$ 8,750	\$ 3	\$ 46	\$ 19,500

<u>Deferred Inflows of Resources</u> <u>Governmental Activities</u>	<u>Internal Service Funds</u>	<u>Other Governmental Activities</u>	<u>Total Governmental Activities</u>
Deferred amounts related to pensions	\$ 36,920	\$ 363	\$ 37,283
Total	<u>\$ 36,920</u>	<u>\$ 363</u>	<u>\$ 37,283</u>

<u>Deferred Inflows of Resources</u> <u>Business-Type Activities</u>	<u>Refuse</u>	<u>Airport</u>	<u>Transit</u>	<u>Other Enterprise Funds</u>	<u>Business-Type Activities</u>
Service concession arrangement	\$ 40,320	\$ -	\$ -	\$ -	\$ 40,320
Deferred receipts of assessment interest	-	-	-	457	457
Deferred amounts related to pensions	688	124	56	299	1,167
Total	<u>\$ 41,008</u>	<u>\$ 124</u>	<u>\$ 56</u>	<u>\$ 756</u>	<u>\$ 41,944</u>

For additional information related to the deferred pension items, please see Note 14 and Note 20 for the Service Concession Arrangement.



NOTE 13 – NET POSITION/FUND BALANCES

(a) Classification

Fund balances at June 30, 2016 were classified as follows:

	General	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenue Special Revenue
Nonspendable:				
Inventories	\$ 251	\$ -	\$ -	\$ -
Prepaid items and deposits	224	3,585	11	1
Advances and loans	14,198	-	-	-
Total nonspendable fund balances	14,673	3,585	11	1
Restricted:				
Agricultural Preservation and Open Space District	-	-	-	-
Capital projects and equipment replacement	-	-	-	24,534
First 5 Children and Families Commission	-	-	-	-
Debt service	-	-	-	-
Parks donations, mitigation and operations	-	-	-	2,427
Courthouse/Criminal Justice Construction	-	-	-	2,464
Health services programs	-	-	5,264	1,474
Fire and emergency services	-	-	-	-
Public assistance	-	11,821	-	-
Lighting districts	-	-	-	-
Road maintenance	-	-	-	-
Public protection	-	-	-	9,432
Air pollution control	-	-	-	-
Clerk, recorder, assessor operations	-	-	-	4,416
Other programs	-	-	-	655
Total restricted fund balances	-	11,821	5,264	45,402
Committed:				
Roads ARM activities	-	-	-	-
Advertising activities	-	-	-	-
Other programs	3	-	-	-
Total committed fund balances	3	-	-	-
Assigned:				
Capital projects and equipment replacement	9,021	-	-	-
Tribal development impact mitigation	13,170	-	-	-
Eliminate projected 2016-17 budgetary deficit	15,027	-	-	-
Redevelopment agencies	18,600	-	-	-
General services	6,907	-	-	-
Public protection	3,413	-	-	-
Road maintenance	-	-	-	-
Encumbrances and audit reserves	4,993	-	-	-
Other programs	2,461	-	-	-
Total assigned fund balances	73,592	-	-	-
Unassigned	57,497	-	-	-
Total fund balances	\$ 145,765	\$ 15,406	\$ 5,275	\$ 45,403

Open Space Special Tax Account Special Revenue	Roads Special Revenue	1991 Realignment Special Revenue	Other Funds	Total	
\$ -	\$ 695	\$ -	\$ 12	\$ 958	Nonspendable:
-	1	-	21	3,843	Inventories
-	-	-	-	14,198	Prepaid items and deposits
-	696	-	33	18,999	Advances and loans
					Total nonspendable fund balances
					Restricted:
56,589	-	-	7,021	63,610	Agricultural Preservation and Open Space District
-	12,389	-	-	36,923	Capital projects and equipment replacement
-	-	-	15,810	15,810	First 5 Children and Families Commission
-	-	-	13,017	13,017	Debt service
-	-	-	-	2,427	Parks donations, mitigation and operations
-	-	-	-	2,464	Courthouse/Criminal Justice Construction
-	-	10,630	638	18,006	Health services programs
-	-	0	2,817	2,817	Fire and emergency services
-	-	1	611	12,433	Public assistance
-	-	-	7,289	7,289	Lighting districts
-	8,851	-	648	9,499	Road maintenance
-	-	-	19,128	28,560	Public protection
-	-	-	3,943	3,943	Air pollution control
-	-	-	-	4,416	Clerk, recorder, assessor operations
-	-	-	606	1,261	Other programs
56,589	21,240	10,631	71,528	222,475	Total restricted fund balances
					Committed:
-	1,039	-	-	1,039	Roads ARM activities
-	-	-	5,985	5,985	Advertising activities
-	-	-	-	3	Other programs
-	1,039	-	5,985	7,027	Total committed fund balances
					Assigned:
-	25,060	-	13,171	47,252	Capital projects and equipment replacement
-	-	-	-	13,170	Tribal development impact mitigation
-	-	-	-	15,027	Eliminate projected 2016-17 budgetary deficit
-	-	-	-	18,600	Redevelopment agencies
-	-	-	-	6,907	General services
-	-	-	-	3,413	Public protection
-	10,554	-	-	10,554	Road maintenance
-	-	-	-	4,993	Encumbrances and audit reserves
-	-	-	-	2,461	Other programs
-	35,614	-	13,171	122,377	Total assigned fund balances
-	-	-	-	57,497	Unassigned
\$ 56,589	\$ 58,589	\$ 10,631	\$ 90,717	\$ 428,375	Total fund balances

NOTE 13 – FUND BALANCES (Continued)

(b) Retained Deficits

Internal Service Fund

The County's Employee Retirement Internal Service Fund has retained deficit of \$(566,223) at June 30, 2016. This fund is used to account for the County's pension related activities and includes the pension obligation bonds as well as the net pension liability. The County funds contributions to the pension plan and debt service payments for the pension obligation bonds with charges collected from departments through bi-weekly payroll. Collections from departments are sufficient to cover the annual contributions to the pension plan and debt service payments but are not intended to build an asset balance in this fund. Consequently this fund is expected to have retained deficit until the pension obligation bonds are repaid and the pension plan is fully funded.

Private Purpose Trust Fund

The Private Purpose Trust Fund has retained deficit of \$(3,424) at June 30, 2016. This fund reports the assets and liabilities of the Sonoma County Redevelopment Successor Agency, including \$11,648 of tax allocation refunding bonds. Debt service payments for these bonds are funded with property tax revenues, which are allocated to the Private Purpose Trust Fund semi-annually in an amount based on a Recognized Obligation Payment Schedule. Property tax revenues allocated to the trust annually are sufficient to pay the annual debt service payments, but are not intended to build an asset balance in the trust. Consequently this trust is expected to have retained deficit until the tax allocation refunding bonds are repaid.

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS**(a) Plan Description**

The Sonoma County Employees’ Retirement Association (SCERA) was established January 1, 1946, under the provisions of the 1937 County Employees Retirement Act. SCERA, a cost-sharing, multiple-employer Defined Benefit Pension Plan (Plan), serves as a distribution agent for County Postemployment Healthcare Plan (PH Plan), and is legally separate from the County.

All General and Safety employees hired on or after January 1, 2013, with the exception of employees who are eligible for reciprocity with another qualified California retirement system, are part of a new tier called Plan B. General and Safety employees hired before January 1, 2013 are part of the original Plan called Plan A.

Plan members include employees in a permanent position of at least half time for employees of the County of Sonoma, Sonoma County Transportation Authority, Valley of the Moon Fire District (District), and Superior Courts of California. 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 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 Supervisors and then shall be implemented by the Board of Retirement.

At December 31, 2015, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	4,653
Current active members	4,071
Terminated vested members	<u>1,047</u>
Total	<u><u>9,771</u></u>

SCERA issues a financial report available to the public that includes financial statements and required supplementary information for the Plan, available upon request from SCERA at 433 Aviation Boulevard, Santa Rosa, California, 95403, or can be found online at www.SCETIRE.com.

(b) Benefits Provided**Benefit Tiers**

The tiers and their basic provisions are listed in the following table:

<u>Tier Name</u>	<u>Membership Effective Date</u>	<u>Provisions</u>	<u>Salary Period</u>
Plan A			
General Membership	Before January 1, 2013	3% at 60	Highest 1-year
Safety Membership	Before January 1, 2013	3% at 50	Highest 1-year
Plan B			
General Membership	January 1, 2013	2.5% at 67	Highest 3-year
Safety Membership	January 1, 2013	2.7% at 57	Highest 3-year

Vesting

Upon completing five years of creditable service, employees have non-revocable rights to receive benefits attributable to employer's contributions, provided employee contributions have not been withdrawn. Plan A members are eligible to retire at age 50 with ten years of service from the date of membership or thirty years of service (safety members-twenty years of service) regardless of age. Plan B General members are eligible to retire at age 52 with five years of service; Plan B Safety members are eligible to retire at age 50 with five years of service. Members in all plans are eligible to retire at age 70, regardless of years of service.

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

Benefit Payments

Benefits are based upon a combination of age, years of service, final compensation and the benefit payment option selected by the member. For Plan A members, final compensation is defined as the highest 12 consecutive months of compensation earnable. The maximum benefit payable to a member or beneficiary is 100% of the final compensation. For Plan B members, final compensation is based on the highest 36 months of pensionable compensation. Additionally Plan B members are limited in the amount of compensation used to calculate a benefit to 100% of the Social Security taxable wage base limit.

Cost of Living Adjustments

SCERA has approved, on an ad hoc basis, several one-time, post-retirement cost of living increases (COLAs). These cost of living increases have been fully funded by transfers from the Undistributed Earnings Reserve, Cost of Living Future Reserve, or Interest Fluctuation Reserve into the Cost of Living Current Reserve account.

Death Benefit – Prior to Retirement

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system (based on the final compensation preceding the member's death), but not to exceed 6 months of salary. If a member dies while eligible for service retirement or non-service connected disability, his or her spouse / domestic partner receives 60% of the allowance that the member would have received for retirement on the day of his or her death. If a member dies in the performance of duty, the spouse / domestic partner will receive a lifetime benefit equal to 50% of the member's final average compensation or a service retirement benefit, whichever is higher.

Death Benefit – Post Retirement

As part of the retirement process, members are required to select among several options for benefits continuation upon the member's death. For married / registered retirees, the most common retirement option is the unmodified option, which pays the retiree's eligible spouse or domestic partner a lifetime benefit equal to 60% of the benefit the retiree was receiving.

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for non-service connected disability. The benefit for Plan A members is 1.8% of final compensation for each year of service; and the benefit for Plan B members is 1.5% of final compensation for each year of service. The maximum benefit for both Plans is 1/3 of final compensation. All employees, regardless of years of service are eligible for service connected disability. The benefit of a service connected disability is the greater of 50% of final compensation or service retirement benefit.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his or her contribution plus interest may be refunded. In lieu of receiving a return of contributions, a member may elect to leave his or her contributions on deposit. Members with at least five years of service may choose to receive a deferred vested benefit when eligible for retirement.

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

(c) Actuarial Methods and Assumptions

The table below summarizes the actuarial methods and assumptions of Plan A and Plan B for the actuarial valuation and measurement date of December 31, 2015:

	<u>December 31, 2015</u>
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected annual salary increases - General	4.00% to 9.50%
Projected annual salary increases - Safety	4.00% to 12.00%
Inflation	3.00%
Across-the-board salary increases	0.50%
Cost-of-living adjustments	None

In the December 31, 2015 actuarial valuation, Plan A 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. Plan B uses a single rate methodology, regardless of entry age, where members pay 50% of the normal cost. 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 funding policy adopted by the Board of Retirement is to amortize the UAAL at December 31, 2007 as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation over separate 20-year declining periods. The UAAL established as a result of including as pensionable salary a cash allowance of \$3.45 per hour for General-County and Safety-County members is amortized over a 20-year declining period, with 12 years remaining as of December 31, 2015.

(d) 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, 2016 were based on the Plan’s valuation dated December 31, 2013. 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 A members are required to contribute 10.35% -15.11% of their annual covered salary based upon the member’s age at the date of entry into the system and Plan B members are required to contribute 10.43% for General Plan B Employees and 14.36% for Safety Plan B Employees of their annual covered salary. 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, 2016, the County contributed \$63,769 or approximately 22.07% of covered payroll.

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

For the year ended June 30, 2016, contributions recognized as part of pension expense for the plan were as follows:

<u>Entity</u>	<u>Employer</u>
<u>Governmental Activities</u>	
Sonoma County - Employee Retirement ISF	\$ 61,468
Law Library - Employee Retirement ISF	20
Retirement - Employee Retirement ISF	306
HR Risk - Insurance ISF	437
First 5 Sonoma County Commission	115
Sonoma County Northern Air Pollution District	126
Sonoma County Agricultural Preservation and Open Space District	428
Total Governmental Activities	<u>\$ 62,900</u>
<u>Business-type Activities</u>	
Refuse	\$ 133
Aiport	219
Transit	85
Sonoma County Fair	378
Marina Activities	54
Total Business-type Activities	<u>\$ 869</u>
<u>Discrete Component Units</u>	
Community Development Commission	\$ 637
Sonoma County Water Agency	4,481
Total Discrete Component Units	<u>\$ 5,118</u>

(e) Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the County reported a liability of \$348,556 for its proportionate share of the net pension liability and discrete component unit’s reported their proportionate share of \$27,855. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At December 31, 2015, the County’s proportion was 84.43%, an increase of 2.77% compared to December 31, 2014, and the discrete component unit’s proportion was 6.75%, an increase of 0.24%, compared to December 31, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$18,484 and the discrete component units recognized \$1,586. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2016, the County and discrete component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
Differences between expected and actual experience	\$ -	\$ 36,902
Changes in assumptions	58,629	-
Net difference between projected and actual earnings on retirement plan investments	113,820	-
Changes in proportion and differences between County contributions and proportionate share of contributions	5,533	381
County contributions subsequent to the measurement date	26,545	-
County prepayment of future year contributions	26,874	-
Total Governmental Activities	<u>\$ 231,401</u>	<u>\$ 37,283</u>
<u>Business-Type Activities</u>		
Differences between expected and actual experience	\$ -	\$ 557
Changes in assumptions	781	-
Net difference between projected and actual earnings on retirement plan investments	1,781	-
Changes in proportion and differences between County contributions and proportionate share of contributions	89	610
County contributions subsequent to the measurement date	459	-
Total Business-type Activities	<u>\$ 3,110</u>	<u>\$ 1,167</u>
<u>Discrete Component Units</u>		
Differences between expected and actual experience	\$ -	\$ 2,892
Changes in assumptions	4,055	-
Net difference between projected and actual earnings on retirement plan investments	9,241	-
Changes in proportion and differences between Component units contributions and proportionate share of contributions	1,406	-
Component units contributions subsequent to the measurement date	2,389	-
Total Discretely Presented Component Units	<u>\$ 17,091</u>	<u>\$ 2,892</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. Contributions made subsequent to the measurement date are recorded as deferred outflows of resources related to pensions and will be recognized as a reduction of net pension liability in the year ended June 30, 2017 and totaled \$27,004 for the County and \$2,389 for discrete component units. The County has prepayments of future year contributions on deposit with SCERA of \$26,874 at June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Discrete Component Units</u>
2017	\$ 34,422	\$ 275	\$ 2,996
2018	37,287	325	3,192
2019	46,447	529	3,780
2020	22,543	355	1,842
Total	<u>\$ 140,699</u>	<u>\$ 1,484</u>	<u>\$ 11,810</u>

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

(f) Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2015 and 7.50% as of December 31, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2015 and 2014.

The long-term expected rate of return on assets was determined using a building block approach in which an expected future real rate of return is developed for each major asset class. These expected rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage adjusted by inflation and a risk adjustment. The target allocation and projected arithmetic real rates of return, after deducting inflation of 3.00%, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class from the 2014 experience study are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. Equity	29.54 %	5.72 %
Small Cap U.S. Equity	7.20 %	6.44 %
Developed International Equity	18.90 %	6.69 %
Emerging Market Equity	5.36 %	8.67 %
U.S. Core Fixed Income	13.50 %	0.83 %
Developed International Fixed Income	0.45 %	0.31 %
High Yield Fixed Income	0.60 %	3.00 %
Emerging Market Fixed Income	0.45 %	3.92 %
Real Estate	10.00 %	4.61 %
Farmland	5.00 %	5.81 %
Bank Loans	3.00 %	2.18 %
Unconstrained Bonds	3.00 %	2.71 %
Infrastructure	3.00 %	6.25 %
Total	<u>100.00 %</u>	

(g) Sensitivity of the Proportionate Share of the Net Pension Liability

The following presents the Governmental Activities and Business-type Activities and Discrete Component Units proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Activities’ proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Governmental Activities	\$ 600,586	\$ 343,189	\$ 128,085
Business-Type Activities	9,392	5,367	2,003
Discrete Component Units:			
Community Development Commission	5,967	3,410	1,273
Sonoma County Water Agency	42,778	24,445	9,123
Total	<u>\$ 658,723</u>	<u>\$ 376,411</u>	<u>\$ 140,484</u>

NOTE 15 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)**(a) Plan Description**

The County is the plan sponsor of a postemployment healthcare plan (PH Plan). In accordance with County Salary Resolution No.95-0926, for unrepresented employees and applicable memorandum of understanding for represented employees, the County offers either a cost-sharing defined benefit or a defined contribution plan depending on an employee's date of hire. The County established a postemployment health benefit (OPEB) trust with the Public Agency Retirement Services (PARS) in 2008 to accumulate resources to fund future benefit payments of the cost-sharing defined benefit plan only.

Authority to establish and amend benefit provisions of the PH Plan resides with the County Board of Supervisors. The PH Plan is treated as a single-employer plan for purposes of accounting and financial reporting, since the majority of the participants are employees of the County.

Eligibility for participation in each plan is based upon date of hire. Employees hired prior to January 1, 2009 are eligible to participate in the cost-sharing defined benefit PH Plan and employees hired on or after January 1, 2009, are eligible to participate in a defined contribution Plan. Benefit levels and eligibility requirements for each plan are as follows:

Cost-sharing Defined Benefit Plan:

To be eligible for the cost-sharing defined benefit PH Plan, participants must have been hired before January 1, 2009, completed at least 10 consecutive years of regular full-time paid employment at the County of Sonoma, have been a contributing member of SCERA for the same period of time, retire directly from County service, and be enrolled in a County offered medical plan (or have waived enrollment) at the time of retirement.

Retirees and the County share in the cost of monthly premiums for medical coverage. Effective June 1, 2009, the County began to phase in a reduced contribution over a five-year period. During this period the County contribution was reduced each year until June 1, 2014, when it reached \$500 per month maximum contribution, an amount which is equal to the County's current contribution toward the cost of active, unrepresented Administrative Management employees' medical plans. Retirees may enroll eligible dependents in the County 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 a Safety employee's line-of-duty death pursuant to the California labor code, dependents of the deceased employee are eligible to receive County-subsidized medical coverage. In addition to the monthly contribution, the County reimburses retirees hired prior to January 1, 2009, a fixed amount of \$96.40 per month for Medicare Part B premiums.

Defined Contribution Plan:

For employees hired on or after January 1, 2009, the County provides a defined contribution in the form of a contribution into a Retiree Health Reimbursement Arrangement (HRA) account. Eligibility for this benefit is based upon completion of two full years of consecutive County regular service and have been a contributing member of the Sonoma County Employees Retirement Association. Upon completion of the initial eligibility requirements, the County provides (a) an initial contribution of \$2,400 to an HRA account established in the employees name, this initial contribution of \$2,400 is based on full-time status and is prorated based on their allocated position, and (b) thereafter contributes \$.58 per pay status hour, not including overtime, into the HRA account for each eligible employee. Once an employee has worked the two full years of service and the initial contribution into their HRA account is made, there are no further service requirements. All contributions into the Retiree HRA are made only while an employee is in active pay status, and upon separation of employment, there are no further post-employment contributions. Participants may access their HRA account at age 50 or upon retirement from the County, whichever is earlier, and may defer this date. There is no requirement to be enrolled in a County offered medical plan to receive this benefit. Retirees and dependents that elect coverage under a County-sponsored plan are responsible for all costs.

NOTE 15 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

(b) Funding Policy

The cost-sharing defined benefit PH Plan funding policy provides for periodic contributions by the County. The contribution rate is determined by an independent actuary and authorized annually by the County Board of Supervisors. The contribution rate is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 cost-sharing defined benefit PH Plan over a period not to exceed thirty years.

(c) Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2016, the County’s actuary determined an annual OPEB cost (expense) of \$22,476. The County’s annual OPEB cost and the net OPEB obligation as of and for the fiscal year ended June 30, 2016 were as follows:

Annual required contribution	\$ 21,455
Interest on net OPEB obligation	3,947
Adjustment to annual required contribution	<u>(2,926)</u>
Annual OPEB cost (expense)	22,476
Contributions made	<u>(29,062)</u>
Increase (decrease) in net OPEB obligation	(6,586)
Net OPEB obligation - beginning of year	<u>52,628</u>
Net OPEB obligation - end of year	<u><u>\$ 46,042</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the cost-sharing defined benefit PH plan and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 22,476	\$ 29,062	129%	\$ 46,042
2015	27,530	25,950	94%	52,628
2014	26,500	26,060	98%	51,048

(d) Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the cost-sharing defined benefit PH Plan was 12.11% funded. The actuarial accrued liability for benefits was \$307,776 and the actuarial value of assets was \$37,259 resulting in an unfunded actuarial accrued liability (UAAL) of \$270,517. The covered payroll (annual payroll of active employees covered by the plan) was \$287,745, and the ratio of the UAAL to the covered payroll was 94.01%. 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, which is 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 liability for benefits.

NOTE 15 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

(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, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is based upon the expected rate of return on the SCERA investment pool; a County Health Plan Medical cost trend rate of 9.0% initially, graded down by decrements of .50% to an ultimate rate of 5.0% over 8 years; a County Health Plan Drug cost trend rate of 8.0% initially, graded down by decrements of 0.50% to an ultimate rate of 5.0% over 6 years; an HMO Medical/Drug cost trend rate of 4.0% initially, then 7.00% graded down by decrements by 0.25% to an ultimate rate of 5.0% over 8 years. These rates include an inflation assumption of 3.25% and projected payroll increases of 4.0%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

(f) Plan Membership

As of June 30, 2015, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Current retirees, beneficiaries, and dependents	3,988
Current active participants	<u>2,309</u>
Total	<u><u>6,297</u></u>

NOTE 16 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical malpractice. The County has established an internal service fund to account for and finance risks for workers’ compensation, general liability, health insurance and medical malpractice. For workers’ compensation the County retains the risk for the first \$300 of an individual claim, \$1,000 of a general liability claim, and \$500 medical malpractice claim occurring prior to March 26, 1996. The County is entirely self-insured for unemployment claims and for long-term disability claims occurring prior to August 1, 1999.

The Sonoma County Health Plan (CHP) provides self-insured medical plan options for County employees in addition to fully insured plans. The County retains the risk for the first \$275 of a health insurance claim with unlimited stop-loss coverage and no lifetime maximum per individual.

For general liability and workers’ compensation claims, excess coverage is provided by The California State Association of Counties Excess Insurance Authority (Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its members, which include 95% of the counties in California and nearly 65% of cities, as well as numerous school districts, special districts, housing authorities, fire districts and other Joint Powers Authorities. The Authority’s Board of Directors consists of representatives from its members.

The County is covered under the Authority’s excess liability insurance 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 Authority’s, Excess Worker’s Compensation Program.

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, 2016, totaled \$34,851, which is recorded in the internal service fund as operating revenue. As of June 30, 2016, the estimated liability in the internal service fund totaled \$40,080 of which \$10,710 is estimated to be payable in the ensuing year. The remaining \$29,370 is classified as long-term, self-funded insurance payable in the internal service fund.

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”, \$490,000 limit (shared) for flood, and earthquake limits of \$690,000 (shared) with a deductible of 5% of the building value. Boiler and machinery coverage is included in the All-Risk coverage.

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
Unpaid claims liability at beginning of year	\$ 40,442	\$ 38,817
Incurred claims	23,973	24,774
Claim payments	(24,335)	(23,149)
Unpaid claims liability at end of year	<u>\$ 40,080</u>	<u>\$ 40,442</u>

NOTE 17 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Refuse Enterprise Fund (REF) 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 the total estimated current cost of closure and postclosure care for its landfill accepting solid waste (Central) and those no longer accepting solid waste (Healdsburg and Annapolis).

As of June 30, 2016, the estimated closure and postclosure liability was \$4,834 for closed landfills Annapolis and Healdsburg. As part of the Service Concession Arrangement (SCA) effective April 1, 2015, Republic Services, Inc. has assumed responsibility for the completion of all closure and post-closure obligations related to the Central Landfill (see Note 19 for further discussion). 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 cost of closure and postclosure care are subject to change due to variables such as inflation, changes in the cost of materials, revisions of Federal and state laws, changes in technology and other variables. In addition to the above, state regulations require that landfill closure and post-closure maintenance costs be fully funded at the time of closure, unless a landfill owner/operator can demonstrate financial responsibility towards these activities by using other approved financial assurance alternatives. As an alternative, on July 11, 2000, the Board of Supervisors approved Resolution No. 00-0832 ‘Resolution of the Board of Supervisors of the County of Sonoma, State of California, establishing financial assurance for post-closure maintenance and corrective action of the closed Healdsburg Landfill,’ wherein the County entered into an agreement with the California Integrated Waste Management Board (CIWMB) to provide a pledge of revenue from tipping fees to demonstrate financial responsibility for the closed Healdsburg Landfill. The Board directed that amount of pledged revenue shall be equal to \$36 per year for the 30 year period of post-closure maintenance for the Healdsburg Landfill. The County also approved Resolution No. 00-0833 ‘Resolution of the Board of Supervisors of the County of Sonoma, State of California, establishing financial assurance for post-closure maintenance and corrective action of the closed Annapolis Landfill,’ wherein the County entered into an agreement with CIWMB to provide a pledge of \$78 per year in net Refuse revenues per year for the 30 year period of post-closure maintenance, subject to adjustments in the cost estimate mutually agreed to by the County, the CIWMB, and the Regional Water Quality Control Board.

The estimated percentages of permitted landfill capacity used are as follows:

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

The REF performs all post-closure maintenance and monitoring functions at all closed landfills owned by REF.

As a result of the SCA, the REF has recognized a decrease of closure/post-closure liability of \$42,057 and recorded a deferred inflow of resources of \$40,320 as of June 30, 2016. The deferred inflow will be amortized over the estimated 30 year term of the agreement.

Although the REF is not legally required by state or federal laws to provide funding for its landfill sites closed prior to 1991, the REF has accepted final responsibility for these sites.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

(a) Medical Malpractice Claims

The County of Sonoma participates in a medical malpractice program through the CSAC Excess Insurance Authority. Coverage includes exposures within the Health Services Department, including the Behavioral Health Division. Limits of coverage are \$21,500 for each event with a \$5 deductible. The County has participated in this program since July 1, 1996. Funding for this program is actuarially determined and contributions are determined by claims experience and exposures (number of patient visits). Previously, the County was self-insured for medical malpractice, and 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 occurred during the operation of the hospital but have not been reported. At June 30, 2016, the estimated claims liability for this program 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, 2016. As the funding requirements decrease, the estimated claims liability will be reduced and eventually eliminated.

(b) 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.

(c) Encumbrances

The County governmental funds had the following open encumbrances at June 30, 2016:

General Fund	\$ 4,242
Human Services Special Revenue Fund	86
Health and Sanitation Special Revenue Fund	63
Mandated Revenues Special Revenue Fund	115
Roads Special Revenue Fund	5,791
Other governmental funds	5,001
Total emcumbrances for governmental funds	<u>\$ 15,298</u>

(d) Payroll Tax Payments

The County is currently in a dispute with the Internal Revenue Service (IRS) related to alleged penalties and interest assessed by the IRS for underpayment of payroll taxes and late filing of quarterly payroll tax returns. The County processes payroll for County employees as well as the Community Development Commission (CDC). The County also processed payroll for the Sonoma Marin Area Rail Transit (SMART) during the period of 2013 through June 30, 2015. As part of the payroll process the County collects payroll taxes and remits those taxes bi-weekly to the IRS. In January 2011, the County implemented a new payroll system which permitted remittances to multiple federal identification numbers with the IRS, however, from January 2011 through September 2015, the County continued to remit all payroll taxes into one account with the IRS rather than segregating the payments into separate accounts for the County, CDC and SMART. Although all payroll taxes were remitted timely, the County's account showed overpayments, and CDC and SMART showed under payments during that time period, resulting in assessed penalties and interest. Additional penalties and interest were assessed due to late filing of quarterly payroll tax returns during that period. The County has requested that the IRS allocate the payments into the proper accounts, which management believes would result in the removal of a substantial portion of the assessed penalties and interest. To date, the IRS has not made the requested transfers and recently demanded the County make a payment of \$3.97 million and instructed the County to go through an appeal process for the return of any overpayments.

NOTE 18 – COMMITMENTS AND CONTINGENCIES (continued)

Although management is unable to reasonably estimate the amount owing at such time the IRS is to allocate payments into the proper accounts, given this recent demand by the IRS, the County has accrued a liability in the amount of \$3.97 million in the government-wide Statement of Net Position.

(e) 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 19 – SERVICE CONCESSION ARRANGEMENT

On April 23, 2013, the County entered into a Master Operations Agreement (MOA) with Republic Services, Inc. for the operation of the Central landfill and County transfer stations. The MOA between the County and Republic Services went into effect on April 1, 2015, and meets the criteria under GASB Statement No. 60, ‘Accounting and Financial Reporting for Service Concession Arrangements’ (SCA). The MOA grants Republic Services the ability to extend the agreement until the landfill is closed which is currently estimated at between 30-35 years. As consideration for the County granting Republic Services an exclusive right and concession to operate the County facilities for the Committed Waste Period, Republic Services has agreed to pay the County a quarterly County Concession Payment. The quarterly payment is based on a per ton charge on all waste that is received except for beneficial reuse material, special waste and residuals or waste delivered to the County facilities from any other processing or transfer facility in Sonoma County. The County Concession Payment shall be increased annually by the amount of the Consumer Price Index.

Pursuant to a settlement agreement between the County and the committed cities, 8 of the 9 cities in the County agreed to commit their waste to Republic Services for 25 years. In addition, under the terms of the settlement agreement, the County is required to allocate 70% of the quarterly County Concession Payments received from Republic for the purpose of maintaining the four former urban landfills, with the remaining 30% to be used to cover Refuse’s administrative costs associated with those four landfills and overseeing the MOA. The quarterly payment will be paid for the duration of the MOA, however, the committed cities will not pay their portion of County Concession Payments attributable to maintaining the four former landfills for years 21-25 of the 25 year waste commitments.

Additionally, the agreement calls for Republic to assume the closure/post-closure liability in perpetuity for the Central landfill as of April 1, 2015 and to provide financial assurances mechanisms to demonstrate, fund and maintain financial responsibility for the Central landfill as required by law including closure, post-closure, corrective action and operating liability acceptable to the California Department of Resources Recycling Recovery (CalRecycle). As a result, Refuse recognized a closure/post-closure liability decrease in the amount of \$42,057 and recorded a deferred inflow of \$41,710 as of June 30, 2015. The deferred inflow is being amortized over the estimated 30 year term of the agreement, and as a result, Refuse recognized service concession arrangement revenues in the amount of \$1,390 for the fiscal year ended June 30, 2016. As part of the SCA, capital assets (equipment) with a net book value of \$278 were transferred to Republic Services, Inc.

The deferred inflows of resources activity is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Deferred Inflows of Resources				
Central Landfill and County				
Transfer Stations	\$ 41,710	\$ -	\$ (1,390)	\$ 40,320

Refuse retained certain capital assets related to the SCA. The assets carrying value, net of accumulated depreciation at June 30, 2016 is as follows:

Central Landfill and County Transfer Stations

Land	\$ 2,538
Buildings & Improvements	19,517
Equipment	211
SCA capital assets, net	<u>\$ 22,266</u>

NOTE 20 – SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

On December 29, 2011, the California Supreme Court upheld Assembly Bill XI 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California and that the county (or another unit of local government) serve as the “successor agency” to hold the assets until they are distributed. On January 10, 2012, the Sonoma County Board of Supervisors elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of County resolution number 12-0004.

Subsequent to the enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments, and remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution.

In accordance with the timeline set forth in the Bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved former county redevelopment agency are currently reported in the Successor Agency (Successor Agency) Private-Purpose Trust Fund, a fiduciary fund in the County financial statements.

Long-term Liabilities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Redevelopment Successor Agency Tax allocation bonds payable*	\$ 12,590	\$ 10,140	\$ (12,590)	\$ 10,140	\$ 415

*excludes bond premium amortization

On February 1, 2012, two Tax Allocation Bonds (Bonds); 1986 Series A, and a Springs Tax Allocation Bonds of 2008; were acquired from the former Sonoma County Community Redevelopment Agency. The Agency had pledged future tax increment revenues, less amounts required to be set aside pursuant to ABX1 26 and AB1484 for enforceable repayment. On April 28, 2016, Bonds outstanding were refunded and reissued as 2016 Tax Allocation Bonds (2016 Bonds).

The 2016 Bonds were issued in the amount of \$10,140 with interest rates from 2.0% to 5.0%. The 2016 Bonds are payable on a predetermined schedule, with the final payment on August 1, 2034. The 2016 Bonds maturing on or before August 1, 2026 are not subject to optional redemption prior to maturity. The 2016 Bonds maturing on and after August 1, 2027, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 2016 as a whole or in part. The 2016 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues which are deposited in the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund. The 2016 Bonds are not a debt of the County of Sonoma.

Interest is payable on 2016 Bonds each August 1 and February 1. Total principal and interest remaining on the bonds is \$14,692 payable through 2034.

NOTE 20 – SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND (CONTINUED)

The annual principal and interest requirements on the long-term bonds outstanding at June 30, 2016, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 415	\$ 107	\$ 522
2018	320	406	726
2019	390	400	790
2020	395	392	787
2021	415	376	791
2022-2026	2,340	1,615	3,955
2027-2031	2,960	999	3,959
2032-2036	2,905	257	3,162
Total	<u>\$ 10,140</u>	<u>\$ 4,552</u>	<u>\$ 14,692</u>

Capital Assets

Capital assets held for the year-ended June 30, 2016 were \$61 net of depreciation.

NOTE 21 – RESTATEMENT OF NET POSITION**(a) Prior Period Adjustment - Sonoma County Energy Independence Program**

The Sonoma County Energy Independence Program (SCEIP) Enterprise Fund identified multiple prior period adjustments due to the consolidation of SCEIP with the Public Financing Authority Trust Funds (PFA) for the year-ended June 30, 2016.

The net effect of the prior period adjustments resulted in an increase of \$369 to beginning net position. The restatements of net position and prior period adjustments are reflected in the following table:

Business-Type Activity

	June 30, 2015		June 30, 2015
	Previously Presented	Restatement	Restated
<i>Sonoma County Energy Independence Program</i>			
Receivables, net	\$ 435	\$ (435)	\$ -
Accounts payable and accrued liabilities	96	22	118
Interest payable	873	(483)	39
Advances from grantors and third parties	714	(321)	393
Bonds payable, net, due in more than one year	40,681	(22)	40,659
Net Position, beginning of year	1,586	369	1,955
<i>Business-Type Activities</i>			
Receivables, net	\$ 3,484	\$ (435)	\$ 3,049
Accounts payable and accrued liabilities	3,683	22	3,705
Interest payable	1,026	(483)	543
Advances from grantors and third parties	2,858	(321)	2,537
Bonds payable, net, due in more than one year	40,681	(22)	40,659
Net Position, beginning of year	147,224	369	147,593

b) Prior Period Adjustment - Community Development Commission

The Community Development Commission, a discrete component unit, reported a prior period adjustment due to a change in accounting principle for the year-ended June 30, 2016 to estimate an allowance for doubtful accounts on notes receivable. The estimated allowance represents the amount of notes and interest receivable management believes will not be collected. The change resulted in a decrease to beginning net position in the amount of \$8,844.

The restatements of net position and prior period adjustments are reflected in the following table:

Discrete Component Unit

	June 30, 2015		June 30, 2015
	Previously Presented	Restatement	Restated
<i>Community Development Commission</i>			
Receivables, net	\$ 71,149	\$ (8,844)	\$ 62,305
Total assets	97,380	(8,844)	88,536
Net position	94,928	(8,844)	86,084

NOTE 22 – SUBSEQUENT EVENTS

On December 6, 2016, the Board of Supervisors approved a tentative agreement (the Agreement) to settle litigation initiated in 2009 by the Sonoma County Association of Retired Employees (SCARE) regarding retiree health care benefits. The Agreement covers former employees who retired before July 1, 2016, and guarantees some level of County contribution towards retiree medical insurance premiums and retiree participation in County health plans for 25 years. As part of the Agreement the County also agrees to pay \$12 million into a Health Reimbursement Account (HRA) that will be funded over a three year period beginning in the County's Fiscal Year 2016-17, to be allocated among all covered retirees and surviving spouses, and \$1 million to Plaintiffs' attorneys within 60 days of final approval of the Agreement. Key elements of the Agreement include 1) ultimately phasing out County contributions toward medical insurance premiums for former employees who retired before July 1, 2016, and 2) the elimination of the County's obligation to pool non-Medicare retirees and active employees enrolled in County health plans for medical insurance rate setting purposes after June 1, 2019. According to the County's actuaries, the Agreement will reduce liabilities for retiree medical insurance contributions by approximately \$31.9 million. The Agreement has been approved by SCARE and the County and will now be filed with the Federal District Court for approval, which is expected to be received in April 2017, at which time the litigation will be dismissed without prejudice. The Agreement also provides the County with the opportunity to terminate, at its sole discretion, in the event that more than 5% of retirees opt out of the settlement.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of County's Proportionate Share of the Net Pension Liability*
(Dollars in Thousands)

<u>Measurement Date</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Proportion of the net pension liability	84.43%	81.66%
Proportionate share of the net pension liability	\$ 348,556	\$ 177,023
Covered-employee payroll	\$ 271,061	\$ 262,325
Proportionate Share of the Net Pension Liability as a a percentage of covered-employee payroll	128.59%	67.48%
Plan fiduciary net position as a percentage of the total pension liability	84.68%	91.46%

Schedule of County Contributions*
(Dollars in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 60,216	\$ 55,981
Contributions in relation to the actuarially determined contribution	63,769	55,981
Contribution deficiency (excess)	<u>\$ (3,553)</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 288,885	\$ 265,945
Contributions as a percentage of covered-employee payroll	22.07%	21.05%

Changes in actuarial assumptions can impact net pension liability. The investment rate for the years ended December 31, 2015 and December 31, 2014, were 7.25% and 7.5% respectively.

* The required supplementary pension schedules are intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

The information presented relates solely to the funds and blended component units identified in this CAFR as part of the County of Sonoma and does not include information of the discrete component units or other Sonoma County Employee Retirement Association employers.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage Of Covered Payroll ((b-a)/c)
6/30/2015	\$ 37,259	\$ 307,776	\$ 270,517	12.0%	\$ 287,745	94.0%
6/30/2013	23,694	335,364	311,670	7.0%	327,651	95.1%
6/30/2011	19,046	316,737	297,691	6.0%	314,045	94.8%

**Schedule of Annual OPEB Cost
(Dollars in thousands)**

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 22,476	\$ 29,062	129%	\$ 46,042
2015	27,530	25,950	94%	52,628
2014	26,500	26,060	98%	51,048



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 to account for revenues generated by the county Transient Occupancy Tax. The fund finances both the Economic Development Department and the Advertising Program pursuant to Government Code Section 26100. Tax revenues are derived from a nine percent tax on the rental revenue of hotel, motel, bed and breakfast, and inn beds and on campgrounds in unincorporated areas of the County.

FIRE AND EMERGENCY SERVICES

This fund was established to account for Fire and Emergency related property tax revenues and grant funding to finance fire service activity in the unincorporated areas of Sonoma County and the Wilmar, Dry Creek and Mayacamas County Fire Districts.

FIRST 5 COMMISSION

This fund is used to account for the operations of the Sonoma County First 5 Children and Families Commission (the Commission). The Commission was established by the Sonoma County Board of Supervisors through adoption of Ordinance No. 5142 on December 15, 1998 pursuant to Proposition 10, the California Children and Families First Act of 1998. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The Commission is funded by a tax of fifty cents per pack of cigarettes and by a similar tax on other tobacco products. The Department of Health Services acts as administrative agent to the Commission.

AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT

This fund is used to account for the operations of the Sonoma County Agricultural Preservation and Open Space District (Open Space District), which is a separate legal entity governed by its Board of Directors, which is the County Board of Supervisors, ex officio (California Public Resources Code 5506.5(b)). The Open Space District was formed in 1990 for the purpose of preserving agricultural land and open space in Sonoma County. The Open Space District is financed primarily through a quarter-cent sales tax, which is administered by the Sonoma County Auditor-Controller-Treasurer-Tax Collector.

PUBLIC SAFETY REALIGNMENT

This fund was established to account for the requirements of Assembly Bill 109 and associated legislation that transferred responsibility from the State to the County for the supervision, custody and programming needs of certain realigned offenders. The State realigned certain revenues from sales tax and vehicle license fees to fund the program.

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 operating within the unincorporated area of the county.

OTHER SPECIAL REVENUE

The Other Special Revenue statements include the Fish and Wildlife Special Revenue Fund and the Tobacco Tax Special Revenue Fund.

The Sonoma County Fish and Wildlife Commission was established as the Sonoma County Fish and Wildlife Advisory Board in 1974. The Sonoma County Fish and Wildlife Commission is responsible for assisting the Sonoma County Board of Supervisors in the proper and orderly propagation and conservation of fish and game. The Fish and Wildlife Special Revenue Fund is financed primarily by the County's portion of fines and forfeitures imposed or collected as a result of environmental enforcement actions prosecuted by the District Attorney for violations of the California Statement Fish and Game Code in Sonoma County.

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. Programs are financed through a portion of the state tobacco tax revenue.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities (other than those financed in the proprietary fund types).

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt.



COUNTY OF SONOMA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2016

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	\$ 61,196	\$ 14,262	\$ 2	\$ 75,460
Cash and investments with trustee	-	-	13,015	13,015
Receivables, net				
Accounts	13	-	-	13
Interest and other	2,845	47	2,907	5,799
Inventories	12	-	-	12
Due from other governments	8,597	754	-	9,351
Prepaid items and deposits	58	-	-	58
Total assets	<u>\$ 72,721</u>	<u>\$ 15,063</u>	<u>\$ 15,924</u>	<u>\$ 103,708</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,713	\$ 1,892	\$ -	\$ 5,605
Due to other funds	3,925	-	-	3,925
Due to other governments	26	-	-	26
Advances from grantors and third parties	452	-	2,907	3,359
Other liabilities	30	-	-	30
Total liabilities	<u>8,146</u>	<u>1,892</u>	<u>2,907</u>	<u>12,945</u>
Deferred inflows of resources:				
Deferred unavailable revenues	46	-	-	46
Total deferred inflows of resources	<u>46</u>	<u>-</u>	<u>-</u>	<u>46</u>
Fund balances:				
Nonspendable	33	-	-	33
Restricted	58,511	-	13,017	71,528
Committed	5,985	-	-	5,985
Assigned	-	13,171	-	13,171
Unassigned	-	-	-	-
Total fund balances	<u>64,529</u>	<u>13,171</u>	<u>13,017</u>	<u>90,717</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,721</u>	<u>\$ 15,063</u>	<u>\$ 15,924</u>	<u>\$ 103,708</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, 2016
 (Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
REVENUES:				
Taxes	\$ 15,563	\$ -	\$ -	\$ 15,563
Licenses, permits and franchise fees	794	-	-	794
Fines, forfeitures and penalties	51	-	-	51
Use of money and property	351	5	229	585
Intergovernmental	79,059	2,778	4,533	86,370
Charges for services	1,422	-	-	1,422
Other revenue	6,290	572	4,159	11,021
Total revenues	<u>103,530</u>	<u>3,355</u>	<u>8,921</u>	<u>115,806</u>
EXPENDITURES:				
Current:				
General government	15,754	1,054	369	17,177
Public protection	29,785	-	-	29,785
Public ways and facilities	630	-	-	630
Health and sanitation	10,914	-	-	10,914
Public assistance	33,385	-	-	33,385
Recreation and cultural services	130	-	-	130
Capital outlay	7,036	19,754	-	26,790
Debt service:				
Principal	72	-	79,125	79,197
Interest and other	23	-	17,548	17,571
Total expenditures	<u>97,729</u>	<u>20,808</u>	<u>97,042</u>	<u>215,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,801</u>	<u>(17,453)</u>	<u>(88,121)</u>	<u>(99,773)</u>
Other financing sources (uses):				
Transfers in	1,152	15,763	38,968	55,883
Transfers out	(13,414)	(408)	-	(13,822)
Issuance of long-term debt	-	-	43,335	43,335
Premium on long-term debt issued	-	-	7,044	7,044
Total other financing sources (uses)	<u>(12,262)</u>	<u>15,355</u>	<u>89,347</u>	<u>92,440</u>
NET CHANGE IN FUND BALANCES	(6,461)	(2,098)	1,226	(7,333)
Fund balances, beginning of year	70,990	15,269	11,791	98,050
FUND BALANCES, END OF YEAR	<u>\$ 64,529</u>	<u>\$ 13,171</u>	<u>\$ 13,017</u>	<u>\$ 90,717</u>

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2016

(Dollars in Thousands)

	Advertising	Fire and Emergency Services	First 5 Sonoma County Commission	Agricultural Preservation and Open Space District
ASSETS:				
Cash and investments	\$ 3,687	\$ 4,722	\$ 15,550	\$ 7,687
Receivables, net				
Accounts	13	-	-	-
Interest and other	2,800	44	-	-
Inventories	-	-	-	-
Due from other governments	80	38	892	214
Prepaid items and deposits	11	2	-	5
Total assets	<u>6,591</u>	<u>4,806</u>	<u>16,442</u>	<u>7,906</u>
Deferred outflows of resources:	-	-	-	-
Total assets	<u>\$ 6,591</u>	<u>\$ 4,806</u>	<u>\$ 16,442</u>	<u>\$ 7,906</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 593	\$ 1,535	\$ 560	\$ 850
Due to other funds	-	-	-	-
Due to other governments	-	-	26	-
Advances from grantors and third parties	-	452	-	-
Other liabilities	-	-	-	30
Total liabilities	<u>593</u>	<u>1,987</u>	<u>586</u>	<u>880</u>
Deferred inflows of resources:	-	-	46	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>46</u>	<u>-</u>
 Fund balances:				
Nonspendable	11	2	-	5
Restricted	2	2,817	15,810	7,021
Committed	5,985	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>5,998</u>	<u>2,819</u>	<u>15,810</u>	<u>7,026</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 6,591</u>	 <u>\$ 4,806</u>	 <u>\$ 16,442</u>	 <u>\$ 7,906</u>

2011 Realignment	Special Districts	Other Special Revenue	Total
\$ 16,694	\$ 12,637	\$ 219	\$ 61,196
-	-	-	13
-	1	-	2,845
-	12	-	12
7,047	326	-	8,597
-	40	-	58
<u>23,741</u>	<u>13,016</u>	<u>219</u>	<u>72,721</u>
-	-	-	-
<u>\$ 23,741</u>	<u>\$ 13,016</u>	<u>\$ 219</u>	<u>\$ 72,721</u>
\$ 40	\$ 135	\$ -	\$ 3,713
3,925	-	-	3,925
-	-	-	26
-	-	-	452
-	-	-	30
<u>3,965</u>	<u>135</u>	<u>-</u>	<u>8,146</u>
-	-	-	46
-	-	-	46
-	15	-	33
19,776	12,866	219	58,511
-	-	-	5,985
-	-	-	-
-	-	-	-
<u>19,776</u>	<u>12,881</u>	<u>219</u>	<u>64,529</u>
<u>\$ 23,741</u>	<u>\$ 13,016</u>	<u>\$ 219</u>	<u>\$ 72,721</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, 2016
 (Dollars in Thousands)

	Advertising	Fire and Emergency Services	First 5 Sonoma County Commission	Agricultural Preservation and Open Space District
REVENUES:				
Taxes	\$ 10,640	\$ 3,583	\$ -	\$ -
Licenses, permits and franchise fees	-	3	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	29	25	103	8
Intergovernmental	114	520	4,704	12,904
Charges for services	26	1,142	-	-
Other revenue	(93)	517	13	57
Total revenues	<u>10,716</u>	<u>5,790</u>	<u>4,820</u>	<u>12,969</u>
EXPENDITURES:				
Current:				
General government	8,069	-	-	7,685
Public protection	-	6,919	-	-
Public ways and facilities	-	-	-	-
Health and sanitation	-	-	-	-
Public assistance	-	-	6,442	-
Recreation and cultural services	-	-	-	-
Capital outlay	-	-	-	6,247
Debt service:				
Principal	-	72	-	-
Interest	-	23	-	-
Total expenditures	<u>8,069</u>	<u>7,014</u>	<u>6,442</u>	<u>13,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,647</u>	<u>(1,224)</u>	<u>(1,622)</u>	<u>(963)</u>
Other financing sources (uses):				
Transfers in	146	1,001	5	-
Transfers out	(2,926)	(15)	-	(10,437)
Total other financing sources (uses)	<u>(2,780)</u>	<u>986</u>	<u>5</u>	<u>(10,437)</u>
NET CHANGE IN FUND BALANCES	(133)	(238)	(1,617)	(11,400)
Fund balances, beginning of year	6,131	3,057	17,427	18,426
FUND BALANCES, END OF YEAR	<u>\$ 5,998</u>	<u>\$ 2,819</u>	<u>\$ 15,810</u>	<u>\$ 7,026</u>

2011 Realignment	Special Districts	Other Special Revenue	Total
\$ -	\$ 1,340	\$ -	\$ 15,563
-	791	-	794
-	13	38	51
99	85	2	351
59,028	1,602	187	79,059
-	254	-	1,422
5,482	314	-	6,290
<u>64,609</u>	<u>4,399</u>	<u>227</u>	<u>103,530</u>
-	-	-	15,754
22,854	-	12	29,785
-	630	-	630
8,938	1,845	131	10,914
25,817	1,126	-	33,385
-	130	-	130
-	789	-	7,036
-	-	-	72
-	-	-	23
<u>57,609</u>	<u>4,520</u>	<u>143</u>	<u>97,729</u>
<u>7,000</u>	<u>(121)</u>	<u>84</u>	<u>5,801</u>
-	-	-	1,152
-	(36)	-	(13,414)
-	(36)	-	(12,262)
7,000	(157)	84	(6,461)
12,776	13,038	135	70,990
<u>\$ 19,776</u>	<u>\$ 12,881</u>	<u>\$ 219</u>	<u>\$ 64,529</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, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 10,122	\$ 10,122	\$ 10,640	\$ 518
Use of money and property	25	25	29	4
Intergovernmental	125	130	114	(16)
Charges for services	503	503	26	(477)
Other revenue	79	84	(93)	(177)
Total revenues	<u>10,854</u>	<u>10,864</u>	<u>10,716</u>	<u>(148)</u>
EXPENDITURES:				
General government	<u>8,554</u>	<u>8,976</u>	<u>8,069</u>	<u>907</u>
Total expenditures	<u>8,554</u>	<u>8,976</u>	<u>8,069</u>	<u>907</u>
Excess of revenues over expenditures	<u>2,300</u>	<u>1,888</u>	<u>2,647</u>	<u>759</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	491	624	146	(478)
Transfers out	<u>(3,276)</u>	<u>(3,401)</u>	<u>(2,926)</u>	<u>475</u>
Total other financing sources (uses)	<u>(2,785)</u>	<u>(2,777)</u>	<u>(2,780)</u>	<u>(3)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (485)</u>	<u>\$ (889)</u>	<u>\$ (133)</u>	<u>\$ 756</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, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,445	\$ 3,445	\$ 3,583	\$ 138
Licenses, permits and franchise fees	-	-	3	3
Use of money and property	17	17	25	8
Intergovernmental	78	348	520	172
Charges for services	1,262	1,262	1,142	(120)
Other revenue	406	406	517	111
Total revenues	5,208	5,478	5,790	312
EXPENDITURES:				
Public protection	6,287	7,702	7,014	688
Total expenditures	6,287	7,702	7,014	688
Excess (deficiency) of revenues over (under) expenditures	(1,079)	(2,224)	(1,224)	1,000
OTHER FINANCING SOURCES (USES):				
Transfers in	1,695	2,386	1,001	(1,385)
Transfers out	(1,036)	(1,038)	(15)	1,023
Total other financing sources (uses)	659	1,348	986	(362)
NET CHANGE IN FUND BALANCE	\$ (420)	\$ (876)	\$ (238)	\$ 638

COUNTY OF SONOMA, CALIFORNIA

First 5 Sonoma County Commission

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

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 117	\$ 117	\$ 103	\$ (14)
Intergovernmental	3,272	4,103	4,704	601
Charges for services	-	-	-	-
Other revenue	157	5	13	8
Total revenues	<u>3,546</u>	<u>4,225</u>	<u>4,820</u>	<u>595</u>
EXPENDITURES:				
Health and sanitation	6,751	8,975	6,442	2,533
Total expenditures	<u>6,751</u>	<u>8,975</u>	<u>6,442</u>	<u>2,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,205)</u>	<u>(4,750)</u>	<u>(1,622)</u>	<u>3,128</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	5	5
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,205)</u>	<u>\$ (4,750)</u>	<u>\$ (1,617)</u>	<u>\$ 3,133</u>

COUNTY OF SONOMA, CALIFORNIA
Agricultural Preservation and Open Space District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 260	\$ 60	\$ 8	\$ (52)
Intergovernmental	38,100	35,100	12,904	(22,196)
Other revenue	15	15	57	42
Total revenues	38,375	35,175	12,969	(22,206)
EXPENDITURES:				
General government	36,048	32,885	13,932	18,953
Reimbursements	-	-	-	-
Encumbrances	-	3,071	-	3,071
Total expenditures	36,048	35,956	13,932	22,024
Excess (deficiency) of revenues over (under) expenditures	2,327	(781)	(963)	(182)
OTHER FINANCING SOURCES (USES):				
Transfers in	3	3	-	(3)
Transfers out	(16)	(10,438)	(10,437)	1
Total other financing sources (uses)	(13)	(10,435)	(10,437)	(2)
NET CHANGE IN FUND BALANCE	\$ 2,314	\$ (11,216)	\$ (11,400)	\$ (184)

COUNTY OF SONOMA, CALIFORNIA
2011 Realignment Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 15	\$ 15	\$ 99	\$ 84
Intergovernmental	60,499	61,193	59,028	(2,165)
Other revenue	-	2,310	5,482	3,172
Total revenues	<u>60,514</u>	<u>63,518</u>	<u>64,609</u>	<u>1,091</u>
EXPENDITURES:				
Public protection	27,280	28,111	22,854	5,257
Health and sanitation	-	8,938	8,938	-
Public assistance	24,446	26,046	25,817	229
Total expenditures	<u>51,726</u>	<u>63,095</u>	<u>57,609</u>	<u>5,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,788</u>	<u>422</u>	<u>7,000</u>	<u>6,578</u>
OTHER FINANCING SOURCES:				
Transfers out	(8,938)	-	-	-
Total other financing sources and uses	<u>(8,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (150)</u>	<u>\$ 422</u>	<u>\$ 7,000</u>	<u>\$ 6,578</u>

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, 2016
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 933	\$ 933	\$ 1,340	\$ 407
Licenses, permits and franchise fees	826	826	791	(35)
Fines, forfeitures and penalties	-	-	13	13
Use of money and property	74	74	85	11
Intergovernmental	2,042	2,201	1,602	(599)
Charges for services	221	221	254	33
Other revenue	-	76	314	238
Total revenues	<u>4,096</u>	<u>4,331</u>	<u>4,399</u>	<u>68</u>
EXPENDITURES:				
Public protection:				
County Services Area # 41:				
Airport Business Center	40	40	37	3
Airport-Larkfield-Wikiup	27	27	18	9
Countywide Lighting	843	843	526	317
Meadowlark	5	5	-	5
Roseland	20	20	13	7
Guerneville	91	91	7	84
Penngrove	0	15	-	15
Rio Nido	5	5	-	5
Valley of the Moon	800	800	731	69
Rio Nido GHAD	10	10	-	10
Public ways and facilities:				
Bittner Lane Permanent Road	4	6	1	5
Mill Creek Lane Permanent Road	4	16	13	3
Mirabel Heights Permanent Road	2	6	-	6
Monte Rosa Permanent Road	4	6	-	6
Peaks Pike Permanent Road	4	6	-	6
Cannon Manor Maintenance and Operations	35	35	15	20
Health and sanitation:				
North Air Pollution Control District	2,307	2,733	1,845	888
Public assistance:				
IHSS Public Authority	1,374	1,412	1,126	286
Recreation and cultural services:				
County Services Area # 41	260	277	188	89
Total expenditures	<u>5,835</u>	<u>6,353</u>	<u>4,520</u>	<u>1,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,739)</u>	<u>(2,022)</u>	<u>(121)</u>	<u>1,901</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	272	235	-	(235)
Transfers out	<u>(219)</u>	<u>(249)</u>	<u>(36)</u>	<u>213</u>
Total other financing sources (uses)	<u>53</u>	<u>(14)</u>	<u>(36)</u>	<u>(22)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,686)</u>	<u>\$ (2,036)</u>	<u>\$ (157)</u>	<u>\$ 1,879</u>

COUNTY OF SONOMA, CALIFORNIA

Other Special Revenue Funds

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

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines, forfeitures and penalties	\$ 38	\$ 38	\$ 38	\$ -
Use of money and property	1	1	2	1
Intergovernmental	150	150	187	37
Total revenues	<u>189</u>	<u>189</u>	<u>227</u>	<u>38</u>
EXPENDITURES:				
Public protection:				
Fish and Game	40	40	12	28
Tobacco tax program	-	179	131	48
Total expenditures	<u>40</u>	<u>219</u>	<u>143</u>	<u>76</u>
Excess (deficiency) of revenues over (under) expenditures:	149	(30)	84	114
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers out	(150)	-	-	-
Total other financing uses	<u>(150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1)</u>	<u>\$ (30)</u>	<u>\$ 84</u>	<u>\$ 114</u>



NONMAJOR ENTERPRISE FUNDS

FAIR

This fund was established to account for the activities of the Sonoma County Fair and Exposition, Inc. (the Fair), which operates through an agreement with the County to act as its agent with regard to the operation of the Sonoma County Fairgrounds.

MARINAS

The Marinas Enterprise Fund accounts for the operations of Spud Point Marina, Mason's Marina and the Sport Fishing Center located in Bodega Bay.

OTHER DISTRICTS

This fund was established to account for the activities of various small enterprise funds. Components of this fund are four small water systems within the County Service Area (CSA), including Fitch Mountain, Salmon Creek, Freestone, and Jenner, plus Sea Ranch Zone #2. The CSA zones provide water services and are under the control of the Board of Supervisors.

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Enterprise Funds
 Combining Statement of Net Position
 June 30, 2016
 (Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 105	\$ 1,527	\$ 1,602	\$ 3,234
Cash and investments with trustee	1,951	1	-	1,952
Restricted cash and investments	160	131	-	291
Receivables, net				
Accounts	791	115	30	936
Inventories	-	37	-	37
Due from other governments	-	-	32	32
Total current assets	<u>3,007</u>	<u>1,811</u>	<u>1,664</u>	<u>6,482</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	2,080	557	274	2,911
Depreciable, net	8,796	3,771	4,945	17,512
Total noncurrent assets	<u>10,876</u>	<u>4,328</u>	<u>5,219</u>	<u>20,423</u>
Total assets	<u>13,883</u>	<u>6,139</u>	<u>6,883</u>	<u>26,905</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to pensions	1,215	183	-	1,398
Total deferred outflows of resources	<u>1,215</u>	<u>183</u>	<u>-</u>	<u>1,398</u>

COUNTY OF SONOMA, CALIFORNIA
 Nonmajor Enterprise Funds
 Combining Statement of Net Position (Continued)
 June 30, 2016
 (Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
LIABILITIES:				
Current liabilities:				
Accounts payable	300	38	16	354
Due to other funds	-	-	8	8
Interest payable	-	91	16	107
Compensated absences	196	28	-	224
Advances from grantors and third parties	-	78	-	78
Advances from other governments	-	274	172	446
Notes payable	700	-	-	700
Loans payable	-	2	-	2
Current liabilities payable from restricted assets:				
Other	1,021	132	-	1,153
Total current liabilities	<u>2,217</u>	<u>643</u>	<u>212</u>	<u>3,072</u>
Noncurrent liabilities:				
Advances from other funds	-	-	35	35
Advances from other governments	-	1,921	1,664	3,585
Loans payable	-	15	-	15
Net pension liabilities	2,158	304	-	2,462
Total noncurrent liabilities	<u>2,158</u>	<u>2,240</u>	<u>1,699</u>	<u>6,097</u>
Total liabilities	<u>4,375</u>	<u>2,883</u>	<u>1,911</u>	<u>9,169</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts related to pensions	267	32	-	299
Total deferred inflows of resources	<u>267</u>	<u>32</u>	<u>-</u>	<u>299</u>
NET POSITION:				
Net investment in capital assets	10,176	2,116	3,383	15,675
Restricted for:				
Scholarships	12	-	-	12
Junior Livestock Auction	78	-	-	78
Unrestricted	190	1,291	1,589	3,070
Total net position	<u>\$ 10,456</u>	<u>\$ 3,407</u>	<u>\$ 4,972</u>	<u>\$ 18,835</u>



COUNTY OF SONOMA, CALIFORNIA

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 2,145	\$ 529	\$ 2,674
Rents and concessions	11,492	-	-	11,492
Sales and miscellaneous	28	-	549	577
Total operating revenues	<u>11,520</u>	<u>2,145</u>	<u>1,078</u>	<u>14,743</u>
OPERATING EXPENSES:				
Services and supplies	4,614	1,308	811	6,733
Salaries and employee benefits	5,298	588	-	5,886
Depreciation and amortization	728	217	174	1,119
Total operating expenses	<u>10,640</u>	<u>2,113</u>	<u>985</u>	<u>13,738</u>
Operating income (loss)	<u>880</u>	<u>32</u>	<u>93</u>	<u>1,005</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income (expense)	7	9	10	26
Interest expense	(11)	(100)	(65)	(176)
Miscellaneous	(10)	-	5	(5)
Total nonoperating revenues (expenses)	<u>(14)</u>	<u>(91)</u>	<u>(50)</u>	<u>(155)</u>
Income (loss) before capital contributions and transfers	866	(59)	43	850
Capital contributions	183	-	-	183
Transfers in	-	506	76	582
Transfers out	-	(1)	-	(1)
	<u>183</u>	<u>505</u>	<u>76</u>	<u>764</u>
Change in net position	1,049	446	119	1,614
Net position, beginning of year	9,407	2,961	4,853	17,221
Net position, end of year	<u>\$ 10,456</u>	<u>\$ 3,407</u>	<u>\$ 4,972</u>	<u>\$ 18,835</u>

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
Cash flows from operating activities:				
Received from customers	\$ 11,850	\$ 2,095	\$ 1,097	\$ 15,042
Payments to suppliers for goods and services	(4,463)	(1,186)	(837)	(6,486)
Payments to employees for services	(5,308)	(566)	-	(5,874)
Payments for interfund services used	-	(134)	-	(134)
Net cash provided by (used in) operating activities	<u>2,079</u>	<u>209</u>	<u>260</u>	<u>2,548</u>
Cash flows from noncapital financing activities:				
Transfers in	-	506	76	582
Transfers out	-	(1)	-	(1)
Advances made to other funds	-	-	(32)	(32)
Net cash provided by noncapital financing activities	<u>-</u>	<u>505</u>	<u>44</u>	<u>549</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,546)	-	-	(1,546)
Repayments of advances to other funds	-	-	(6)	(6)
Principal paid on notes payable	(200)	-	-	(200)
Repayments to other governments	-	(263)	(165)	(428)
Interest paid	(11)	(111)	(68)	(190)
Net cash provided by (used in) capital and related financing activities	<u>(1,757)</u>	<u>(374)</u>	<u>(239)</u>	<u>(2,370)</u>
Cash flows from investing activities:				
Interest received (paid) on investments	<u>7</u>	<u>9</u>	<u>10</u>	<u>26</u>
Net cash provided (used in) by investing activities	<u>7</u>	<u>9</u>	<u>10</u>	<u>26</u>
Net increase (decrease) in cash and cash equivalents	329	349	75	753
Cash and cash equivalents, beginning of year	1,887	1,310	1,527	4,724
Cash and cash equivalents, end of year	<u>\$ 2,216</u>	<u>\$ 1,659</u>	<u>\$ 1,602</u>	<u>\$ 5,477</u>

COUNTY OF SONOMA, CALIFORNIA
 Nonmajor Enterprise Funds
 Combining Statement of Cash Flows (Continued)
 For the Fiscal Year Ended June 30, 2016
 (Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 880	\$ 32	\$ 93	1,005
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	728	217	174	1,119
Miscellaneous	(10)	-	(27)	(37)
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	280	(44)	14	250
Inventories	-	36	-	36
Prepaid expenses and deposits	2	-	-	2
Increase (decrease) in:				
Accounts payable	160	(48)	(26)	86
Customer deposits	56	2	-	58
Compensated absences	(10)	9	-	(1)
Unearned revenue	(47)	(8)	-	(55)
Net pension activity	40	13	-	53
Net cash provided by (used in) operating activities	<u>\$ 2,079</u>	<u>\$ 209</u>	<u>\$ 228</u>	<u>\$ 2,516</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments	\$ 2,056	\$ 1,528	\$ 1,602	\$ 5,186
Restricted cash and investments, current	160	131	-	291
Total cash and cash equivalents	<u>\$ 2,216</u>	<u>\$ 1,659</u>	<u>\$ 1,602</u>	<u>\$ 5,477</u>



INTERNAL SERVICE FUNDS

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies within the County and to 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, long-term disability 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.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

This fund was established to provide funding for the administration of the County's Human Resources Management and Enterprise Financial Systems. Costs associated with the administration of these global systems are allocated to departments that utilize the systems.

EMPLOYEE RETIREMENT

This fund was established to account for our pension related activities. This fund is used to collect charges from departments through bi-weekly payroll which are disbursed as contributions to the pension plan and debt service payments for the pension obligation bonds.

COUNTY OF SONOMA, CALIFORNIA

Internal Service Funds

Combining Statement of Net Position

June 30, 2016

(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
ASSETS:					
Current assets:					
Cash and investments	\$ 53,754	\$ 900	\$ 3,590	\$ 10,157	\$ 68,401
Cash and investments with trustee	1,250	-	-	26	1,276
Accounts receivable	123	-	12	32	167
Due from other funds	16,374	-	-	-	16,374
Due from other governments	979	-	-	-	979
Prepaid expenses	10	-	-	-	10
Total current assets	<u>72,490</u>	<u>900</u>	<u>3,602</u>	<u>10,215</u>	<u>87,207</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable	-	28	-	-	28
Depreciable, net	-	4,094	16,021	-	20,115
Total noncurrent assets	<u>-</u>	<u>4,122</u>	<u>16,021</u>	<u>-</u>	<u>20,143</u>
Total assets	<u>72,490</u>	<u>5,022</u>	<u>19,623</u>	<u>10,215</u>	<u>107,350</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amounts related to pensions	1,489	-	-	227,567	229,056
Total deferred outflows of resources	<u>1,489</u>	<u>-</u>	<u>-</u>	<u>227,567</u>	<u>229,056</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,457	195	48	2,962	4,662
Due to other funds	3,500	-	1,147	-	4,647
Compensated absences	235	-	-	-	235
Self-funded insurance	10,710	-	-	-	10,710
Interest payable	-	-	11	1,961	1,972
Bond payable, current portion	-	-	-	21,065	21,065
Loans payable, current portion	-	-	1,079	-	1,079
Total current liabilities	<u>15,902</u>	<u>195</u>	<u>2,285</u>	<u>25,988</u>	<u>44,370</u>
Noncurrent portion of long-term liabilities:					
Self-funded insurance	29,370	-	-	-	29,370
Bond payable, non-current portion	-	-	-	404,185	404,185
Advances from other funds	-	-	13,121	-	13,121
Loans payable, non-current portion	-	-	1,063	-	1,063
Net pension liability	2,498	-	-	337,194	339,692
Total noncurrent liabilities	<u>31,868</u>	<u>-</u>	<u>14,184</u>	<u>741,379</u>	<u>787,431</u>
Total liabilities	<u>47,770</u>	<u>195</u>	<u>16,469</u>	<u>767,367</u>	<u>831,801</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred amounts related to pensions	282	-	-	36,638	36,920
Total deferred inflows of resources	<u>282</u>	<u>-</u>	<u>-</u>	<u>36,638</u>	<u>36,920</u>
NET POSITION:					
Net investment in capital assets	-	4,122	13,879	-	18,001
Unrestricted (deficit)	25,927	705	(10,725)	(566,223)	(550,316)
Total net position (deficit)	<u>\$ 25,927</u>	<u>\$ 4,827</u>	<u>\$ 3,154</u>	<u>\$ (566,223)</u>	<u>\$ (532,315)</u>

COUNTY OF SONOMA, CALIFORNIA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
Operating revenues:					
Charges for services	\$ 34,851	\$ 1,902	\$ 9,698	\$ 101,185	\$ 147,636
Operating expenses:					
Services and supplies	7,328	2,027	7,703	-	17,058
Salaries and employee benefits	3,931	-	-	78,107	82,038
Claims expenses	26,854	-	-	-	26,854
Depreciation and amortization	-	630	2,795	-	3,425
Total operating expenses	<u>38,113</u>	<u>2,657</u>	<u>10,498</u>	<u>78,107</u>	<u>129,375</u>
Operating income (loss)	<u>(3,262)</u>	<u>(755)</u>	<u>(800)</u>	<u>23,078</u>	<u>18,261</u>
Nonoperating revenues (expenses):					
Investment income	439	5	31	295	770
Interest expense	-	-	(83)	(23,847)	(23,930)
Miscellaneous	15	-	-	-	15
Gain on sale of capital assets	-	34	-	-	34
Total nonoperating revenues (expenses)	<u>454</u>	<u>39</u>	<u>(52)</u>	<u>(23,552)</u>	<u>(23,111)</u>
Income (loss) before capital contributions and transfers	<u>(2,808)</u>	<u>(716)</u>	<u>(852)</u>	<u>(474)</u>	<u>(4,850)</u>
Transfers in	2	1,100	-	-	1,102
Transfers out	<u>(3,516)</u>	<u>-</u>	<u>(150)</u>	<u>-</u>	<u>(3,666)</u>
	<u>(3,514)</u>	<u>1,100</u>	<u>(150)</u>	<u>-</u>	<u>(2,564)</u>
Change in net position	<u>(6,322)</u>	<u>384</u>	<u>(1,002)</u>	<u>(474)</u>	<u>(7,414)</u>
Net position (deficit), beginning of year	<u>32,249</u>	<u>4,443</u>	<u>4,156</u>	<u>(565,749)</u>	<u>(524,901)</u>
Net position (deficit), end of year	<u>\$ 25,927</u>	<u>\$ 4,827</u>	<u>\$ 3,154</u>	<u>\$ (566,223)</u>	<u>\$ (532,315)</u>

COUNTY OF SONOMA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
Cash flows from operating activities:					
Received from interfund services provided	\$ 34,718	\$ 1,902	\$ 10,836	\$ 120,306	\$ 167,762
Received from other sources	3,515	-	-	-	3,515
Payments to suppliers for goods and services	(34,670)	(1,835)	(8,602)	-	(45,107)
Payments to employees for services	(3,874)	-	-	(80,910)	(84,784)
Net cash provided by (used in) operating activities	<u>(311)</u>	<u>67</u>	<u>2,234</u>	<u>39,396</u>	<u>41,386</u>
Cash flows from noncapital financing activities:					
Transfers in	2	1,100	-	-	1,102
Transfers out	(3,516)	-	(150)	-	(3,666)
Advances to other funds	(574)	-	1,800	-	1,226
Principal paid on bonds	-	-	-	(18,315)	(18,315)
Interest paid	-	-	-	(23,910)	(23,910)
Net cash provided (used in) noncapital financing activities	<u>(4,088)</u>	<u>1,100</u>	<u>1,650</u>	<u>(42,225)</u>	<u>(43,563)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	68	-	-	68
Acquisition and construction of capital assets	-	(1,455)	(35)	-	(1,490)
Principal paid on notes payable	-	-	(1,048)	-	(1,048)
Interest paid	-	-	(88)	-	(88)
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,387)</u>	<u>(1,171)</u>	<u>-</u>	<u>(2,558)</u>
Cash flows from investing activities:					
Interest received on investments	439	5	31	295	770
Net cash provided by investing activities	<u>439</u>	<u>5</u>	<u>31</u>	<u>295</u>	<u>770</u>
Net increase (decrease) in cash and cash equivalents	(3,960)	(215)	2,744	(2,534)	(3,965)
Cash and cash equivalents, beginning of year	58,964	1,115	846	12,717	73,642
Cash and cash equivalents, end of year	<u>\$ 55,004</u>	<u>\$ 900</u>	<u>\$ 3,590</u>	<u>\$ 10,183</u>	<u>\$ 69,677</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (3,262)	\$ (755)	\$ (800)	\$ 23,078	\$ 18,261
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	-	630	2,795	-	3,425
Net pension activity	110	-	-	19,124	19,234
Miscellaneous nonoperating revenues	15	-	-	-	15
Decrease (increase) in:					
Accounts receivable	(243)	-	(9)	(3)	(255)
Prepaid expenses	(10)	-	-	-	(10)
Increase (decrease) in:					
Accounts payable	(116)	192	(899)	(2,803)	(3,626)
Due to other funds	3,500	-	1,147	-	4,647
Compensated absences	57	-	-	-	57
Self-funded insurance	(362)	-	-	-	(362)
Net cash provided by (used in) operating activities	<u>\$ (311)</u>	<u>\$ 67</u>	<u>\$ 2,234</u>	<u>\$ 39,396</u>	<u>\$ 41,386</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:					
Cash and investments	\$ 53,754	\$ 900	\$ 3,590	\$ 10,157	\$ 68,401
Cash and investments with trustee	1,250	-	-	26	1,276
Total cash and cash equivalents	<u>\$ 55,004</u>	<u>\$ 900</u>	<u>\$ 3,590</u>	<u>\$ 10,183</u>	<u>\$ 69,677</u>

AGENCY FUND

This fund accounts for assets held by the County in an agency capacity for individuals or other government units. The Agency Fund is custodial in nature and does not involve the measurement of results of operations. This fund has no equity account since all assets are due to individuals or entities at some future time.

COUNTY OF SONOMA, CALIFORNIA
 Agency Fund
 Statement of Changes in Fiduciary Assets and Liabilities
 For the Fiscal Year Ended June 30, 2016
 (Dollars in Thousands)

	<u>Balance,</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2016</u>
ASSETS:				
Cash and investments	\$ 200,514	\$ 1,856,249	\$ (1,783,959)	\$ 272,804
Receivables:				
Taxes	15,676	7,542	(8,204)	15,014
Interest and other	3,430	18,877	(17,673)	4,634
Due from other agencies	<u>3,414</u>	<u>3,588</u>	<u>(3,414)</u>	<u>3,588</u>
Total assets	<u>\$ 223,034</u>	<u>\$ 1,886,256</u>	<u>\$ (1,813,250)</u>	<u>\$ 296,040</u>
LIABILITIES:				
Due to other agencies	<u>\$ 223,034</u>	<u>\$ 1,833,784</u>	<u>\$ (1,760,778)</u>	<u>\$ 296,040</u>
Total liabilities	<u>\$ 223,034</u>	<u>\$ 1,833,784</u>	<u>\$ (1,760,778)</u>	<u>\$ 296,040</u>

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

These nonmajor discretely presented component units account for the goods and services provided by these component units. A more detailed description of the discretely presented component units can be found in Note 1 of the Notes to The Basic Financial Statements:

SONOMA VALLEY COUNTY SANITATION DISTRICT

RUSSIAN RIVER COUNTY SANITATION DISTRICT

SOUTH PARK COUNTY SANITATION DISTRICT

OCCIDENTAL COUNTY SANITATION DISTRICT



COUNTY OF SONOMA, CALIFORNIA
Discretely Presented Nonmajor Component Units
Combining Statement of Net Position
June 30, 2016
(Dollars in Thousands)

	Sonoma Valley County Sanitation District	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Total
ASSETS:					
Cash and investments	\$ 13,413	\$ 1,029	\$ 8,451	\$ 1,525	\$ 24,418
Restricted cash and investments	4,597	1,333	352	-	6,282
Receivables, net	1,046	298	44	170	1,558
Due from other governments	63	-	-	-	63
Advances to other governments	1,622	-	-	-	1,622
Prepaid expenses and deposits	180	1	-	1	182
Capital assets:					
Nondepreciable	13,759	1,167	1,082	41	16,049
Depreciable, net	59,784	25,536	15,052	2,375	102,747
Total assets	<u>94,464</u>	<u>29,364</u>	<u>24,981</u>	<u>4,112</u>	<u>152,921</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charge on refunding	199	-	158	-	357
Deferred outflows of resources	<u>199</u>	<u>-</u>	<u>158</u>	<u>-</u>	<u>357</u>
LIABILITIES:					
Accounts payable and accrued liabilities	876	98	147	2	1,123
Unearned revenue	43	-	-	-	43
Interest payable	373	45	23	-	441
Pollution remediation	-	-	1,298	-	1,298
Long-term liabilities:					
Due within one year	1,629	378	148	-	2,155
Due in more than one year	23,579	3,920	1,918	-	29,417
Total liabilities	<u>26,500</u>	<u>4,441</u>	<u>3,534</u>	<u>2</u>	<u>34,477</u>
NET POSITION:					
Net investment in capital assets	48,534	22,405	14,226	2,417	87,582
Restricted:					
Sonoma Valley County Sanitation District	4,389	-	-	-	4,389
Russian River County Sanitation District	-	1,326	-	-	1,326
South Park County Sanitation District	-	-	328	-	328
Occidental County Sanitation District	-	-	-	-	-
Total Restricted	<u>4,389</u>	<u>1,326</u>	<u>328</u>	<u>-</u>	<u>6,043</u>
Unrestricted	15,240	1,192	7,051	1,693	25,176
Total net position	<u>\$ 68,163</u>	<u>\$ 24,923</u>	<u>\$ 21,605</u>	<u>\$ 4,110</u>	<u>\$ 118,801</u>

COUNTY OF SONOMA, CALIFORNIA
Discretely Presented Nonmajor Component Units
Combining Statement of Activities
For the Fiscal Year Ended June 30, 2016
(Dollars in Thousands)

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTION/PROGRAM ACTIVITIES:				
Component units:				
Sonoma Valley Sanitation District	\$ 14,440	\$ 14,990	\$ 78	\$ 252
Russian River Sanitation District	5,033	4,312	-	12
South Park Sanitation District	2,507	3,513	-	7
Occidental Sanitation District	1,178	544	615	235
Total component units	\$ 23,158	\$ 23,359	\$ 693	\$ 506

GENERAL REVENUES:

Taxes:

Property

Unrestricted investment earnings

Other

Total general revenues

Change in net position

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

Net (Expense) Revenue and Changes in Net Position

Nonmajor Discrete Component Units

Sonoma Valley County Sanitation District	Russian River County Sanitation District	South Park County Sanitation District	Occidental County Sanitation District	Total
\$ 880	\$ -	\$ -	\$ -	\$ 880
-	(709)	-	-	(709)
-	-	1,013	-	1,013
-	-	-	216	216
<u>880</u>	<u>(709)</u>	<u>1,013</u>	<u>216</u>	<u>1,400</u>
15	127	-	-	142
232	82	71	9	394
-	(25)	-	-	(25)
<u>247</u>	<u>184</u>	<u>71</u>	<u>9</u>	<u>511</u>
1,127	(525)	1,084	225	1,911
67,036	25,448	20,521	3,885	116,890
<u>\$ 68,163</u>	<u>\$ 24,923</u>	<u>\$ 21,605</u>	<u>\$ 4,110</u>	<u>\$ 118,801</u>

FUNCTION/PROGRAM ACTIVITIES:

Component units:

Sonoma Valley Sanitation District
 Russian River Sanitation District
 South Park Sanitation District
 Occidental Sanitation District
 Total component units

GENERAL REVENUES:

Taxes:

Property
 Unrestricted investment earnings
 Other

Total general revenues

Change in net position

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR



STATISTICAL SECTION

(UNAUDITED)



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.	158-169
<u>Revenue Capacity</u>	
This segment contains information to help the reader assess the County's most significant local revenue source, the property tax.	170-173
<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.	174-178
<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.	179-181
<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.	182-187

COUNTY OF SONOMA, CALIFORNIA
 Net Position By Category (Unaudited)
 Last Ten Fiscal Years
 (Dollar Amounts in Thousands)
 (Accrual Basis of Accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Governmental activities					
Net investment in capital assets	\$ 649,596	\$ 638,123	\$ 639,694	\$ 679,921	\$ 759,723
Restricted	264,793	239,285	266,458	249,264	319,824
Unrestricted	4,950	47,391	116,262	85,857	57,518
Total governmental activities net position	<u>\$ 919,339</u>	<u>\$ 924,799</u>	<u>\$ 1,022,414</u>	<u>\$ 1,015,042</u>	<u>\$ 1,137,065</u>
Business-type activities					
Net investment in capital assets	\$ 320,253	\$ 310,006	\$ 316,361	\$ 326,402	\$ 329,814
Restricted	14,244	16,585	15,053	13,199	13,259
Unrestricted	(19,681)	(10,229)	(21,646)	29,617	31,018
Total business-type activities net position	<u>\$ 314,816</u>	<u>\$ 316,362</u>	<u>\$ 309,768</u>	<u>\$ 369,218</u>	<u>\$ 374,091</u>
Total government					
Net investment in capital assets	\$ 969,849	\$ 948,129	\$ 956,055	\$ 1,006,323	\$ 1,089,537
Restricted	279,037	255,870	281,511	262,463	333,083
Unrestricted	(14,731)	37,162	94,616	115,474	88,536
Total primary government net position	<u>\$ 1,234,155</u>	<u>\$ 1,241,161</u>	<u>\$ 1,332,182</u>	<u>\$ 1,384,260</u>	<u>\$ 1,511,156</u>

Notes:

- (1) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated from \$1,332,894 to \$1,330,700 for the implementation of GASB 65.
- (3) FY 2013-14 net position was restated primarily for the implementation of GASB 68.
 Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position 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

2011-12 (1) as restated	2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	
					Governmental activities
\$ 1,025,895	\$ 1,040,466	\$ 1,088,783	\$ 1,113,783	\$ 1,163,262	Net investment in capital assets
232,061	234,551	243,497	223,011	210,531	Restricted
7,420	55,683	(524,188)	(481,556)	(456,299)	Unrestricted
<u>\$ 1,265,376</u>	<u>\$ 1,330,700</u>	<u>\$ 808,092</u>	<u>\$ 855,238</u>	<u>\$ 917,494</u>	Total governmental activities net position
					Business-type activities
\$ 96,064	\$ 99,990	\$ 113,075	\$ 137,860	\$ 145,735	Net investment in capital assets
737	883	412	1,038	4,265	Restricted
(14,689)	(16,116)	11,585	8,326	7,058	Unrestricted
<u>\$ 82,112</u>	<u>\$ 84,757</u>	<u>\$ 125,072</u>	<u>\$ 147,224</u>	<u>\$ 157,058</u>	Total business-type activities net position
					Total government
\$ 1,121,959	\$ 1,140,456	\$ 1,201,858	\$ 1,251,643	\$ 1,308,997	Net investment in capital assets
232,798	235,434	243,909	224,049	214,796	Restricted
(7,269)	39,567	(512,603)	(473,230)	(449,241)	Unrestricted
<u>\$ 1,347,488</u>	<u>\$ 1,415,457</u>	<u>\$ 933,164</u>	<u>\$ 1,002,462</u>	<u>\$ 1,074,552</u>	Total primary government net position

COUNTY OF SONOMA, CALIFORNIA

Expenses By Function (Unaudited)

Last Ten Fiscal Years

(Dollar Amounts in Thousands)

(Accrual Basis of Accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Expenses					
Governmental activities					
General government	\$ 94,498	\$ 99,168	\$ 98,084	\$ 102,272	\$ 98,919
Public protection	247,425	259,154	260,005	270,306	238,008
Public ways and facilities	48,129	50,542	35,382	32,958	37,790
Health and sanitation	124,455	129,519	137,012	130,761	125,551
Public assistance	190,649	216,274	220,082	233,972	223,126
Education	15,681	19,148	18,933	18,409	16,642
Recreation and cultural services	14,096	15,944	15,475	15,290	13,191
Interest on long-term debt	31,912	31,016	31,962	35,320	47,045
Total governmental activities expenses	<u>\$ 766,845</u>	<u>\$ 820,765</u>	<u>\$ 816,935</u>	<u>\$ 839,288</u>	<u>\$ 800,272</u>
Business-type activities					
Refuse	\$ 43,712	\$ 40,407	\$ 36,398	\$ (24,419)	\$ 32,712
Airport	-	-	-	-	-
Energy Independence Program	-	-	-	-	-
Transit	-	-	-	-	-
Marinas	1,957	2,115	1,995	1,638	1,933
Fair	-	-	-	-	-
Water Agency	40,616	52,086	53,009	53,651	50,720
Sonoma Valley County Sanitation District	9,055	10,027	11,798	13,242	12,063
Other business-type activities	34,947	37,948	38,952	39,758	41,754
Total business-type activities expenses	<u>\$ 130,287</u>	<u>\$ 142,583</u>	<u>\$ 142,152</u>	<u>\$ 83,870</u>	<u>\$ 139,182</u>
Total primary government	<u>\$ 897,132</u>	<u>\$ 963,348</u>	<u>\$ 959,087</u>	<u>\$ 923,158</u>	<u>\$ 939,454</u>

Notes:

- (1) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated from \$1,332,894 to \$1,330,700 for the implementation of GASB 65.
- (3) FY 2013-14 Refuse restated increasing expenses by \$5,717 for adjustment to closure/post closure liability and abandonment of capital asset.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2011-12 (1) as restated	2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	
					Expenses
					Governmental activities
\$ 73,075	\$ 87,504	\$ 89,881	\$ 95,094	\$ 109,637	General government
229,093	241,671	243,619	272,963	281,574	Public protection
32,421	33,573	47,887	36,868	38,964	Public ways and facilities
111,819	116,742	118,391	118,085	132,071	Health and sanitation
173,641	186,547	200,026	201,913	212,754	Public assistance
870	605	840	1,020	1,056	Education
12,560	12,465	13,147	14,482	16,004	Recreation and cultural services
43,675	43,801	37,978	37,598	35,344	Interest on long-term debt
<u>\$ 677,154</u>	<u>\$ 722,908</u>	<u>\$ 751,769</u>	<u>\$ 778,023</u>	<u>\$ 827,404</u>	Total governmental activities expenses
					Business-type activities
\$ 33,169	\$ 32,803	\$ 32,532	\$ 26,492	\$ 5,494	Refuse
3,985	4,283	4,223	4,743	5,330	Airport
4,487	3,681	2,723	2,566	2,581	Energy Independence Program
15,617	15,967	17,484	16,762	17,923	Transit
2,482	2,284	2,214	2,708	2,213	Marinas
10,901	10,743	10,072	13,645	10,661	Fair
-	-	-	-	-	Water Agency
-	-	-	-	-	Sonoma Valley County Sanitation District
1,769	1,885	1,789	1,235	1,035	Other business-type activities
<u>\$ 72,410</u>	<u>\$ 71,646</u>	<u>\$ 71,037</u>	<u>\$ 68,151</u>	<u>\$ 45,237</u>	Total business-type activities expenses
<u>\$ 677,226</u>	<u>\$ 722,980</u>	<u>\$ 751,840</u>	<u>\$ 778,091</u>	<u>\$ 872,641</u>	Total primary government

COUNTY OF SONOMA, CALIFORNIA

Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(Dollar Amounts in Thousands)

(Accrual Basis of Accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Program Revenue					
<i>Governmental Activities</i>					
Charges for services					
General government	\$ 59,522	\$ 52,920	\$ 65,296	\$ 66,710	\$ 43,331
Public protection	53,054	53,080	45,817	30,940	31,505
Public ways and facilities	8,503	5,404	3,044	2,365	1,883
Health and sanitation	16,749	11,937	12,568	11,285	23,004
Public assistance	8,078	2,176	3,705	1,859	1,377
Education	674	1,056	620	541	556
Recreation and cultural services	4,387	3,573	4,976	2,824	3,337
Total charges for services	<u>150,967</u>	<u>130,146</u>	<u>136,026</u>	<u>116,524</u>	<u>104,993</u>
Operating grants and contributions	318,315	357,581	363,984	403,381	417,770
Capital grants and contributions	<u>27,821</u>	<u>18,063</u>	<u>16,864</u>	<u>31,048</u>	<u>15,293</u>
Total governmental activities program revenues	<u>497,103</u>	<u>505,790</u>	<u>516,874</u>	<u>550,953</u>	<u>538,056</u>
<i>Business - type activities</i>					
Charges for services					
Refuse	35,252	34,234	31,877	33,860	32,640
Airport	-	-	-	-	-
Energy Independence Program	-	-	-	-	-
Transit	-	-	-	-	-
Marinas	1,729	1,928	1,279	1,154	1,747
Fair	-	-	-	-	-
Water Agency	40,414	45,742	44,447	42,528	49,296
Sonoma Valley County Sanitation District	9,223	9,570	10,199	10,773	11,529
Other business-type activities	<u>20,387</u>	<u>22,933</u>	<u>22,807</u>	<u>24,092</u>	<u>25,698</u>
Total charges for services	<u>107,005</u>	<u>114,407</u>	<u>110,609</u>	<u>112,407</u>	<u>120,910</u>
Operating grants and contributions	19,398	16,263	14,175	12,594	12,611
Capital grants and contributions	<u>7,215</u>	<u>5,683</u>	<u>4,214</u>	<u>9,888</u>	<u>4,771</u>
Total business - type activities program revenues	<u>133,618</u>	<u>136,353</u>	<u>128,998</u>	<u>134,889</u>	<u>138,292</u>
Total primary government Total program revenues	<u>\$ 630,721</u>	<u>\$ 642,143</u>	<u>\$ 645,872</u>	<u>\$ 685,842</u>	<u>\$ 676,348</u>
Net (Expense) Revenue					
Governmental activities	\$ (269,742)	\$ (314,975)	\$ (300,061)	\$ (288,335)	\$ (262,216)
Business - type activities	<u>3,331</u>	<u>(6,230)</u>	<u>(13,154)</u>	<u>51,019</u>	<u>(890)</u>
Total primary government net expenses	<u>\$ (266,411)</u>	<u>\$ (321,205)</u>	<u>\$ (313,215)</u>	<u>\$ (237,316)</u>	<u>\$ (263,106)</u>

Notes:

- (1) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated from \$1,332,894 to \$1,330,700 for the implementation of GASB 65.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2011-12 (1) as restated	2012-13 (2) as restated	2013-14	2014-15	2015-16	
					Program Revenue
					<i>Governmental Activities</i>
					Charges for services
\$ 34,924	\$ 53,062	\$ 46,308	\$ 41,223	\$ 52,021	General government
27,092	32,987	29,345	32,776	34,737	Public protection
7,260	59	43	371	395	Public ways and facilities
24,611	8,055	6,275	6,780	6,501	Health and sanitation
1,256	12,938	18,021	8,190	9,173	Public assistance
62	-	-	-	-	Education
3,555	4,011	4,329	4,640	5,193	Recreation and cultural services
98,760	111,112	104,321	93,980	108,020	Total charges for services
395,426	406,152	437,904	426,888	471,383	Operating grants and contributions
4,617	11,116	4,832	7,754	3,102	Capital grants and contributions
498,803	528,380	547,057	528,622	582,505	Total governmental activities program revenues
					<i>Business - type activities</i>
					Charges for services
34,234	34,930	37,993	29,343	7,380	Refuse
3,650	4,056	4,285	4,589	4,935	Airport
1,892	2,110	1,957	3,000	2,845	Energy Independence Program
2,157	2,193	2,165	2,000	2,035	Transit
2,172	2,241	2,312	2,858	2,145	Marinas
9,671	9,455	9,597	12,353	11,520	Fair
-	-	-	-	-	Water Agency
-	-	-	-	-	Sonoma Valley County Sanitation District
1,226	1,904	1,711	1,106	1,078	Other business-type activities
55,002	56,889	60,020	55,249	31,938	Total charges for services
12,686	10,584	12,253	12,238	13,232	Operating grants and contributions
7,332	2,340	31,828	21,369	7,712	Capital grants and contributions
75,020	69,813	104,101	88,856	52,882	Total business - type activities program revenues
\$ 573,823	\$ 598,193	\$ 651,158	\$ 617,478	\$ 635,387	Total primary government Total program revenues
\$ (178,351)	\$ (194,528)	\$ (204,712)	\$ (249,401)	\$ (244,899)	Net (Expense) Revenue
2,610	(1,833)	28,182	20,705	7,645	Governmental activities
\$ (175,741)	\$ (196,361)	\$ (176,530)	\$ (228,696)	\$ (237,254)	Business - type activities
					Total primary government net expenses

COUNTY OF SONOMA, CALIFORNIA

Net Expense By Function (Unaudited)

Last Ten Fiscal Years

(Dollar Amounts in Thousands)

(Accrual Basis of Accounting)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Net (expense) revenue					
Governmental activities	\$ (269,742)	\$ (314,975)	\$ (300,061)	\$ (288,335)	\$ (262,216)
Business-type activities	3,331	(6,230)	(13,154)	51,019	(890)
Total primary government net expense	<u>(266,411)</u>	<u>(321,205)</u>	<u>(313,215)</u>	<u>(237,316)</u>	<u>(263,106)</u>
General Revenues and Other Changes in Net Position:					
Governmental activities:					
Taxes:					
Property	234,022	250,770	232,997	216,904	210,717
Documentary transfer	10,844	3,867	3,117	3,114	2,960
Transient occupancy	1,791	1,997	7,457	7,139	7,929
Sales tax in-lieu	-	-	-	-	-
Grants and other governmental revenues not restricted to specific programs	37,034	19,209	16,337	12,208	15,928
Unrestricted investment earnings	25,523	37,044	25,117	17,979	13,883
Gain on sale of capital assets	-	45	42	2,113	-
Other	3,127	17,870	21,669	19,472	25,850
Special/Extraordinary items	-	-	-	-	55,033
Transfers	(5,055)	(2,343)	(3,987)	(5,315)	(3,998)
Total governmental activities	<u>307,286</u>	<u>328,459</u>	<u>302,749</u>	<u>273,614</u>	<u>328,302</u>
Business-type activities:					
Taxes:					
Property	272	295	238	205	206
Unrestricted investment earnings	5,864	5,057	2,927	1,229	961
Gain on sale of capital assets	1,201	81	134	81	20
Other	-	-	572	1,104	578
Special items:					
Dissolution of Graton Sanitation Zone	-	-	-	-	-
Dissolution of Forestville Sanitation District	-	-	-	-	-
Forgiveness of debt	7,753	-	-	-	-
Landfill liability remeasurement	-	-	-	-	-
Transfers	5,055	2,343	3,987	5,315	3,998
Total business-type activities	<u>20,145</u>	<u>7,776</u>	<u>7,858</u>	<u>7,934</u>	<u>5,763</u>
Total primary government	<u>\$ 327,431</u>	<u>\$ 336,235</u>	<u>\$ 310,607</u>	<u>\$ 281,548</u>	<u>\$ 334,065</u>
Changes in net position:					
Governmental activities	37,544	13,484	2,688	(14,721)	66,086
Business-type activities	23,476	1,546	(5,296)	58,953	4,873
Total primary government	<u>\$ 61,020</u>	<u>\$ 15,030</u>	<u>\$ (2,608)</u>	<u>\$ 44,232</u>	<u>\$ 70,959</u>

Notes:

- (1) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated from \$1,332,894 to \$1,330,700 for the implementation of GASB 65.
- (3) FY 2013-14 net position was restated primarily for the implementation of GASB 68

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2011-12 (1) as restated	2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	
\$ (178,351)	\$ (194,528)	\$ (204,712)	\$ (249,401)	\$ (244,899)	Net (expense) revenue
2,610	(1,833)	28,182	20,705	7,645	Governmental activities
(175,741)	(196,361)	(176,530)	(228,696)	(237,254)	Business-type activities
					Total primary government net expense
					General Revenues and Other Changes in
					Net Position:
					Governmental activities:
					Taxes:
171,431	183,429	193,221	208,316	222,211	Property
3,390	4,301	4,439	4,953	5,541	Documentary transfer
8,757	9,705	11,037	16,759	14,188	Transient occupancy
-	-	-	-	-	Sales tax in-lieu
					Grants and other governmental revenues
33,028	34,360	38,474	39,153	40,686	not restricted to specific programs
14,249	8,068	11,305	6,157	8,331	Unrestricted investment earnings
-	-	-	-	-	Gain on sale of capital assets
23,765	20,875	16,808	22,561	17,583	Other
15,455	-	-	-	-	Special/Extraordinary items
2,338	(886)	(1,163)	(1,464)	(1,385)	Transfers
272,413	259,852	274,121	296,435	307,155	Total governmental activities
					Business-type activities:
					Taxes:
-	-	-	-	-	Property
1,697	1,681	2,186	25	370	Unrestricted investment earnings
-	-	-	-	-	Gain on sale of capital assets
529	568	548	70	65	Other
					Special items:
-	-	-	-	-	Dissolution of Graton Sanitation Zone
-	-	-	-	-	Dissolution of Forestville Sanitation District
-	1,343	-	-	-	Forgiveness of debt
-	-	-	-	-	Landfill liability remeasurement
(2,338)	886	1,163	1,464	1,385	Transfers
(112)	4,478	3,897	1,559	1,820	Total business-type activities
\$ 272,301	\$ 264,330	\$ 278,018	\$ 297,994	\$ 308,975	Total primary government
					Changes in net position:
94,062	65,324	69,409	47,034	62,256	Governmental activities
2,498	2,645	32,079	22,264	9,465	Business-type activities
\$ 96,560	\$ 67,969	\$ 101,488	\$ 69,298	\$ 71,721	Total primary government

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
General Fund			
Reserved for:			
Encumbrances	\$ 4,393	\$ 3,146	\$ 6,466
Other Purposes	33,658	28,865	38,144
Unreserved:			
Designated	-	35,289	48,277
Undesignated	75,215	54,565	28,430
Total General Fund	<u>113,266</u>	<u>121,865</u>	<u>121,317</u>
All Other Governmental Funds:			
Reserved for:			
Encumbrances	23,814	19,740	30,242
Inventories	696	723	696
Long-term advances	-	1,042	1,062
Prepaid items and deposits	539	1,949	2,147
Debt service	90,161	107,748	114,752
Unreserved, Reported in:			
Special Revenue Funds:			
Designated	-	-	4,504
Undesignated	190,584	233,840	220,821
Capital Projects Funds	16,749	15,846	16,726
Total Other Governmental Funds	<u>322,543</u>	<u>380,888</u>	<u>390,950</u>
	<u>\$ 435,809</u>	<u>\$ 502,753</u>	<u>\$ 512,267</u>
		2011-12 (2)	
	2010-11	as restated	2012-13
General Fund (1)			
Nonspendable	\$ 30,642	\$ 3,451	\$ 5,179
Restricted	188	-	-
Committed	656	243	240
Assigned	35,980	35,655	45,743
Unassigned	41,710	48,496	48,479
Subtotal general fund	<u>109,176</u>	<u>87,845</u>	<u>99,641</u>
All Other Governmental Funds			
Nonspendable	11,962	2,280	2,566
Restricted	338,298	235,047	242,054
Committed	9,330	2,868	3,217
Assigned	24,894	15,775	28,429
Unassigned	(1,271)	(1,329)	(609)
Subtotal all other governmental funds	<u>383,213</u>	<u>254,641</u>	<u>275,657</u>
Total governmental fund balance	<u>\$ 492,389</u>	<u>\$ 342,486</u>	<u>\$ 375,298</u>

Notes:

- (1) During the fiscal year ended June 30, 2011, the County implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned.
- (2) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2009-10	
\$	3,092
	28,331
	36,390
	37,107
	<u>104,920</u>
	21,383
	1,062
	1,072
	2,197
	105,636
	4,513
	209,472
	4,261
	<u>349,596</u>
\$	<u>454,516</u>

2013-14	2014-15	2015-16
\$ 13,023	\$ 12,074	\$ 14,673
-	-	-
153	90	3
50,694	64,400	73,592
47,658	55,325	57,497
<u>111,528</u>	<u>131,889</u>	<u>145,765</u>
4,045	5,456	4,326
239,446	235,532	222,475
3,806	6,873	7,024
34,065	31,309	48,785
-	(412)	-
<u>281,362</u>	<u>278,758</u>	<u>282,610</u>
\$ <u>392,890</u>	\$ <u>410,647</u>	\$ <u>428,375</u>

General Fund

Reserved for:
 Encumbrances
 Other Purposes
 Unreserved:
 Designated
 Undesignated
 Total General Fund

All Other Governmental Funds:

Reserved for:
 Encumbrances
 Inventories
 Long-term advances
 Prepaid items and deposits
 Debt service
 Unreserved, Reported in:
 Special Revenue Funds:
 Designated
 Undesignated
 Capital Projects Funds
 Total Other Governmental Funds

General Fund (1)

Nonspendable
 Restricted
 Committed
 Assigned
 Unassigned
 Subtotal general fund

All Other Governmental Funds

Nonspendable
 Restricted
 Committed
 Assigned
 Unassigned
 Subtotal all other governmental funds
 Total governmental fund balance

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues (by source):					
Taxes	\$ 249,548	\$ 260,652	\$ 259,512	\$ 239,365	\$ 238,234
Licenses, permits and franchise fees	18,243	18,463	16,508	15,966	17,245
Fines, forfeitures and penalties	11,922	11,674	11,906	18,388	21,872
Use of money and property	30,102	35,013	24,248	17,752	13,706
Intergovernmental	394,182	386,417	410,813	424,796	420,612
Charges for services	86,122	83,100	76,588	77,765	65,293
Other	21,529	23,006	20,629	20,400	28,285
Total revenues	<u>811,648</u>	<u>818,325</u>	<u>820,204</u>	<u>814,432</u>	<u>805,247</u>
Expenditures (by function):					
Current:					
General government	80,883	86,741	86,953	76,465	367,407
Public protection	242,532	236,146	243,073	253,316	226,418
Public ways and facilities	27,942	25,054	24,839	23,123	30,048
Health and sanitation	121,009	130,099	129,817	123,988	120,960
Public assistance	186,830	201,745	210,537	224,337	217,900
Education	15,651	16,752	17,932	17,313	16,019
Recreation and cultural services	13,016	14,270	14,061	13,919	12,078
Capital outlay	65,132	50,179	56,743	83,254	41,569
Debt service:					
Principal	23,253	57,948	24,513	24,956	30,771
Bond issuance cost	3,308	-	-	-	-
Interest	28,779	34,801	31,533	33,255	45,749
Total expenditures	<u>808,335</u>	<u>853,735</u>	<u>840,001</u>	<u>873,926</u>	<u>1,108,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,313</u>	<u>(35,410)</u>	<u>(19,797)</u>	<u>(59,494)</u>	<u>(303,672)</u>
Other financing sources (uses):					
Transfers in	58,047	213,115	96,981	94,339	116,232
Transfers out	(63,268)	(215,470)	(101,147)	(99,923)	(120,483)
Long-term debt issuance	6,213	99,957	33,472	5,404	294,410
Discount on long term debt issuance	239	-	-	-	-
Premium on long term debt issuance	-	4,752	-	-	-
Proceeds from sale of capital assets	-	-	5	1,923	-
Total other financing sources and uses	<u>1,231</u>	<u>102,354</u>	<u>29,311</u>	<u>1,743</u>	<u>290,159</u>
Extraordinary item - Open Space Authority Dissolution	-	-	-	-	70,488
Extraordinary item - State takeaway (AB99)	-	-	-	-	(15,455)
NET CHANGE IN FUND BALANCES	<u>4,544</u>	<u>66,944</u>	<u>9,514</u>	<u>(57,751)</u>	<u>41,520</u>
Fund balances, beginning of year, as restated	431,265	435,809	502,753	512,267	450,869
FUND BALANCES, END OF YEAR	<u>\$ 435,809</u>	<u>\$ 502,753</u>	<u>\$ 512,267</u>	<u>\$ 454,516</u>	<u>\$ 492,389</u>
Debt service as a percentage of noncapital expenditures	<u>7.03%</u>	<u>11.54%</u>	<u>7.16%</u>	<u>7.36%</u>	<u>7.17%</u>

Notes:

(1) FY 2011-12 net position was restated from \$1,624,844 to \$1,347,488 for the implementation of GASB 61 and restatement of capital assets.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2011-12 (1) as restated	2012-13	2013-14	2014-15	2015-16	
\$ 216,720	\$ 231,920	\$ 247,203	\$ 269,220	\$ 282,665	Revenues (by source):
22,053	21,962	23,360	24,315	28,577	Taxes
16,110	24,978	13,312	17,182	24,836	Licenses, permits and franchise fees
13,940	7,276	9,919	5,954	7,561	Fines, forfeitures and penalties
388,607	401,810	440,438	432,396	469,363	Use of money and property
61,135	74,580	67,657	52,483	54,607	Intergovernmental
24,122	20,422	16,782	21,495	29,495	Charges for services
742,687	782,948	818,671	823,045	897,104	Other
					Total revenues
					Expenditures (by function):
					Current:
72,306	85,869	91,087	97,029	108,126	General government
233,356	243,245	249,862	268,532	281,466	Public protection
27,922	25,991	41,824	29,197	30,496	Public ways and facilities
116,802	122,133	123,730	122,444	135,081	Health and sanitation
181,425	195,708	210,568	210,166	218,413	Public assistance
606	611	837	836	1,032	Education
12,284	12,037	12,812	14,309	15,231	Recreation and cultural services
37,105	32,643	46,142	39,679	39,986	Capital outlay
					Debt service:
10,683	12,149	20,573	8,509	82,754	Principal
-	-	-	-	-	Bond issuance cost
16,714	17,838	13,169	13,178	18,697	Interest
709,203	748,224	810,604	803,879	931,282	Total expenditures
					Excess (deficiency) of revenues over (under) expenditures
33,484	34,724	8,067	19,166	(34,178)	
					Other financing sources (uses):
98,435	79,641	82,821	86,587	143,129	Transfers in
(95,189)	(80,543)	(84,445)	(88,797)	(141,950)	Transfers out
107	594	10,640	299	43,335	Long-term debt issuance
-	-	-	-	-	Discount on long term debt issuance
-	-	-	-	7,044	Premium on long term debt issuance
5,124	125	509	390	348	Proceeds from sale of capital assets
8,477	(183)	9,525	(1,521)	51,906	Total other financing sources and uses
-	-	-	-	-	Extraordinary item - Open Space Authority Dissolution
15,455	-	-	-	-	Extraordinary item - State takeaway (AB99)
57,416	34,541	17,592	17,645	17,728	NET CHANGE IN FUND BALANCES
285,070	340,757	375,298	393,002	410,647	Fund balances, beginning of year, as restated
\$ 342,486	\$ 375,298	\$ 392,890	\$ 410,647	\$ 428,375	FUND BALANCES, END OF YEAR
					Debt service as a percentage of noncapital expenditures:
4.08%	4.19%	4.41%	2.84%	11.38%	

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

<u>Fiscal Year</u>	<u>Secured (1)</u>	<u>Unsecured (2)</u>	<u>Exempt (3)</u>	<u>Total Taxable Assessed Value (4)</u>	<u>Total Direct Tax Rate (4)</u>
2006-07	\$ 61,859,643	\$ 2,445,351	\$ (1,881,427)	\$ 62,423,567	1.00%
2007-08	67,050,722	2,351,474	(2,012,498)	67,389,698	1.00%
2008-09	68,603,799	2,465,232	(2,194,033)	68,874,998	1.00%
2009-10	67,795,681	2,554,701	(2,313,446)	68,036,936	1.00%
2010-11	66,227,140	2,515,625	(2,382,686)	66,360,079	1.00%
2011-12	65,715,029	2,550,892	(2,437,205)	65,828,716	1.00%
2012-13	65,424,659	2,394,378	(2,514,061)	65,304,976	1.00%
2013-14	68,023,890	2,402,413	(2,740,545)	67,685,758	1.00%
2014-15	73,289,559	2,476,588	(2,916,461)	72,849,686	1.00%
2015-16	78,257,731	2,681,992	(3,116,014)	77,823,709	1.00%

Notes:

- (1) Secured property is generally real property, defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.
- (2) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (3) 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.
- (4) 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 Ten Fiscal Years

<u>Fiscal Year</u>	<u>County Direct Rates (1)</u>	<u>Overlapping Rates (1)</u>		<u>Total</u>
	<u>Sonoma County General</u>	<u>Cities (2)</u>	<u>Schools (3)</u>	
2006-07	1.00000	0.05400	0.02900	1.08300
2007-08	1.00000	0.07250	0.02729	1.09979
2008-09	1.00000	0.06250	0.02659	1.08909
2009-10	1.00000	0.06750	0.02593	1.09343
2010-11	1.00000	0.07500	0.02571	1.10071
2011-12	1.00000	0.07500	0.02607	1.10107
2012-13	1.00000	0.06500	0.02597	1.09097
2013-14	1.00000	0.05200	0.02603	1.07803
2014-15	1.00000	0.05700	0.02561	1.08261
2015-16	1.00000	0.10700	0.02440	1.13140

Notes:

- (1) County Direct Rates are ad valorem taxes levied by the County and authorized by Article 13A of the Constitution of the State of California. Overlapping rates are taxes levied to service voter-approved debt of overlapping jurisdictions such as a school district or local city.
- (2) Rates shown represent a weighted average of the nine incorporated cities within the County of Sonoma .
- (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, 2016 and June 30, 2007
 (Dollar Amounts in Thousands)

June 30, 2016:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Taxes (1)</u>	<u>Percentage of Total County Taxes</u>
Geysers Power Co LLC	Utility	\$ 12,134	1.41%
Pacific Gas and Electric Company	Utility	12,107	1.41%
Keysight Technologies	Technology	2,406	0.28%
Pacific Bell	Utility	1,694	0.20%
Ferrari-Carano Vineyards and Winery	Winery	1,210	0.14%
Foley Family Wines	Winery	1,191	0.14%
EMI Santa Rosa LTD	Hotel	1,115	0.13%
CWI Fairmont Sonoma Hotel LLC	Commercial Real Estate	1,083	0.13%
Jackson Family Investments III LLC	Winery	1,012	0.12%
Lytton Rancheria of California	Winery	963	0.11%
Total		\$ 34,915	4.07%
Total taxes of all taxpayers		\$ 859,250	

June 30, 2007:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Total Taxes (1)</u>	<u>Percentage of Total County Taxes</u>
Geysers Power	Utility	\$ 8,775	1.13%
Pacific Gas and Electric Co.	Utility	5,701	0.74%
Agilent Technologies	Technology	1,795	0.23%
Pacific Bell	Utility	1,525	0.20%
Optical Coating	Technology	1,001	0.13%
SC Sonoma County LLC	Commercial Real Estate	841	0.11%
SPR Acquisition Corp	Commercial Real Estate	713	0.09%
Gallo vinyards Inc	Winery	688	0.09%
Coddington LLC	Commercial Real Estate	660	0.09%
EMI Santa Rosa LLP	Commercial Real Estate	624	0.08%
		\$ 22,323	2.89%
Total taxes of all taxpayers		\$ 773,607	

Notes:

(1) Taxable Assessed Secured amounts.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector
 Comprehensive Annual Financial Report, Fiscal Year ended June 30, 2007

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

Fiscal Year	Taxes Levied (1)	Collections within the fiscal year of the Levy (2)		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006-07	\$ 624,236	\$ 606,133	97.1%	\$ 17,752	\$ 623,885	99.9%
2007-08	673,897	646,267	95.9%	27,155	673,422	99.9%
2008-09	688,750	658,445	95.6%	29,626	688,071	99.9%
2009-10	680,369	656,556	96.5%	22,704	679,260	99.8%
2010-11	663,601	645,684	97.3%	16,588	662,272	99.8%
2011-12	658,287	642,641	97.6%	14,142	656,783	99.8%
2012-13	653,050	641,750	98.3%	9,452	651,202	99.7%
2013-14	676,858	667,922	98.7%	7,226	675,148	99.7%
2014-15	728,497	721,075	99.0%	4,857	725,932	99.6%
2015-16	778,237	770,592	99.0%	-	770,592	99.0%

Notes:

- (1) Secured and unsecured tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.
- (2) 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 Ten Fiscal Years
 (Dollars Amounts in Thousands)

Governmental Activities

Fiscal Year	Pension Obligation Bonds	Certificates of Participation	Long-Term Contract Payable	Loans Payable	Notes Payable	Bonds Payable
2006-07	\$ 286,925	\$ 34,130	\$ 114,764	\$ 82,150	\$ 950	\$ 1,890
2007-08	275,540	33,236	112,180	80,950	900	98,600
2008-09	262,225	48,313	109,512	79,220	850	111,840
2009-10	246,795	45,058	106,759	78,350	800	111,575
2010-11	515,455	42,082	103,916	77,860	4,350	111,195
2011-12	495,220	36,990	100,981	77,356	3,525	93,845
2012-13	472,255	32,471	-	75,856	1,925	90,700
2013-14	459,165	28,264	-	75,513	875	87,425
2014-15	443,565	25,384	-	76,246	-	84,020
2015-16	425,250	22,356	-	74,490	-	48,865

Business-Type Activities

Fiscal Year	Certificates of Participation	Sewer Bonds	Water Bonds	Capital Leases	Notes and Loans Payable	Energy Independence Bonds
2006-07	\$ 11,170	\$ 20,773	\$ 32,245	\$ 12,191	\$ -	\$ -
2007-08	10,095	20,944	31,779	11,267	-	-
2008-09	8,830	25,923	25,030	16,101	-	-
2009-10	7,515	24,663	24,470	15,098	-	29,637
2010-11	6,135	23,350	23,895	15,125	1,441	44,295
2011-12	4,700	21,995	23,295	13,812	1,391	46,614
2012-13	3,200	-	-	669	810	47,648
2013-14	1,635	-	-	266	15,700	45,988
2014-15	-	-	-	-	8,419	42,449
2015-16	-	-	-	-	17	7,200

Ratios based on Total Primary Debt

Fiscal Year	Population (1)	Percentage of Assessed Value (2)	Percentage of Personal Income	Per Capita (3)
2006-07	481,765	1.24%	3.29%	\$ 1,612
2007-08	484,470	1.31%	3.52%	1,719
2008-09	486,630	1.26%	3.71%	1,736
2009-10	493,285	1.16%	3.65%	1,605
2010-11	487,125	1.61%	5.05%	2,191
2011-12	487,011	1.55%	4.77%	2,097
2012-13	490,423	1.22%	3.61%	1,628
2013-14	490,486	1.08%	3.12%	1,497
2014-15	496,253	0.96%	2.83%	1,404
2015-16	501,959	0.82%	2.36%	1,264

Notes:

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

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

Governmental Activities

Special Assessment Bonds	Capital Leases	Other Government Obligation	Unamortized Premiums	Subtotal	Fiscal Year
\$ 8,072	\$ 2,449	\$ 36,818	\$ -	\$ 568,148	2006-07
6,693	2,058	-	4,620	614,777	2007-08
5,773	1,761	-	4,422	623,916	2008-09
5,181	6,364	-	4,224	605,106	2009-10
4,428	5,493	-	4,026	868,805	2010-11
4,130	4,641	-	3,828	820,516	2011-12
-	4,315	-	3,630	681,152	2012-13
-	3,728	-	3,432	658,402	2013-14
-	3,390	-	3,234	635,839	2014-15
-	2,862	-	6,550	580,373	2015-16

Business-Type Activities

Landfill Closure and Postclosure	Advances From Other Governments	Unamortized Loss	Subtotal	Total Primary Government	Fiscal Year
\$ 105,353	\$ 28,118	\$ (1,260)	\$ 208,590	\$ 776,738	2006-07
107,987	37,669	(1,556)	218,185	832,962	2007-08
108,000	38,405	(1,416)	220,873	844,789	2008-09
50,225	36,186	(1,276)	186,518	791,624	2009-10
51,237	34,124	(1,135)	198,467	1,067,272	2010-11
51,979	37,966	(995)	200,757	1,021,273	2011-12
52,778	12,358	(100)	117,363	798,515	2012-13
-	12,066	-	75,655	734,057	2013-14
-	9,817	-	60,685	696,524	2014-15
38,250	8,799	-	54,266	634,639	2015-16

COUNTY OF SONOMA, CALIFORNIA
 Ratios of Net General Bonded Debt Outstanding (Unaudited)
 Last Ten Fiscal Years
 (In thousands, except Population and Per Capita)

Fiscal Year	Total Gross General Obligation Bonds (1)	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
2006-07	\$ -	\$ -	\$ -	\$ 62,423,567	0.00%	481,765	\$ -
2007-08	-	-	-	67,389,698	0.00%	484,470	-
2008-09	-	-	-	68,874,998	0.00%	486,630	-
2009-10	-	-	-	68,036,936	0.00%	493,285	-
2010-11	-	-	-	66,360,079	0.00%	487,125	-
2011-12	-	-	-	65,828,716	0.00%	487,011	-
2012-13	-	-	-	65,304,976	0.00%	490,423	-
2013-14	-	-	-	67,685,758	0.00%	490,486	-
2014-15	-	-	-	72,849,686	0.00%	496,253	-
2015-16	-	-	-	77,823,709	0.00%	501,959	-

(1) Under the original bond official statements, Sonoma County's Pension Obligation Bonds do not qualify as General Obligation Bonds.

Source:
 Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

Fiscal Year	Assessed Value (1)	Legal Debt Limit (2)	Debt Applicable to Limit (3)	Legal Debt Margin (4)	Legal Debt Margin/Debt Limit
2006-07	\$ 62,423,567	\$ 1,248,471	\$ -	\$ 1,248,471	100%
2007-08	67,389,698	1,347,794	-	1,347,794	100%
2008-09	68,874,998	1,377,500	-	1,377,500	100%
2009-10	68,036,936	1,360,739	-	1,360,739	100%
2010-11	66,360,079	1,327,202	-	1,327,202	100%
2011-12	65,828,716	1,316,574	-	1,316,574	100%
2012-13	65,304,976	1,306,100	-	1,306,100	100%
2013-14	67,685,758	1,353,715	-	1,353,715	100%
2014-15	72,849,686	1,456,994	-	1,456,994	100%
2015-16	77,823,709	1,556,474	-	1,556,474	100%

Notes:

- (1) 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.
- (2) The legal debt limit is 2.00% of assessed value.
- (3) Debt applicable to the limit only includes general obligation bonds, of which the county has none.
- (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, 2016
 (Dollar Amounts in Thousands)

2015-16 Assessed Valuation: **\$ 77,823,709**

Overlapping General Obligation Debt and Tax Assessment Debt (1)	Debt Outstanding	Percentage Applicable to
High School Districts	\$ 156,512	100%
Unified School Districts	292,846	100%
Elementary Districts	240,502	100%
Santa Rosa Junior College	163,945	100%
Total Overlapping General Obligation Debt and Tax Assessment Debt	\$ 853,805	
Direct General Obligation Debt (1)	Debt Outstanding	
Sonoma County Pension Obligation Bonds	\$ 425,250	100%
Sonoma County Certificates of Participation	22,356	100%
Sonoma County Loans Payable	74,490	100%
Sonoma County Notes Payable	-	100%
Sonoma County Bonds Payable	48,865	100%
Sonoma County Capital Leases	2,862	100%
Sonoma County Deferred amounts	6,550	100%
Total Direct Debt	\$ 580,373	
Total Combined Overlapping and Direct Debt	\$ 1,434,178	

Ratio of 2015-16 Assessed Valuation

Total Overlapping Tax and Assessment Debt	1.10%
Total Direct Debt	0.75%
Total Combined Overlapping and Direct Debt	1.84%

Notes:

(1) Direct debt is an obligation of the County whereas overlapping debt is an obligation of other governments within the geographic boundary of the County. Excludes tax and revenue anticipation notes.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

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

Calendar Year	Estimated Population	Personal Income (1)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2007	481,765	\$ 23,642,001	\$ 49,074	71,412	4.3%
2008	484,470	23,663,256	48,844	70,994	5.5%
2009	486,630	22,787,716	46,828	71,049	10.1%
2010	493,285	21,701,296	43,993	71,010	10.6%
2011	487,125	21,142,471	43,403	70,666	10.1%
2012	487,011	21,417,425	43,977	70,688	9.0%
2013	490,423	22,126,957	45,118	70,637	7.1%
2014	490,486	23,548,182	48,010	70,932	5.7%
2015	496,253	24,606,709	49,585	71,096	4.3%
2016	501,959	26,874,652	53,540	71,131	4.1%

Incorporated Cities Population

Cloverdale	8,825
Cotati	7,153
Healdsburg	11,699
Petaluma	60,375
Rohnert Park	42,003
Santa Rosa	175,667
Sebastopol	7,527
Sonoma	10,865
Town of Windsor	27,031
Total Incorporated	351,145
Total Unincorporated Areas	150,814
Total Population	501,959

Notes:

(1) Personal Income is estimate in thousands as of 2014 the most recent data available.

Sources:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, 2015 and 2016

US Department of Commerce, Bureau of Economic Analysis - Regional Date of GDP and Personal Income. Estimates based on 2015 data.

California Department of Education; Data Enrollment by Grand report for 2015-16

State of California Employment Development Department: Labor Force Statistics

Economic Development Dept. - 400C Monthly Labor Force Data for Counties, as of August 2016



COUNTY OF SONOMA, CALIFORNIA
 Major Employers (Unaudited)
 June 30, 2016 and June 30, 2007

June 30, 2016			June 30, 2007		
Employer	Number of Employees (2)	Percent of Total County Employment	Employer	Number of Employees	Percent of Total County Employment
County of Sonoma	3,855	1.43%	County of Sonoma	4,912	2.00%
Santa Rosa Junior College .	3,733	1.39%	Agilent Technologies	3,900	1.59%
Kaiser Permanente	2,640	0.98%	State of California	3,886	1.58%
Granton Resort and Casino	2,000	0.74%	Santa Rosa Junioe College	3,586	1.46%
St. Joseph's Health System	1,578	0.59%	St Joseph's Health System	2,493	1.02%
Keysight Technologies	1,300	0.48%	Sonoma Development Center	2,202	0.90%
City of Santa Rosa	1,254	0.47%	United States Government	2,145	0.87%
Sonoma State University (1)	1,505	0.56%	Kaiser Permanente	1,850	0.75%
Sutter Santa Rosa Regional Hospital	936	0.35%	Santa Rosa City Schools	1,725	0.70%
Amy's Kitchen	870	0.32%	Sonoma State University	1,614	0.66%
Ten largest Employer's	19,671	7.30%	Ten largest Employer's	28,313	11.55%
All other employer's	249,788	92.70%	All other employer's	216,887	88.45%
Total Employers (2)	269,459	100.00%	Total Employers	245,200	100.00%

Notes:

- (1) As of Fall 2014
- (2) As of March 2015

Source:

Sonoma County CAFR 2007
 North Bay Business Journal - Private Sector Employers Sonoma County October 2016
 State of California Employment Development Department: Labor Force Statistics Total Employment
 City of Santa Rosa
 Santa Rosa Junior College

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

FTE'S:	2006-07	2007-08	2008-09	2009-10	2010-11
General Government					
County Administrator	15	-	-	-	-
Board of Supervisors / County Administrator	-	33	36	33	33
General Services	129	131	133	126	119
County Clerk-Assessor-Recorder-PA	142	121	127	119	112
Auditor-Controller / Treasurer-Tax Collector	108	109	108	108	105
County Counsel	36	36	36	37	37
Human Resources	54	45	65	62	56
Information Systems	135	137	140	137	123
Economic Development	9	9	9	9	8
Agricultural Preservation and Open Space District	20	20	26	26	29
Public Protection					
District Attorney	123	128	129	129	124
Public Defender	53	56	55	57	54
Sheriff	722	733	732	711	660
Probation	309	326	312	318	301
Permit and Resource Management	170	168	168	140	121
Emergency Services	27	28	28	26	25
Child Support Services	152	152	144	129	115
Agricultural Commissioner	68	72	73	68	37
Northern Sonoma County Air Pollution Control	6	6	6	6	6
Public Assistance					
Human Services	616	660	655	638	669
In-Home Supportive Services (IHSS)	3	3	4	4	2
Health Services					
H.S.-Administration	59	59	58	50	48
Prevention & Planning	14	25	22	17	-
Environmental Health	32	34	36	34	-
Public Health	241	235	228	180	211
Mental Health	215	207	173	173	158
Alcohol, Drug & Tobacco	81	82	77	61	40
Special Revenue Funds	4	5	6	6	6
County Medical Services Program	-	-	-	-	-
Public Ways & Facilities					
Roads	189	189	172	149	128
Cultural & Recreational					
Regional Parks (1)	138	145	151	148	134
Education					
U.C. Cooperative Extension	11	11	10	8	6
Enterprise Funds					
Integrated Waste Enterprise Fund (2)	62	62	59	42	39
Airport Enterprise Fund	8	8	9	13	13
Transit	-	-	8	7	7
Fairgrounds	40	42	39	37	38
Discrete Component Units					
Community Development Commission	46	43	41	41	41
Sonoma County Water Agency	224	221	226	226	231
Library (3)	131	138	138	138	138
	<u>4,392</u>	<u>4,479</u>	<u>4,439</u>	<u>4,213</u>	<u>3,974</u>

Notes:

- (1) Regional Parks number of extra help employees not available.
- (2) Operation of the Refuse landfill transferred to 3rd party April 2016
- (3) Library as of FY2014-15 is not included in the County CAFR reporting.

Source:

Sonoma County Auditor Controller Treasurer Tax-Collector, Payroll Division

2011-12	2012-13	2013-14	2014-15	2015-16	FTE'S:
-	-	-	-	-	General Government
28	32	35	37	39	County Administrator
114	116	119	119	111	Board of Supervisors / County Administrator
111	114	118	109	102	General Services
93	97	96	92	88	County Clerk-Assessor-Recorder-PA
36	36	38	38	39	Auditor-Controller / Treasurer-Tax Collector
47	50	56	57	55	County Counsel
107	107	107	117	100	Human Resources
8	11	12	10	12	Information Systems
29	28	29	27	24	Economic Development
					Agricultural Preservation and Open Space District
					Public Protection
113	114	120	121	115	District Attorney
50	52	52	49	49	Public Defender
624	634	648	635	603	Sheriff
279	278	285	286	291	Probation
101	102	101	108	105	Permit and Resource Management
25	27	27	24	23	Emergency Services
108	102	99	98	85	Child Support Services
43	37	41	32	32	Agricultural Commissioner
6	6	6	6	6	Northern Sonoma County Air Pollution Control
					Public Assistance
664	697	783	835	890	Human Services
2	1	1	1	1	In-Home Supportive Services (IHSS)
					Health Services
56	59	69	75	66	H.S.-Administration
-	-	-	-	-	Prevention & Planning
-	-	-	-	-	Environmental Health
211	202	200	206	213	Public Health
172	190	196	212	201	Mental Health
39	41	44	38	35	Alcohol, Drug & Tobacco
6	7	25	26	25	Special Revenue Funds
-	26	35	39	31	County Medical Services Program
					Public Ways & Facilities
128	128	137	124	118	Roads
					Cultural & Recreational
126	117	127	79	81	Regional Parks (1)
					Education
5	5	5	5	5	U.C. Cooperative Extension
					Enterprise Funds
40	41	41	40	9	Integrated Waste Enterprise Fund (2)
15	15	15	14	15	Airport Enterprise Fund
7	7	6	6	5	Transit
37	34	34	36	27	Fairgrounds
					Discrete Component Units
43	34	35	36	39	Community Development Commission
230	243	250	212	215	Sonoma County Water Agency
138	138	138	-	-	Library (3)
<u>3,841</u>	<u>3,928</u>	<u>4,130</u>	<u>3,949</u>	<u>3,855</u>	

COUNTY OF SONOMA, CALIFORNIA
 Operating Indicators by Function/Program (Unaudited)
 Last Ten Fiscal Years
 (Dollar Amounts in Thousands)

Function/Program	2006-07	2007-08	2008-09	2009-10	2010-11
Law & Justice					
Filed Felonies - District Attorney	2,656	2,589	2,550	2,533	2,196
Court Appearances - District Attorney	141,077	144,492	145,343	126,841	139,428
New Cases Opened (Felony) - Public Defender	2,489	2,368	2,283	2,378	1,671
Public Safety					
Fire Investigations (Hours) - Emergency Services	65	45	50	50	55
Fire Prevention Inspections	n/a	n/a	n/a	n/a	n/a
Dispatch Calls - Sheriff	106,029	111,311	140,549	132,978	124,158
Adult Detention Facility Bookings - Sheriff	19,805	20,641	19,661	20,890	17,903
Juvenile Hall Average Daily Population	98	96	86	85	90
Probation Investigations	11,365	9,138	8,904	7,922	6,401
Health & Public Assistance					
Birth Certificates Registered - Health Services	6,100	5,904	5,704	5,880	5,532
Emergency Medical Responses (3 County) - Health Services	53,365	53,365	55,364	54,000	53,417
Caregivers Trained - In Home Support Services (IHSS)	296	308	345	138	150
Total Collections - Child Support Enforcement	\$ 30,754	\$ 32,023	\$ 30,338	\$ 29,743	\$ 30,363
Community Resources & Public Facilities - Permit & Resource Management					
Code Enforcement Cases	1,426	1,369	1,453	1,203	870
Customers Served (Public Counter)	36,244	33,727	29,552	35,060	33,988
Building Permits Issued	31,588	31,617	25,011	15,914	16,340
Integrated Waste					
Tonnage - Transportation & Public Works	363,000	335,000	263,087	240,000	240,000
Diverted Tonnage - Transportation & Public Works	135,000	125,000	108,076	106,625	107,356
Regional Parks (2)					
Park Visitors	4,925,117	4,653,942	4,766,850	4,605,999	4,064,068
Veterans/Community Center:					
Events	4,788	4,507	4,095	4,145	4,397
Attendance	372,211	434,013	360,950	387,500	319,317

Notes:

(1) Indicators reflect estimated for FY13-14

(2) Regional Parks took over the management and operation of Annadel State Park from the state in Fiscal Year 2011-12.

Source:

Sonoma County Departments

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14 (1)</u>	<u>2014-15</u>	<u>2015-16</u>	Function/Program
					Law & Justice
2,066	2,321	2,511	2,706	2,229	Filed Felonies - District Attorney
124,854	123,008	130,135	n/a	149,121	New Cases Opened (Felony) -
1,554	1,746	1,877	1,748	1,700	New Cases Opened (Felony) - Public Defender
					Public Safety
50	-	-	-	-	Fire Investigations (Hours) - Emergency Services
n/a	n/a	n/a	1,417	1,321	Dispatch Calls - Sheriff
126,882	126,959	125,149	115,351	114,980	Adult Detention Facility Bookings - Sheriff
18,000	17,773	17,703	16,881	15,953	Juvenile Hall Average Daily Population
84	80	76	72	60	Probation Investigations
5,501	4,278	n/a	n/a	n/a	
					Health & Public Assistance
5,188	5,058	5,166	5,224	5,380	Birth Certificates Registered - Health Services
					Emergency Medical Responses (3 County) -
43,278	45,980	50,634	55,157	50,567	Health Services
99	-	-	-	170	Caregivers Trained - In Home Support Services (IHSS)
\$ 28,574	\$ 28,372	\$ 28,699	\$ 29,038	\$ 31,063	Total Collections - Child Support Enforcement
					Community Resources & Public Facilities -
					Permit & Resource Management
850	877	899	955	1,058	Code Enforcement Cases
30,389	n/a	35,193	35,649	33,458	Customers Served (Public Counter)
16,690	n/a	16,517	17,090	14,704	Building Permits Issued
					Integrated Waste
240,000	230,837	267,251	266,913	292,867	Tonnage - Transportation & Public Works
110,000	110,000	109,000	119,566	102,302	Diverted Tonnage - Transportation & Public Works
					Regional Parks (2)
5,383,600	5,843,143	5,545,143	5,603,743	n/a	Park Visitors
					Veterans/Community Center:
3,655	4,788	1,910	2,912	3,793	Events
280,885	312,570	199,883	255,018	343,136	Attendance

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

Function	2006-07	2007-08	2008-09	2009-10	2010-11
Sheriff:					
Stations	3	3	3	3	3
Sub-Stations	4	4	4	5	5
Patrol Units	142	143	124	140	132
Helicopter	1	1	1	1	1
Marine Craft	4	4	4	4	4
Streets And Highways:					
Streets (miles)	1,384	1,384	1,381	1,382	1,382
Bridges (longer than 20 feet)	320	328	328	326	326
Traffic Lights - County Only	34	34	34	35	35
Traffic Lights - Shared With Cities	3	3	4	3	3
Traffic Lights - Shared With State	26	27	23	23	24
Total Traffic Lights	<u>63</u>	<u>64</u>	<u>61</u>	<u>61</u>	<u>62</u>
Parks And Recreation:					
Acreage:					
Total Acreage	7,299	7,299	7,776	8,855	8,855
Water Agency:					
Water Mains (miles)	110	110	110	110	110
Fire Hydrants	27	27	27	27	27
Storage Capacity (thousands of gallons)	128,800	128,800	128,800	128,800	128,800
Sanitation:					
Sanitary Sewers (miles)	250	250	250	250	250
Treatment Capacity (thousands of gallons)	13,439	13,439	13,439	13,439	13,439
Transit:					
Fleet (including buses and vans)	63	73	71	88	76

Notes:

- (1) Regional Parks took over the management and operation of Annadel State Park from the state in Fiscal Year 2011-12.
- (2) In FY12-13 Sonoma County Open Space District transferred Taylor Mountain Open Space to Regional Parks.
- (3) In FY13-14 Sonoma County Parks stopped tracking acreage operated by Regional Parks by developed and undeveloped. Parks tracks total acreage operated and maintained by the department. In addition, the State of California took back management and operations of Annadel State Park from Sonoma County Regional Parks in FY2013-14

Source:

Sonoma County Departments

<u>2011-12 (1)</u>	<u>2012-13 (2)</u>	<u>2013-14 (3)</u>	<u>2014-15</u>	<u>2015-16</u>	Function
					Sheriff:
3	3	3	3	3	Stations
5	5	5	5	5	Sub-Stations
155	179	186	161	117	Patrol Units
1	1	1	1	1	Helicopter
5	5	5	5	5	Marine Craft
					Streets And Highways:
1,382	1,382	1,382	1,382	1,379	Streets (miles)
332	330	332	332	328	Bridges (longer then 20 feet)
35	37	38	38	38	Traffic Lights - County Only
3	3	3	3	3	Traffic Lights - Shared With Cities
24	26	27	30	30	Traffic Lights - Shared With State
<u>62</u>	<u>66</u>	<u>68</u>	<u>71</u>	<u>71</u>	Total Traffic Lights
					Parks And Recreation:
					Acreage:
49,882	57,980	11,372	9,403	n/a	Total Acreage
					Water Agency:
90	90	90	90	90	Water Mains (miles)
20	20	20	20	20	Fire Hydrants
133,000	128,800	128,800	128,800	128,800	Storage Capacity (thousands of gallons)
					Sanitation:
250	252	230	230	230	Sanitary Sewers (miles)
13,439	13,439	13,439	13,439	13,439	Treatment Capacity (thousands of gallons)
					Transit:
82	81	81	80	83	Fleet (including buses and vans)



GLOSSARY



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 government 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.

ACTIVE EMPLOYEES. Individuals employed at the end of the reporting or measurement period, as applicable.

ACTUARIAL ACCRUED LIABILITY. The present value of projected future benefits earned by employees to date.

ACTUARIAL VALUATION. The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

ACTUARIAL VALUATION DATE. The date as of which an actuarial valuation is performed.

ACTUARIALLY DETERMINED CONTRIBUTION. A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

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 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 usually is 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.

ASSIGNED FUND BALANCE. Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

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.

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. Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

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.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

CLOSED AMORTIZATION PERIOD. Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

COLLECTIVE DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS. Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective net pension liability.

COLLECTIVE NET PENSION LIABILITY. The net pension liability for benefits provided through (1) a cost-sharing pension plan or (2) a single-employer or agent pension plan in circumstances in which there is a special funding situation.

COLLECTIVE PENSION EXPENSE. Pension expense arising from certain changes in the collective net pension liability.

COMMITTED FUND BALANCE. Amounts that can only be used for specific purposes determined by formal action of the County’s highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

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 (ARC) of the employer(s) and the employer's actual contributions in relation to the ARC.

CONTRIBUTIONS. Additions to a pension plan's fiduciary net position for amounts from employers, non-employer contributing entities (such as, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

COST-OF-LIVING ADJUSTMENTS. Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN. A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled, and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

COVERED EMPLOYEE PAYROLL. The payroll of employees that are provided with pensions through the pension plan.

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. 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 INFLOWS OF RESOURCES. An acquisition of net position that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES. A consumption of net position that is applicable to a future reporting 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).

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.

DISCOUNT RATE. The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actual present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return on the pension plan investments.
2. The Actuarial present value of projected benefit payments not included in (1), calculated using municipal bond rate.

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. This account includes 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 position. 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. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

ENTRY AGE ACTUARIAL COST METHOD. A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability*.

EXCHANGE-LIKE TRANSACTIONS. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

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

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary non-exchange transaction in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

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 FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with government-wide financial statements.

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 FUNDS. Funds generally used to account for tax-supported activities. The five different types of government funds are as follows: the general fund, special revenue fund, debt service funds, capital projects funds, 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 position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

IMPROVEMENT. An addition made to, or change made in a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

INACTIVE EMPLOYEES. Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

INDIRECT EXPENSES. Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

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 position 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 AGREEMENT. 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.

LEVEL PERCENTAGE OF PROJECTED PAYROLL AMORTIZATION METHOD. Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

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.

MEASUREMENT PERIOD. The period between the prior and the current measurement dates.

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.

MONEY-WEIGHTED RATE OF RETURN. A method of calculating period-by-period returns on pension plan investments that adjusts for the changing amounts actually invested. Money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.

NET OPEB OBLIGATION. In the context of defined benefit pension and other postemployment benefit plans, the cumulative difference between the annual pension cost and employer's contributions to the plan, including the pension/OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension related /OPEB-related debt.

NET PENSION LIABILITY. The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.

NET POSITION. The residual of all other elements presented in a statement of financial position.

NONSPENDABLE FUND BALANCE. Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally contractually required to be maintained intact.

OPEN AMORTIZATION PERIOD. In the context of defined benefit pension and other postemployment benefit plans, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable.

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. An increase in current financial resources that is reported separately from revenue to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP, such as 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.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP. Such as operating transfers out, and the amount of refunding bond proceeds deposited with the escrow agent.

OTHER POSTEMPLOYMENT BENEFITS (OPEB). Medical, dental, vision, and other health-related benefits provided to terminated employees, retired employees, dependents, and beneficiaries.

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.

PAYROLL GROWTH RATE. An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

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 PLANS. Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

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.

POSTEMPLOYMENT. Period following termination of employment, including the time between termination and retirement postemployment healthcare benefits.

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.

PROJECTED BENEFIT PAYMENTS. All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

PROPRIETARY FUND TYPES. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REAL RATE OF RETURN. The rate of return on an investment after adjustment to eliminate inflation.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

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

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.

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 FUND BALANCE. Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION. A component of net position 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.

RETAINED EARNINGS. An equity account reflecting the accumulated earnings 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.

TERMINATION BENEFITS. Inducements offered by employers to activate employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

TOTAL PENSION LIABILITY. The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

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.

UNFUNDED ACTUARIAL ACCRUED LIABILITY. The difference between the actuarial accrued liability and the actuarial value of assets accumulated to finance that obligation.

UNASSIGNED FUND BALANCE. The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNMODIFIED 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).

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