

COUNTY OF SONOMA
STATE OF CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For The Fiscal Year Ended
June 30, 2017*



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

Erick Roeser
Auditor-Controller-Treasurer-Tax Collector



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TREASURER-TAX COLLECTOR

December 22, 2017

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, 2017, 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, 2017.

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 505,120. 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 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 or the County Administrator.

The County employed 3,894 full-time equivalent employees (including extra-help) in FY 16-17 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 protection, 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 the County's ability to impose its will on the organization or 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 Sonoma County Securitization Corporation, Sonoma County Agricultural Preservation and Open Space District, and the Sonoma County Public Financing Authority. Seven discrete component units are presented 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), four sanitation districts (Sonoma Valley County Sanitation District, Russian River County Sanitation District, South Park County Sanitation District, and Occidental County Sanitation District) and the Sonoma County Water and Wastewater Financing Authority.

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. 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 at this level may only be adjusted 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

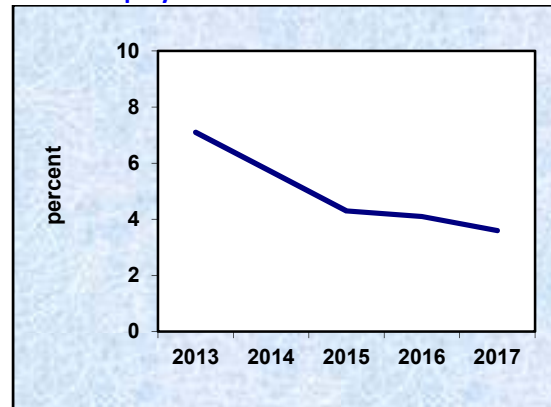
Requests for additional financial information should be addressed to the Sonoma County Auditor-Controller-Treasurer-Tax Collector, 585 Fiscal Drive, Suite 100, Santa Rosa, California 95403.

FACTORS AFFECTING ECONOMIC CONDITION

Economy

- During FY 16-17 Sonoma County continued to see positive signs in economic conditions, including decreased unemployment and increased retail sales.
- The median home price continues to increase, although Sonoma County continues to be one of the more affordable Bay Area counties.

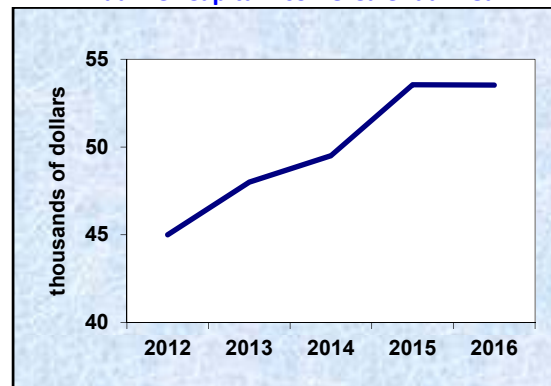
Unemployment Rate as of June 30



Employment

- The County's unemployment rate decreased from 4.1% as of June 2016 to 3.6% as of June 2017. This is lower than the California unemployment rate of 4.9% and the national unemployment rate of 4.4%.
- As of September 2017, the County unemployment rate decreased further to 3.2%, and continues to be lower than both the California and national rates of 4.7% and 4.2%, respectively.

Annual Per Capita Income-Calendar Year



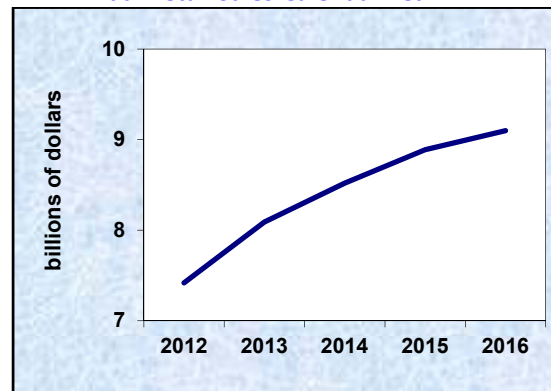
Income

- County per capita personal income remain relatively flat at \$53,520 for the 2016 calendar year from \$53,540 for the 2015 calendar year.

Retail Sales

- Retail sales county-wide increased 2.2% to \$9.1 billion for the 2016 calendar year from \$8.9 billion for 2015 and increased 4.7% to \$4.5 billion during the first two quarters of 2017 compared to \$4.3 billion for the first two quarters of 2016.
- County unincorporated area retail sales increased 5.9% to \$1.8 billion for the 2016 calendar year from \$1.7 billion for the 2015 calendar year. Retail sales for the first two quarters of 2017, are virtually unchanged with an increase of 0.3% to \$878 million compared to \$875 million for the first two quarters of 2016.

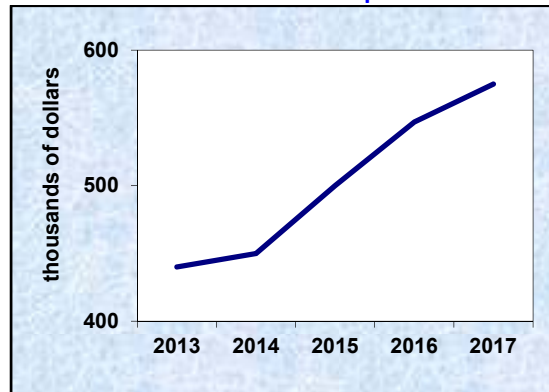
Annual Retail Sales-Calendar Year



Real Estate

- The county-wide median home price continues to increase and it is anticipated that the limited stock of available housing units for sale will continue to raise the market's median home prices. As of September 2017 the median home price increased to \$575,000 from \$547,000 in September 2016, an increase of 5.1%.
- Certified valuation of secured and unsecured property, including residential and non-residential, increased 5.7% to \$82.2 billion for FY 16-17 from \$77.8 billion for FY 15-16.
- Certified valuation of non-residential property increased 5.0% to \$25.2 billion for FY 16-17 from \$24.0 billion for FY 15-16.
- Certified valuation of residential property increased 5.8% to \$56.9 billion for FY 16-17 from \$53.8 billion for FY 15-16.

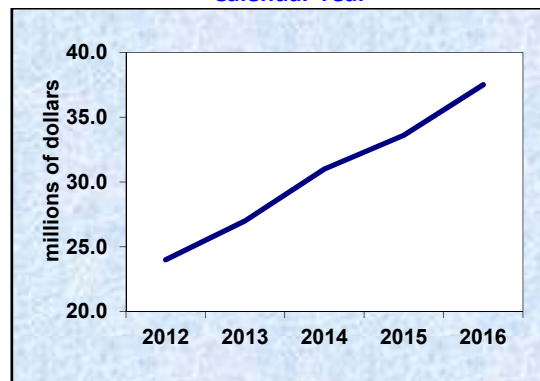
Median Home Price as of September 30



Tourism

- Preliminary results for 2017 suggest that Sonoma County's lodging industry continued to grow before the October Wildfires, as average occupancy continued to increase for most of the calendar year. The County's annual average occupancy increased to 77.6% in 2016 from 75.9% in 2015.
- County-wide transient occupancy tax (TOT) collections in unincorporated and incorporated areas increased 11.6% to \$37.5 million for the 2016 calendar year compared to \$33.6 million for the 2015 calendar year. TOT has increased 24.5% to \$18.8 million for the first two quarters of 2017 as compared to \$15.1 million for the first two quarters of 2016. In addition, starting in January 2017 the tax rate increased from 9% to 12% as a result of a November 2016 per voter approved ballot.

Annual Transient Occupancy Tax-
Calendar Year



ECONOMIC INDICATORS

While the County continued to experience modest economic growth and growth in core industry metrics, the impact from the Sonoma Complex fires in October 2017 will likely have positive and negative effects on the County's economy. These impacts will provide funding challenges for the County as it continues 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

Tax revenues increased in FY 16-17 for the County and other governmental agencies. Transient occupancy tax increased by 24.8%, local sales tax increased by 6.8%, and the County's largest revenue source, secured property taxes, increased by 6.4%. The County General Fund's share of secured property tax revenue increased by 6.0%. The interest rate environment has been historically low, however, rates have been rising over the past year, resulting in a 46.3% increase in investment earnings to the County and other County entities.

The 2017 Budget Act continues to bolster the state's Rainy Day Fund and pay down accumulated debts and liabilities to counter the potential fiscal impact of federal policy changes on California and the potential end of an economic expansion that has surpassed historical averages. While maintaining fiscal prudence, the Budget focuses state spending on the Governor's key priorities—investing in education, counteracting the effects of poverty, and improving the state's streets, roads and transportation infrastructure.

MAJOR INITIATIVES

The County completed many major initiatives in FY 16-17 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 16-17:

- The County and City of Santa Rosa negotiated and entered into a pre-annexation agreement for the Southwest Santa Rosa annexation addressing the sharing of costs associated with services and projects within the annexed areas.
- The Board of Supervisors adopted a local regulatory framework for medical cannabis businesses, including the Cannabis Land Use Ordinance, Cannabis Health Ordinance, and Cannabis Business Tax Ordinance, which was passed by voters in March 2017.
- The Board of Supervisors created a standing Independent Citizen's Pension Committee to further the County's efforts to ensure a more fair, equitable, and sustainable County pension system by increasing community engagement, adding insight and value to the process, and building an improved understanding for all parties.
- The County and the Water Agency joined with 9 other local agencies to form Groundwater Sustainability Agencies in the Petaluma Valley, Santa Rosa Plain, and Sonoma Valley in accordance with the Sustainable Groundwater Management Act.
- The Board approved an Exclusive Negotiating Agreement with Chanate Community Development Partners and staff is negotiating a Disposition and Development Agreement for the Chanate Campus.
- Completed Phase Two of the workforce development program launched the "Sonoma Higher" Leadership development program, and developed an annual program and toolbox for workforce succession planning.
- Completed construction and moved Light Fleet Maintenance and the Materials Lab facility to the new location on 709 Russell Avenue, vacating site per State/County agreement associated with the future Courthouse.
- Initiated work on the County's Municipal Climate Action Plan and launched the home energy evaluation "Do-It-Yourself Kit", a pilot project in collaboration with the Sonoma County Libraries, Sonoma Clean Power and the Sonoma County Water Agency.
- Improved transition (re-entry) services for youth offenders returning to the community from detention or placement. Key initiatives include enhanced educational partnerships with Sonoma County Office of Education and Santa Rosa Junior College, improved connections to substance abuse and clinical health

services, psycho-educational parent groups, leadership and character development programming, and expanded employment services for re-entry youth.

- Received several new grants in partnership with non-profit agencies, non-governmental, and tribal partners for the Family Justice Center Sonoma County and California Office of Emergency Services Outreach and Services in support of victims of crime.
- The Sheriff's Office collaborated with the Santa Rosa Junior College to successfully implement a pilot project that provides academic programming to inmates. Additional programming to inmates is being provided through Edovo Programming Tablets containing General Education Development (GED) prep and a compilation of life skills content.
- Human Services implemented a new senior homeless prevention program called *Linkages to Senior Housing*. The program will serve 100 older adults at risk of homelessness.
- Streamlined the permitting process for Accessory Dwelling Units (formally 2nd units) and added a new type of dwelling Junior Units, creating opportunity for more rapid development of affordable housing units.
- Successfully recruited three new airlines (American, United and Sun Country) adding destinations served to Phoenix, San Francisco, and Minneapolis.
- Implemented a series of Sonoma Marin Area Rail Transit (SMART) connector and shuttle bus routes to coordinate with the rail service at Airport Business Park, Central Rohnert Park, Cotati, and Petaluma rail stations.
- Utilizing a \$1.9 million Federal Emergency Management Agency grant, the Water Agency installed isolation valves throughout the water transmission system to mitigate the risk from significant seismic events.
- Completed the Coastal Prairie Trail, added Tolay Creek property to Tolay Lake Regional Park & Open Space Preserve, and awarded the contract for construction of Andy's Unity Park.
- Established an 11 member Community Advisory Council to review and make recommendations on Sheriff's Office policies and procedures to the Independent Office of Law Enforcement Review & Outreach (IOLERO) Director.

LONG-TERM FISCAL OUTLOOK

In October 2017 the County experienced several major wildfires that became known as the Sonoma Complex Fires (the Fires). This event was one of the worst disasters in California History. Fires burned approximately 170 square miles, destroyed more than 6,500 structures and damaged hundreds more. The Fire was declared a major disaster in the State of California and Federal aid was ordered to supplement State and local recovery efforts. Consequently, the County is eligible to recover a portion of disaster costs.

Prior to the Fires, the County had a positive financial outlook with a plan to achieve a structurally balanced budget by Fiscal Year 2020-21. As a result of the fires, there is uncertainty as to the short, intermediate and long term fiscal impacts, but they are expected to be significant.

Financial impacts to revenues and expenses for FY 17-18 are noted in the Management, Discussion and Analysis section of the CAFR.

Although the impact of the Fires on the County's fiscal position has not been fully determined, a Post-Wildfire Update was presented to the Board of Supervisors in December 2017 which provided details on forecasted disaster impacts to the FY 17-18 adopted budget. Highlights of these estimates are noted below:

- Secured Property Tax Decrease - Based on initial fire damage estimates, the County will incur a \$1.6 billion reduction in assessed values due to destroyed structures, representing a 2% decrease from FY 17-18 certified assessed values.
- Transient Occupancy Tax (TOT) - The TOT rate was adjusted from 9% to 12% in January 2017, increasing revenue by \$5 million. However, over 70 TOT tax revenue producing properties were destroyed in the fires resulting in estimated revenue losses of \$0.6 million.
- Sales Tax – Forecasted with a slight dip in FY 17-18 of 2.7%, or a loss of \$0.5 million, and 1.7% annual increases thereafter.
- Department Generated Revenues – The County's original budget anticipated \$65 million in permits, park use, and health and human services revenue. This revenue is expected to experience a one-time decrease, as staff and other resources associated with generating this revenue were redirected to disaster needs.
- Cannabis Tax – New revenue source in FY 17-18, with minor impact to revenue due to fire related crop loss.
- Unanticipated fire disaster response and recovery data collection efforts are underway to capture disaster expenses incurred and eligible for FEMA/Cal-OES reimbursement.

In December 2017, the creation of an Office of Recovery and Resiliency was approved by the Board with the mission to lead the collaborative recovery effort to build a more vibrant, inclusive, and economically successful community for all in Sonoma County.

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).

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

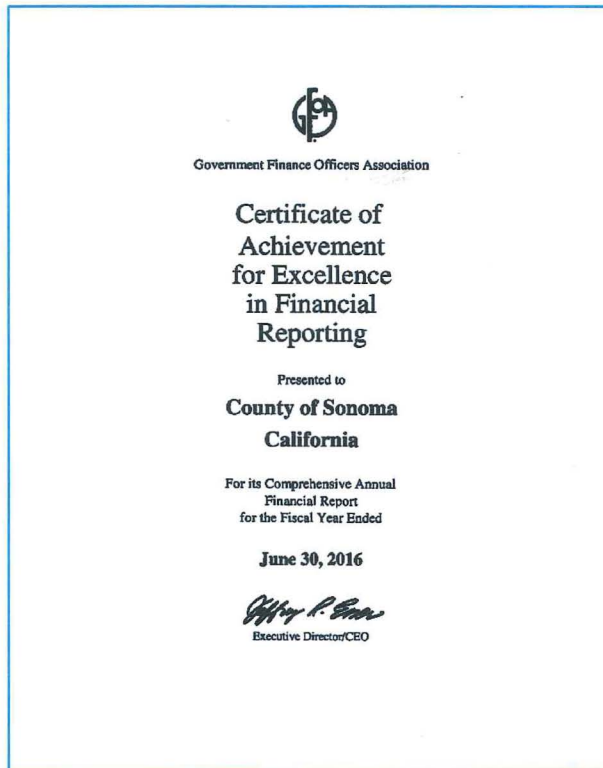
The County has a Debt Advisory Committee (DAC) to provide guidance and support related to all County debt issuance and management. The DAC provides the County Administrator and the Board of Supervisors a review process to ensure that all potential debt obligations are evaluated for cost effectiveness, 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. Consistent with best practice recommendations from the GFOA, the County will strive to maintain a total unassigned General Fund Reserve balance equal to 1/6 or 2 months of annual General Fund operating revenues.

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, 2016. This was the twenty-fifth 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, 2016. This was the twenty-second 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, 2016. The County has achieved this prestigious award nineteen 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



 Erick Roeser
 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 (Interim) Jim Colangelo
General Services Director Caroline Judy
Health Services Director..... Barbie Robinson
Human Resources Director Christina Cramer
Human Services Director Karen Fies
Information Systems Director..... John Hartwig
Permit & Resource Management Director Tennis Wick
Probation Officer, Chief David Koch
Public Defender..... Kathleen Pozzi
Regional Parks Director..... Bert Whitaker
Court Executive Officer (Superior Court Of California)..... Arlene Junior
Transportation & Public Works Director..... Susan Klassen
U.C. Cooperative Extension Director Stephanie Larson
Water Agency Director (Interim) Michael Thompson

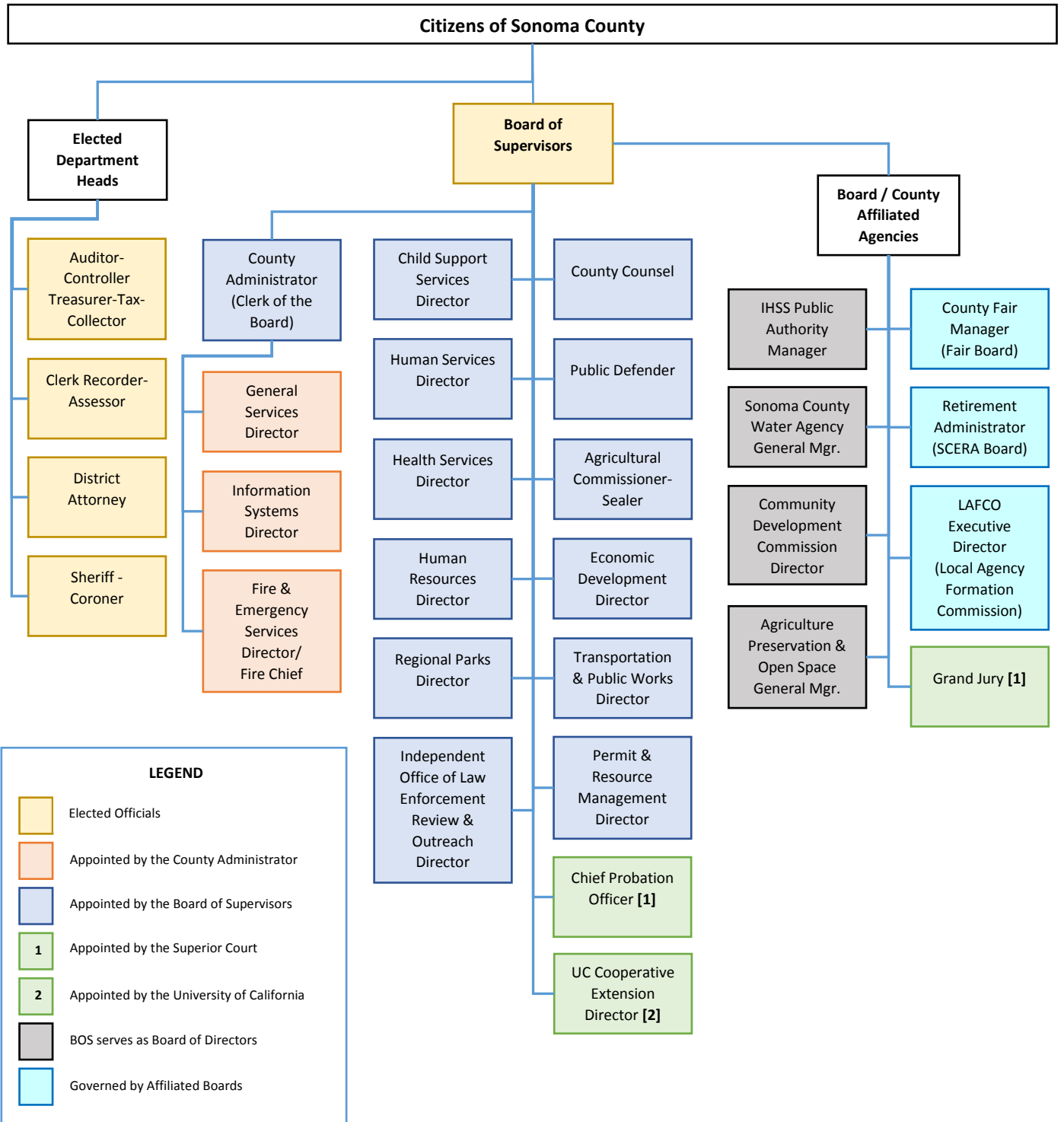
DIRECTORY OF APPOINTED AND ELECTED OFFICIALS

ELECTED OFFICIALS

Board of Supervisors:

- District One Susan Gorin
- District Two David Rabbitt
- District Three Shirlee Zane
- District Four James Gore
- District Five Lynda Hopkins
- Auditor-Controller-Treasurer-Tax Collector..... Erick Roeser
- County Clerk\Recorder\Assessor William F. Rousseau
- District Attorney..... Jill Ravitch
- Sheriff-Coroner Robert Giordano

COUNTY ORGANIZATIONAL CHART



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, 2017, 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), First 5 Sonoma Commission (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 Sonoma County Fair and Exposition, Inc. (nonmajor enterprise 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	23%	44%	3%
Business-Type Activities	97%	95%	94%
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, 2017, 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 Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, effective July 1, 2016. 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 pension contributions, the schedule of changes in net OPEB liability and related ratios, the schedule of County OPEB contributions, the schedule of OPEB investment returns, and the schedule of OPEB funding progress on pages 118 through 121, 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 reports 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 22, 2017, 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 22, 2017



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 for the fiscal year ended June 30, 2017. 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, 2017 and exceeded the prior year by \$33.4 million.
- The County's net position included \$1.3 billion in *net investment in capital assets*, \$217.4 million in *restricted net position* that must be used only for specific purposes, offset by a \$(457.8) 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 \$422.3 million, a decrease of \$(6.1) million over the prior year. Amounts available for spending include *restricted, committed, assigned and unassigned fund balances* and total 96.0% of ending fund balance. Of this amount, \$221.1 million is restricted by law or externally imposed requirements, \$5.4 million is committed for specific purposes, \$118.5 million is assigned to specific purposes determined by the Board of Supervisors, and \$16.9 million is nonspendable.
- The General Fund unassigned fund balance was \$60.0 million, or 16.9% of total General Fund *expenditures*.

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. 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 the preceding requirements it is presented as a discrete component unit.

The County's blended component units include:

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

The County's discrete component units include:

- Sonoma County Water Agency
- Sonoma County 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
- Sonoma County Water and Wastewater Financing Authority

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 County 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. 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 (general, 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 six *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, and Roads 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 is included for these funds.

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, SCEIP, 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 account for resources held for the benefit of parties outside the government and therefore are not reflected in the government-wide financial statements.

Notes to the Basic Financial Statements - The notes provide additional information 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 \$1,107,978 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
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2017	2016	2017	2016	2017	2016	Dollar Change	Percent Change
Assets:								
Current and other assets	\$ 570,386	\$ 570,742	\$ 103,211	\$ 105,056	\$ 673,597	\$ 675,798	\$ (2,201)	(0.3%)
Capital assets	1,265,369	1,246,037	167,099	161,855	1,432,468	1,407,892	24,576	1.7%
Total assets	<u>1,835,755</u>	<u>1,816,779</u>	<u>270,310</u>	<u>266,911</u>	<u>2,106,065</u>	<u>2,083,690</u>	<u>22,375</u>	1.1%
Deferred Outflows of Resources:								
Deferred charge on refunding	3,514	2,965	-	-	3,514	2,965	549	18.5%
Deferred amounts related to pension	161,681	231,401	2,307	3,110	163,988	234,511	(70,523)	(30.1%)
Total deferred outflows of resources	<u>165,195</u>	<u>234,366</u>	<u>2,307</u>	<u>3,110</u>	<u>167,502</u>	<u>237,476</u>	<u>(69,974)</u>	(29.5%)
Liabilities:								
Current and other liabilities	54,620	61,236	8,684	6,072	63,304	67,308	(4,004)	(5.9%)
Long-term liabilities	982,596	1,035,132	60,863	64,947	1,043,459	1,100,079	(56,620)	(5.1%)
Total liabilities	<u>1,037,216</u>	<u>1,096,368</u>	<u>69,547</u>	<u>71,019</u>	<u>1,106,763</u>	<u>1,167,387</u>	<u>(60,624)</u>	(5.2%)
Deferred Inflows of Resources:								
Service concession arrangement	-	-	38,929	40,320	38,929	40,320	(1,391)	(3.4%)
Deferred receipts of assessment interest	-	-	-	457	-	457	(457)	(100.0%)
Deferred amounts related to pension	18,903	37,283	994	1,167	19,897	38,450	(18,553)	(48.3%)
Total deferred inflows of resources	<u>18,903</u>	<u>37,283</u>	<u>39,923</u>	<u>41,944</u>	<u>58,826</u>	<u>79,227</u>	<u>(20,401)</u>	(25.8%)
Net position:								
Net investment in capital assets	1,192,407	1,163,262	155,959	145,735	1,348,366	1,308,997	39,369	3.0%
Restricted	209,960	210,531	7,440	4,265	217,400	214,796	2,604	1.2%
Unrestricted	(457,536)	(456,299)	(252)	7,058	(457,788)	(449,241)	(8,547)	1.9%
Total net position	<u>\$ 944,831</u>	<u>\$ 917,494</u>	<u>\$ 163,147</u>	<u>\$ 157,058</u>	<u>\$ 1,107,978</u>	<u>\$ 1,074,552</u>	<u>\$ 33,426</u>	3.1%

Analysis of Net Position

The County’s total net position increased by \$33.4 million, or 3.1%, 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 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 \$1,348,366 at fiscal year-end, and consists of investment in capital assets (net of accumulated depreciation) of \$1,432,468, less related debt of \$84,102. The \$39,369, or 3.0%, 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 \$217,400 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 increased slightly by \$2,604 or 1.2%. Noted changes to restricted net position, by function, include:

- Public Assistance increased by \$6,054 due to increased intergovernmental funding and reimbursements for In Home Support Services, Child Welfare Services and Medi-Cal.
- Public Protection increased \$4,597 due to increased 2011 Realignment revenues for probation and law enforcement programs.
- Road maintenance decreased by \$(8,782) due to 2017 pavement preservation and road construction project expenditures throughout Sonoma County.

Unrestricted net position

Unrestricted net position decreased \$(8,547) to a *deficit* of \$(457,788). The majority of the current year deficit is due to financial reporting for the net pension liability.

Analysis of Primary Government

The Primary Government (Governmental and Business-type activities) increased net position by \$33.4 million, or 3.1%, to \$1,107,978 for the year ended June 30, 2017.

	Changes in Net Position For the Fiscal Year Ended June 30, (in thousands)						Total	
	Governmental Activities		Business-Type Activities		Total		Dollar	Percent
	2017	2016	2017	2016	2017	2016	Change	Change
Revenues:								
Program revenues:								
Charges for services	\$ 98,693	\$ 108,020	\$ 29,613	\$ 31,938	\$ 128,306	\$ 139,958	\$ (11,652)	(8.3%)
Operating grants and contributions	464,039	471,383	13,937	13,232	477,976	484,615	(6,639)	(1.4%)
Capital grants and contributions	4,013	3,102	10,467	7,712	14,480	10,814	3,666	33.9%
General revenues:								
Property taxes	233,256	222,211	-	-	233,256	222,211	11,045	5.0%
Documentary transfer taxes	6,047	5,541	-	-	6,047	5,541	506	9.1%
Transient occupancy taxes	17,701	14,188	-	-	17,701	14,188	3,513	24.8%
Grants and other governmental revenues not restricted to specific programs	42,813	40,686	-	-	42,813	40,686	2,127	5.2%
Unrestricted investment earnings	7,778	8,331	367	370	8,145	8,701	(556)	(6.4%)
Other	36,532	17,583	(25)	65	36,507	17,648	18,859	106.9%
Total operating revenues	<u>910,872</u>	<u>891,045</u>	<u>54,359</u>	<u>53,317</u>	<u>965,231</u>	<u>944,362</u>	<u>20,869</u>	<u>2.2%</u>
Expenses:								
General government	104,166	109,637	-	-	104,166	109,637	(5,471)	(5.0%)
Public protection	310,466	281,574	-	-	310,466	281,574	28,892	10.3%
Public ways and facilities	47,670	38,964	-	-	47,670	38,964	8,706	22.3%
Health and sanitation	135,564	132,071	-	-	135,564	132,071	3,493	2.6%
Public assistance	220,772	212,754	-	-	220,772	212,754	8,018	3.8%
Education	1,118	1,056	-	-	1,118	1,056	62	5.9%
Recreation and cultural services	33,174	16,004	-	-	33,174	16,004	17,170	107.3%
Interest on long-term debt	29,136	35,344	-	-	29,136	35,344	(6,208)	(17.6%)
Refuse	-	-	9,935	5,494	9,935	5,494	4,441	80.8%
Airport	-	-	7,596	5,330	7,596	5,330	2,266	42.5%
Energy Independence Program	-	-	2,458	2,581	2,458	2,581	(123)	(4.8%)
Transit	-	-	18,816	17,923	18,816	17,923	893	5.0%
Fair	-	-	7,199	10,661	7,199	10,661	(3,462)	(32.5%)
Marinas	-	-	2,497	2,213	2,497	2,213	284	12.8%
Other	-	-	1,238	1,035	1,238	1,035	203	19.6%
Total operating expenses	<u>882,066</u>	<u>827,404</u>	<u>49,739</u>	<u>45,237</u>	<u>931,805</u>	<u>872,641</u>	<u>59,164</u>	<u>6.8%</u>
Excess before transfers	28,806	63,641	4,620	8,080	33,426	71,721	(38,295)	(53.4%)
Transfers	(1,469)	(1,385)	1,469	1,385	-	-	-	0.0%
Change in net position	<u>27,337</u>	<u>62,256</u>	<u>6,089</u>	<u>9,465</u>	<u>33,426</u>	<u>71,721</u>	<u>(38,295)</u>	<u>(53.4%)</u>
Net position, beginning of year	<u>917,494</u>	<u>855,238</u>	<u>157,058</u>	<u>147,593</u>	<u>1,074,552</u>	<u>1,002,831</u>	<u>71,721</u>	<u>7.2%</u>
Net position, end of year	<u>\$ 944,831</u>	<u>\$ 917,494</u>	<u>\$ 163,147</u>	<u>\$ 157,058</u>	<u>\$ 1,107,978</u>	<u>\$ 1,074,552</u>	<u>\$ 33,426</u>	<u>3.1%</u>

Analysis of Governmental Activities

Governmental activities increased the County's net position to \$944,831, an increase of \$27,337 over the prior year, accounting for 81.8% of the County's total increase in net position. Governmental activities operating revenues exceeded operating expenses by \$28,806. Transfers to business-type activities decreased net position by \$(1,469).

Revenues:

Operating revenues for the County's governmental activities increased slightly from the prior year amount of \$19,827 or 2.2%, to \$910,872. Revenues are divided into two categories: *Program Revenues* and *General Revenues*.

Program Revenues:

Program Revenues overall decreased \$(15,760), or (2.7%), from the prior year to \$566,745. 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 62.2% of the County's funding for governmental activities.

- Net charges for services decreased by \$(9,327), or (8.6%), to \$98,693 due mainly to a non-recurring transfer in the fiscal year ended June 2016 from the Tax Loss Reserve Fund to the General Fund to finance the County's Pavement Preservation Program.
- Operating grants and contributions decreased by \$(7,344), or (1.6%), to \$464,039 due primarily to:
 - General Government decreased \$(7,111), comprised primarily of non-recurring revenue received in fiscal year ended June 2016, including a \$3,400 retroactive tribal casino mitigation payment from the Dry Creek tribe; the Redevelopment Agency asset liquidation distribution; and repayment from the CDC to the Reinvestment & Revitalization Fund for Highway 12 and Roseland project expenses
 - Public Protection increased \$2,542 primarily due to the increase in law enforcement services provided to external customers
 - Health and Sanitation decreased \$(3,525) primarily due to the \$2,506 decrease in intergovernmental funding for the Federal Financial Participation Medi-Cal programs
 - Public Assistance increased \$1,904 primarily due to an increase in the reimbursements and allocations for In Home Support Services, Child Welfare Services, Medi-Cal and Title IV-E Waiver funding for Foster Care programs

General Revenues

General Revenues had an overall increase of \$35,587, or 11.6%, to \$344,127 from the prior year. These revenues include general taxes that provide the Board of Supervisors with the most discretionary spending ability. The primary reasons for the increase are as follows:

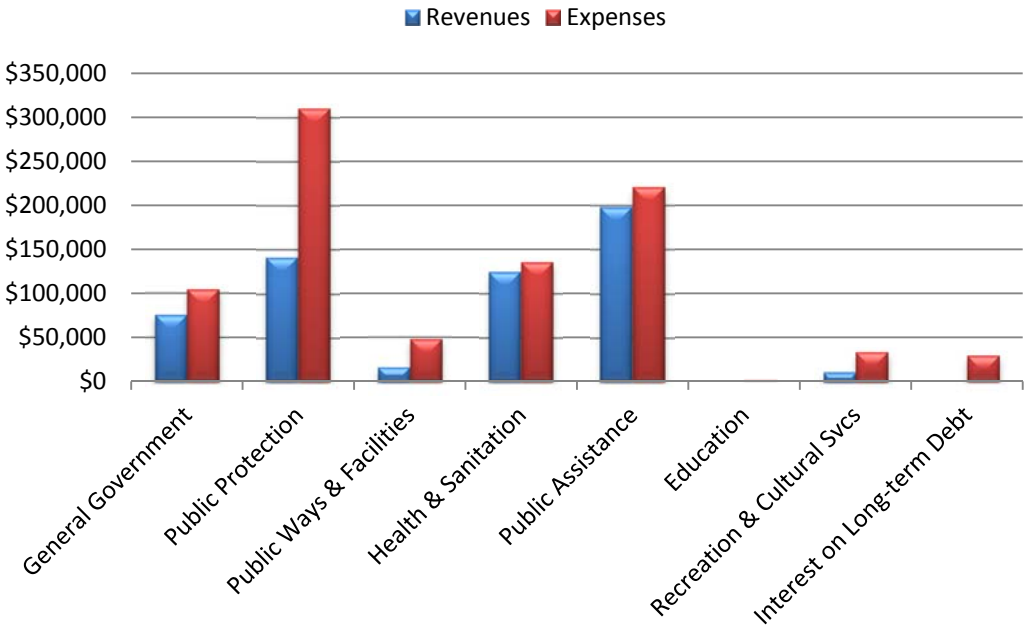
- Property tax revenues increased by \$11,045, or 5.0%, to \$233,256 due to an increase in certified assessed values for current year.
- Transient occupancy taxes increased \$3,513 due to a combination of growth and a 3% rate increase effective January 1, 2017.
- Grants and other governmental revenues not restricted for specific programs increased by \$2,127, or 5.3%, to \$42,813 due to an increase in sales tax revenues.
- Other general revenues increased by \$18,949, or 107.8%, to \$36,532 – primarily due to \$17,996 of prior year revenues and settlements in current year: \$4,400 Health, \$9,940 Human, and \$3,656 2011 Realignment.

Expenses:

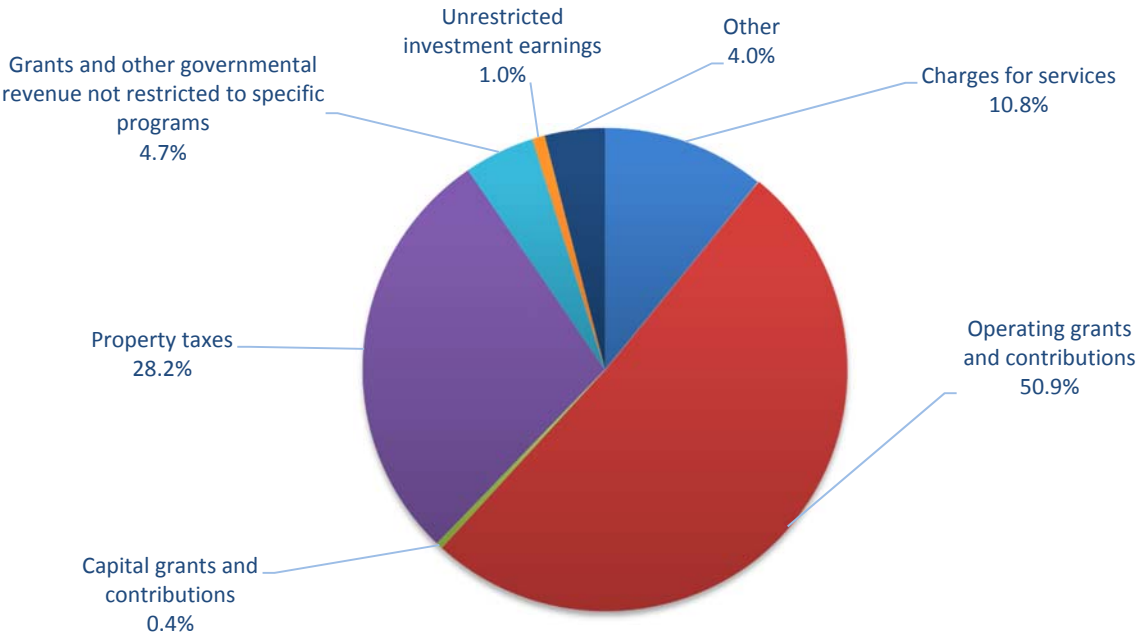
Total expenses for governmental activities increased \$54,662, or 6.6%, from the prior year to \$882,066.

- General government function expenses net decrease of \$(5,471), or (5.0%), to \$104,166 is primarily due to:
 - Salaries and benefit associated with cost of living adjustments
 - Employer contributions to employee health insurance
 - Offset by decreases for the reclassification of Open Space Special Tax Account Special Revenue fund from the general government function to the recreation and cultural services function; and a non-recurring \$4,467 fiscal year ended June 2016 expense related to payroll employment taxes
- Public protection function expenses increased by \$28,892, or 10.3%, to \$310,466 due to increases in:
 - Salaries and benefit associated with cost of living adjustments
 - Employer contributions to employee health insurance
 - Probation, law enforcement and detention spending for pre-employment screening contracts, rents, electronic and evaluation upgrades, and house inmates contracts
- Public ways and facilities function expenses increased by \$8,706, or 22.3%, to \$47,670 primarily due to road construction.
- Health and Sanitation expenses increased by \$3,493, or 2.6%, to \$135,564 due to increases in:
 - Salaries and benefit associated with cost of living adjustments
 - Employer contributions to employee health insurance
 - Community organizations contractual spending for mental health services
- Public assistance function expenses increased \$8,018, or 3.8%, to \$220,772 attributable to increases in:
 - Salaries and benefit associated with cost of living adjustments
 - Employer contributions to employee health insurance
 - Realignment
 - Title IV-E Waiver
 - Foster Care and Adoption Aid program costs
- Recreation and cultural services increased by \$17,170, or 107.3%, to \$33,174 due to the reclassification of the Open Space Special Tax Account Special Revenue fund from the general government function to the recreation and cultural services function.
- Interest on long-term debt decreased \$(6,208) primarily due to fiscal year ended June 2016 non-recurring interest expenditure related to Open Space bond refunding.

Governmental Activities - Expenses and Program Revenues



Governmental Activities - Revenues by Source

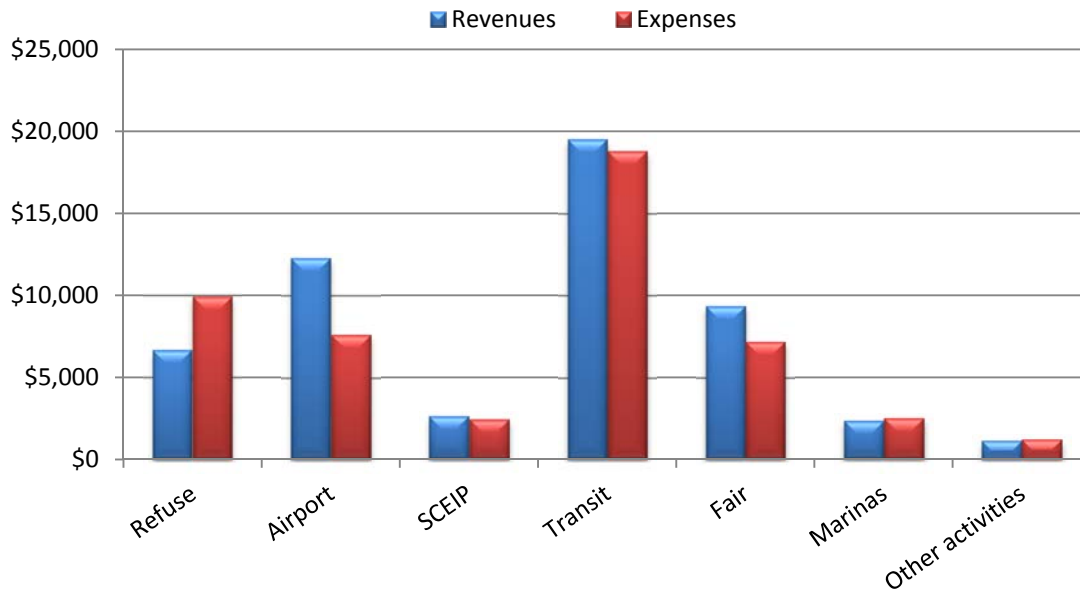


Analysis of Business-Type Activities

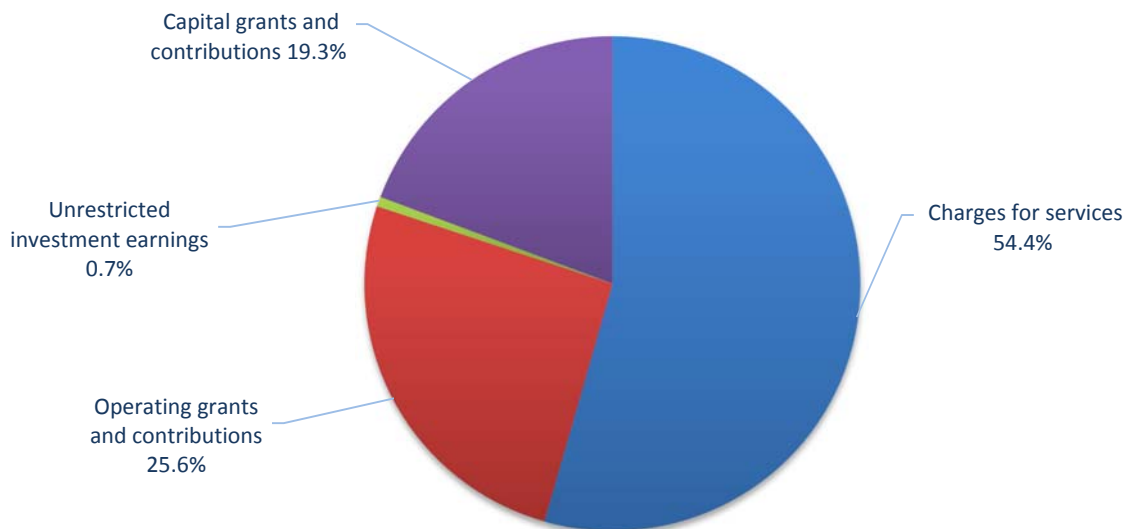
Business-type activities net position increased by \$6,089, to \$163,147 for the year ended June 30, 2017, accounting for 18.2% of the County’s total increase in net position.

Revenues for the County’s Business-Type Activities had a slight increase from the prior year of \$1,042 or 2.0% to \$54,359.

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 comply 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, 2017, the County's governmental funds reported combined fund balances of \$422,324, a decrease of \$(6,051) 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 (See Note 13 – Fund Balances):

- Nonspendable fund balance, \$16,947, consists of amounts that are not spendable in form or are legally or contractually required to be maintained intact and primarily consists of Advances of \$12,570, Prepaid items and deposits of \$3,354 and Inventories of \$1,023
- Restricted fund balance, \$221,115, consists of amounts with constraints put on their use by externally imposed creditors, grantors, laws, regulations and enabling legislation, consists of amounts restricted to:
 - Agricultural Preservation and Open Space District - \$63,713
 - Capital projects and equipment replacement - \$36,870
 - Debt service - \$12,744
 - First 5 Children and Families Commission - \$13,670
 - Health services programs - \$16,382
 - Lighting districts - \$7,629
 - Public assistance - \$18,487
 - Public protection - \$33,157
 - Road maintenance - \$717
 - Clerk, Recorder, Assessor operations - \$4,849
 - Courthouse/criminal justice construction - \$1,456
 - Air pollution control - \$3,816
 - Other - \$7,625 (fire and emergency services; parks donations, mitigation and operations, other)
- Committed fund balance, \$5,376, consists of amounts that have been committed to specific purposes by the Board of Supervisors and consists of amounts committed to:
 - Advertising activities - \$5,226
 - Roads Aggregate Resources Management activities- \$147
 - Other - \$3
- Assigned fund balance, \$118,483, represents amounts intended for use as determined by the Board of Supervisors and consists of amounts assigned to:
 - Capital projects and equipment replacement - \$44,511
 - Fiscal year 2016-17 budgetary deficit - \$13,947
 - Road maintenance - \$9,553
 - Tribal development impact mitigation - \$13,334
 - Redevelopment agencies - \$17,260
 - Public protection - \$3,522
 - General services - \$7,068
 - Other postemployment benefits (OPEB) - \$3,000
 - Other programs - \$6,288 (includes encumbrances, audit reserves and other programs)
- Unassigned fund balance, \$60,403, represents the residual classification for the General Fund and negative amounts from other governmental funds, if any.

Approximately 96%, or \$405,377, 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 2.7%, or \$3,905, to \$149,670 at June 30, 2017. The nonspendable portion of fund balance was \$12,974. The spendable portion was \$136,696, an increase of \$5,604, or 4.3%, prior year balance of \$131,092. 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 41.9% of total General Fund expenditures. Total spendable fund balance equates to 38.3% of total General Fund expenditures. Of the General Fund spendable fund balance, \$76,290, or 55.8%, was assigned. There was no restricted fund balance. General Fund unassigned fund balance at June 30, 2017, was \$60,403, or 44.2% of spendable fund balance, an increase of \$2,906 from the prior year balance of \$57,497.

Other Major Governmental Funds

As compared with the prior year, the total fund balances of the remaining governmental funds decreased (3.5%), or \$(9,956), to \$272,654 with the following significant changes:

- Human Services Special Revenue fund balance increased by \$5,131 to \$21,216 as a result of additional intergovernmental funding, allocations, and reimbursements for various programs.
- Mandated Revenues Special Revenue fund increased by \$1,541 primarily due to increased intergovernmental funding for child support services, increased revenues for Regional Parks and the Environmental and Consumer Fraud Unit.
- The Roads Special Revenue fund balance decreased by \$(15,952) from \$58,589 to \$42,637. The majority of this decrease is attributable to increased costs related to the January and February 2017 floods and pavement preservation program costs.

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 \$6,089 in the current year to \$163,147, primarily due to:

- Refuse net position decreased \$(1,967), from \$22,536 to \$20,569, primarily due to an increase of \$5,159 in post closure care liability valuations for the Healdsburg and Annapolis landfills.
- Airport net position increased by \$4,772, from \$80,440, to \$85,212, primarily due to \$5,817 in capital contributions of FAA grants for airport improvements, offset by an increase in depreciation and amortization expense of \$1,631 resulting from the completion of the Airport's runway extension project in fiscal year ended June 2016.
- Non-major enterprise funds' net position increased by \$2,331 from \$18,835 to \$21,166 primarily due to reduced services, supplies, salaries and employee benefit costs and transactional timing differences.

The net position of the internal service funds decreased by \$(7,004) from \$(532,315) to \$(539,319), primarily due to following:

- Insurance internal service fund net position increased by \$3,561 primarily due to decreases in prescription, medical, and general liability claims.
- Employment retirement internal service fund net position decreased by \$(9,650) primarily as a result of recording the required accrual for the net pension liability.

General Fund Budgetary Highlights

The County's final *budget* appropriations for expenditures of the General Fund differ from the original budget by \$5,444, or 1.4%. The major changes in appropriations are as follows:

- General Government increased by \$4,257 primarily due to:
 - \$2,574 for increased fire, administrative, election, contract and legal services
 - \$700 transfer to the Community Development Commission to purchase property
 - \$525 related to payroll employment taxes
- Public Protection increased by \$5,632 primarily due to following:
 - \$1,852 increase in Detention expenses related to county inmate housing contracts and medical treatment programs
 - \$849 in increased probation costs related primarily to Information System projects.
 - \$1,860 in Permit & Resource Management mostly attributable to professional services contracts and permitting software upgrades
 - \$570 Agricultural Commissioner increased costs related primarily to the Cannabis program, land stewardship, building and information system improvements
- Intergovernmental reimbursements increased \$4,947

Revenues:

General Fund actual revenues were \$(616) less than the final budget revenue estimates. Main reasons are as follows:

- Tax revenues out-performed revenue estimates by \$6,460, or 2.6%, primarily due to the overall increase in real estate values
- Licenses, permits, and franchise fees had a positive \$2,099, or 12.5%, variance from revenue estimates due to an increase in permit and franchise fees
- Intergovernmental revenues were under budgeted estimates by \$(2,645), or (3.2%), due primarily to the County collecting less revenue than anticipated from a variety of federal and state reimbursement sources
- Charges for services decreased \$(8,422) primarily due to the reclassification of interdepartmental revenue as reimbursements offsetting related expenses
- Miscellaneous revenues increased \$1,818 primarily due to state funding received related to prior years

Expenditures:

General Fund variance between the final budget and actual expenditures resulted in \$27,910 of unspent appropriations. Key variances are as follows:

- \$11,804 savings in salaries and benefits, primarily in General Government and Public Protection
- \$16,950 savings in services and supplies, primarily in General Government and 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, 2017 were \$1,432,468. 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 \$24,576, or 1.7%.

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

	Capital Assets (net of depreciation)						Total	
	For the Fiscal Year Ended June 30,						Dollar	Percent
	(In Thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	Change
2017	2016	2017	2016	2017	2016			
<i>Total capital assets, not being depreciated</i>								
Land	\$ 398,366	\$ 397,974	\$ 23,147	\$ 23,143	\$ 421,513	\$ 421,117	\$ 396	0.1%
Intangible assets	332,152	319,639	-	-	332,152	319,639	12,513	3.9%
Work in progress	4,182	8,882	-	-	4,182	8,882	(4,700)	(52.9%)
Construction in progress	64,943	55,920	10,910	9,647	75,853	65,567	10,286	15.7%
Total capital assets, not being depreciated	799,643	782,415	34,057	32,790	833,700	815,205	18,495	2.3%
<i>Total capital assets, net of accumulated depreciation</i>								
Intangible assets	23,333	21,442	2,098	2,431	25,431	23,873	1,558	6.5%
Infrastructure	142,643	137,477	1,437	1,502	144,080	138,979	5,101	3.7%
Buildings and improvements	273,398	276,176	114,900	109,161	388,298	385,337	2,961	0.8%
Land improvements	773	810	43	46	816	856	(40)	(4.7%)
Machinery and equipment	25,579	27,717	14,564	15,925	40,143	43,642	(3,499)	(8.0%)
Total capital assets, being depreciated	465,726	463,622	133,042	129,065	598,768	592,687	6,081	1.0%
Total	\$ 1,265,369	\$ 1,246,037	\$ 167,099	\$ 161,855	\$ 1,432,468	\$ 1,407,892	\$ 24,576	1.7%

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).

WIP decreased \$(4,700) due to the completion of intangible software projects. Two major WIP Software intangible projects, Permit Resource Managements Department's permit tracking system and Probation's Case tracking software completed during the current fiscal year.

Non depreciable Intangible assets for governmental activities increased \$12,513 due to purchase of easements by the Open Space District during the current fiscal year.

Total CIP increased \$10,286 due to projects completion transfers & retirements of \$34,661 offset by expenditures of \$44,947. CIP increased \$9,023 for governmental activities and \$1,263 for business-type activities. The increase for governmental activities in CIP is mainly due to the start of construction for the Main Adult Detention Facility behavioral health housing unit and on-going construction of the new County Fleet building.

The County completed and capitalized construction in progress projects costing approximately \$31,913. Major projects completed include:

- Sonoma County's Airport runway extension - \$7,575 and completed equipment projects -\$105
- Fairgrounds building improvements - \$2,530
- Refuse Leachate system project and Sonoma transfer station projects - \$478
- Transit bus shelter \$298 and bus projects - \$800
- 19 Road repaving projects completed - \$14,311
 - Major Projects: Adobe Road - \$3,819, Pinner Road - \$1,249, Irwin Lane - \$1,178, Llano Rd \$1,048, Petaluma Hill Road \$959
- Human Services Lobby improvements to Paulin Building \$2,099
- Meyers radio Communication Tower equipment vault - \$1,396
- Americans with Disabilities Act (ADA) compliance improvements - \$696
- Main Adult Detention Facility booking area and door security improvements - \$602
- La Plaza HVAC replacement - \$208
- Ragle Ranch Americans with Disabilities Act (ADA) compliance improvements - \$195
- CMP energy complex 2nd boiler and burner replacement - \$165
- Multiple projects under \$100 total - \$455

The County capitalized \$6,471 in intangible, equipment, and buildings and improvements and recorded depreciation of \$38,940 against all depreciable capital assets. Capital asset disposals totaled \$3,428 net of accumulated depreciation.

Debt Administration

At the end of the current fiscal year, the County had total long-term liabilities of \$1,043,459.

Long Term Liabilities								
For the Fiscal Year Ended June 30,								
(In Thousands)								
	Governmental Activities		Business-Type Activities		Total		Total	
	2017	2016	2017	2016	2017	2016	Dollar Change	Percent Change
Pension obligation bonds	\$ 404,185	\$ 425,250	\$ -	\$ -	\$ 404,185	\$ 425,250	\$ (21,065)	(5.0%)
Net pension liability	326,066	343,189	4,765	5,367	330,831	348,556	(17,725)	(5.1%)
Bonds and bond premium payable	49,268	55,415	-	-	49,268	55,415	(6,147)	(11.1%)
Loans payable	72,423	74,490	15	17	72,438	74,507	(2,069)	(2.8%)
Net OPEB obligation	40,702	46,042	-	-	40,702	46,042	(5,340)	(11.6%)
Certificates of participation	20,212	22,356	-	-	20,212	22,356	(2,144)	(9.6%)
Notes payable	-	-	4,200	7,200	4,200	7,200	(3,000)	(41.7%)
Self-Insurance	40,222	40,080	-	-	40,222	40,080	142	0.4%
Compensated absences	27,099	25,448	505	480	27,604	25,928	1,676	6.5%
Landfill closure and postclosure obligation	-	-	9,993	4,834	9,993	4,834	5,159	106.7%
Energy bonds payable	-	-	33,556	38,250	33,556	38,250	(4,694)	(12.3%)
Advances from other governments	-	-	7,829	8,799	7,829	8,799	(970)	(11.0%)
Other long-term obligations	2,419	2,862	-	-	2,419	2,862	(443)	(15.5%)
Total	\$ 982,596	\$ 1,035,132	\$ 60,863	\$ 64,947	\$ 1,043,459	\$ 1,100,079	\$ (56,620)	(5.1%)

Long-term liabilities decreased by \$(56,620), or (5.1%), during the current fiscal year largely driven by decreases in net pension liability of \$(17,725), principal payments on the Open Space Bonds of \$(6,147), principal payments on pension obligation bonds of \$(21,065) and many other smaller decreases as noted on the table above.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In FY 16-17 and in the first few months of FY 17-18 Sonoma County's economy saw positive trends in the economy led by increased consumer spending, increased real estate values, increased tourism, and decreased unemployment.

However, these positive trends and the FY 17-18 budget were negatively impacted when Sonoma County experienced several major wildfires in October that resulted in a Federal Major Disaster Declaration. The wildfires collectively known as the Sonoma Complex Fires (Fires) were one of the worst disasters in California history, presenting an ongoing risk to the safety of people, property, and the environment of Sonoma County.

The Fires have already had a significant effect on the financial position of the County in FY17-18 with impacts expected to extend 5 years and beyond. A Post-Fire Fiscal Outlook, including an update on fire recovery efforts and next steps, was submitted to the Board of Supervisors on December 12, 2017.

Data collection efforts are underway and will be evaluated for FEMA/Cal-OES reimbursement. These recoveries may take 5 years or longer to settle.

Significant resources have been spent on immediate priorities. Analyses of the total fiscal impacts of the disaster is still limited and may take years to fully realize.

Requests for Information

As part of management's commitment to transparency, open government, and citizen engagement, a budget tool is available 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, 2017

(Dollars in Thousands)

	Primary Government			Discrete Component Units		
	Governmental Activities	Business-Type Activities	Total	Community Development Commission	Sonoma County Water Agency	Nonmajor Component Units
ASSETS:						
Cash and investments	\$ 430,255	\$ 51,955	\$ 482,210	\$ 22,121	\$ 160,844	\$ 27,898
Restricted cash and investments	14,149	6,527	20,676	626	10,933	6,149
Receivables, net	21,745	36,323	58,068	67,200	12,522	927
Inventories	1,023	773	1,796	-	5	-
Assets held for resale	-	-	-	-	1,372	-
Due from other governments	98,614	7,407	106,021	-	-	1,480
Advances to other governments	642	-	642	-	-	-
Prepaid expenses and deposits	3,632	552	4,184	92	2,780	-
Internal balances	326	(326)	-	-	-	-
Capital assets:						
Nondepreciable	799,643	34,057	833,700	6,750	142,632	16,804
Depreciable, net	465,726	133,042	598,768	2,669	208,762	102,586
Total assets	<u>1,835,755</u>	<u>270,310</u>	<u>2,106,065</u>	<u>99,458</u>	<u>539,850</u>	<u>155,844</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred charge on refunding	3,514	-	3,514	-	649	255
Deferred amounts related to pensions	161,681	2,307	163,988	1,440	10,181	-
Total deferred outflows of resources	<u>165,195</u>	<u>2,307</u>	<u>167,502</u>	<u>1,440</u>	<u>10,830</u>	<u>255</u>
LIABILITIES:						
Accounts payable and accrued liabilities	35,700	5,731	41,431	790	4,681	1,172
Due to other governments	4,347	349	4,696	-	2,386	-
Advances from grantors and third parties	7,119	1,776	8,895	-	-	-
Deposits from others	1,816	355	2,171	-	4	-
Interest payable	2,639	473	3,112	-	2,464	404
Other liabilities	2,999	-	2,999	337	5,075	1,583
Long-term liabilities:						
Due within one year	71,638	6,859	78,497	208	8,504	2,245
Due in more than one year	910,958	54,004	964,962	4,009	154,885	26,972
Total liabilities	<u>1,037,216</u>	<u>69,547</u>	<u>1,106,763</u>	<u>5,344</u>	<u>177,999</u>	<u>32,376</u>
DEFERRED INFLOWS OF RESOURCES						
Service concession arrangement	-	38,929	38,929	-	-	-
Deferred amounts related to pensions	18,903	994	19,897	178	1,294	-
Total deferred inflows of resources	<u>18,903</u>	<u>39,923</u>	<u>58,826</u>	<u>178</u>	<u>1,294</u>	<u>-</u>
NET POSITION:						
Net investment in capital assets	<u>1,192,407</u>	<u>155,959</u>	<u>1,348,366</u>	<u>8,653</u>	<u>220,547</u>	<u>91,632</u>
Restricted:						
Capital projects	25,715	-	25,715	-	-	-
Debt service	12,744	7,440	20,184	-	-	-
Agricultural preservation and open spaces	63,713	-	63,713	-	-	-
First 5 Children and Families Commission	13,670	-	13,670	-	-	-
Health services programs	16,382	-	16,382	-	-	-
Public protection	33,157	-	33,157	-	-	-
Public assistance	18,487	-	18,487	-	-	-
Parks Donations, Mitigation and operations	2,706	-	2,706	-	-	-
Road maintenance	717	-	717	-	-	-
Lighting districts	7,629	-	7,629	-	-	-
Air pollution control	3,816	-	3,816	-	-	-
Fire and emergency services	3,023	-	3,023	-	-	-
Courthouse/Criminal Justice Construction	1,456	-	1,456	-	-	-
Clerk, Recorder, Assessor operations	4,849	-	4,849	-	-	-
Other programs	1,896	-	1,896	-	-	-
Discrete Component Units	-	-	-	466	103,498	5,419
Total Restricted	<u>209,960</u>	<u>7,440</u>	<u>217,400</u>	<u>466</u>	<u>103,498</u>	<u>5,419</u>
Unrestricted	<u>(457,536)</u>	<u>(252)</u>	<u>(457,788)</u>	<u>86,257</u>	<u>47,342</u>	<u>26,672</u>
Total net position	<u>\$ 944,831</u>	<u>\$ 163,147</u>	<u>\$ 1,107,978</u>	<u>\$ 95,376</u>	<u>\$ 371,387</u>	<u>\$ 123,723</u>

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA
Statement of Activities
For the Year Ended June 30, 2017
(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	\$ 104,166	\$ 40,057	\$ 34,140	\$ 1,255
Public protection	310,466	35,029	105,996	620
Public ways and facilities	47,670	407	16,339	-
Health and sanitation	135,564	13,938	110,468	-
Public assistance	220,772	3,499	194,228	173
Education	1,118	-	17	-
Recreation and cultural services	33,174	5,763	2,851	1,965
Interest on long-term debt	29,136	-	-	-
Total governmental activities	882,066	98,693	464,039	4,013
Business-type activities:				
Refuse	9,935	6,661	-	-
Airport	7,596	5,764	716	5,817
Energy Independence Program	2,458	2,658	-	-
Transit	18,816	1,825	13,221	4,492
Fair	7,199	9,204	-	158
Marinas	2,497	2,343	-	-
Other	1,238	1,158	-	-
Total business-type activities	49,739	29,613	13,937	10,467
Total primary government	\$ 931,805	\$ 128,306	\$ 477,976	\$ 14,480
Component units:				
Community Development Commission	\$ 41,435	\$ 762	\$ 45,892	\$ -
Sonoma County Water Agency	91,581	55,421	5,954	4,004
Sonoma Valley Sanitation District	14,505	14,710	61	3,092
Russian River Sanitation District	5,639	4,512	270	109
South Park Sanitation District	2,988	3,628	-	8
Occidental Sanitation District	854	563	1,064	380
Total component units	\$ 157,002	\$ 79,596	\$ 53,241	\$ 7,593

GENERAL REVENUES:

Taxes:
Property
Documentary transfer
Transient occupancy
Grants and other governmental revenue
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					
Governmental Activities	Primary Government		Discrete Component Units		
	Business- Type Activities	Total	Community Development Commission	Sonoma County Water Agency	Nonmajor Component Units
\$ (28,714)	-	\$ (28,714)			
(168,821)	-	(168,821)			
(30,924)	-	(30,924)			
(11,158)	-	(11,158)			
(22,872)	-	(22,872)			
(1,101)	-	(1,101)			
(22,595)	-	(22,595)			
(29,136)	-	(29,136)			
<u>(315,321)</u>	<u>-</u>	<u>(315,321)</u>			
-	(3,274)	(3,274)			
-	4,701	4,701			
-	200	200			
-	722	722			
-	2,163	2,163			
-	(154)	(154)			
-	(80)	(80)			
<u>-</u>	<u>4,278</u>	<u>4,278</u>			
<u>\$ (315,321)</u>	<u>\$ 4,278</u>	<u>\$ (311,043)</u>			
			\$ 5,219	\$ -	\$ -
			-	(26,202)	-
			-	-	3,358
			-	-	(748)
			-	-	648
			-	-	1,153
			<u>5,219</u>	<u>(26,202)</u>	<u>4,411</u>
233,256	-	233,256	-	25,278	93
6,047	-	6,047	-	-	-
17,701	-	17,701	-	-	-
42,813	-	42,813	-	-	-
7,778	367	8,145	1,754	777	422
36,532	(25)	36,507	-	-	(4)
(1,469)	1,469	-	-	-	-
<u>342,658</u>	<u>1,811</u>	<u>344,469</u>	<u>1,754</u>	<u>26,055</u>	<u>511</u>
27,337	6,089	33,426	6,973	(147)	4,922
<u>917,494</u>	<u>157,058</u>	<u>1,074,552</u>	<u>88,403</u>	<u>371,534</u>	<u>118,801</u>
<u>\$ 944,831</u>	<u>\$ 163,147</u>	<u>\$ 1,107,978</u>	<u>\$ 95,376</u>	<u>\$ 371,387</u>	<u>\$ 123,723</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 revenue
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, 2017
(Dollars in Thousands)

	<u>General Fund</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Mandated Revenues Special Revenue</u>
Assets:				
Cash and investments	\$ 133,926	\$ 3,155	\$ 6,635	\$ 45,187
Cash and investments with trustee	65	3	-	2
Receivables, net				
Accounts	1,152	-	46	136
Interest and other	7,757	60	799	144
Due from other funds	2,205	3,034	1,433	-
Inventories	224	-	-	-
Due from other governments	19,912	25,602	40,856	640
Advances to other funds	11,928	-	-	-
Advances to other governments	642	-	-	-
Prepaid items and deposits	180	3,056	17	10
Total assets	<u>\$ 177,991</u>	<u>\$ 34,910</u>	<u>\$ 49,786</u>	<u>\$ 46,119</u>
Liabilities:				
Accounts payable and accrued salaries and benefits	\$ 18,734	\$ 1,059	\$ 5,822	\$ 162
Due to other funds	-	4,573	11,811	70
Due to other governments	10	2,718	1,592	-
Advances from grantors and third parties	1,004	1,481	1,256	6
Deposits from others	1,795	-	-	9
Other liabilities	10	-	2,500	-
Total liabilities	<u>21,553</u>	<u>9,831</u>	<u>22,981</u>	<u>247</u>
Deferred inflows of resources:				
Unavailable revenue	<u>6,768</u>	<u>3,863</u>	<u>10,801</u>	<u>-</u>
Total deferred inflows of resources	<u>6,768</u>	<u>3,863</u>	<u>10,801</u>	<u>-</u>
Fund balances:				
Nonspendable	12,974	3,056	17	10
Restricted	-	18,160	15,987	45,862
Committed	3	-	-	-
Assigned	76,290	-	-	-
Unassigned	60,403	-	-	-
Total fund balances	<u>149,670</u>	<u>21,216</u>	<u>16,004</u>	<u>45,872</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 177,991</u>	<u>\$ 34,910</u>	<u>\$ 49,786</u>	<u>\$ 46,119</u>

See accompanying notes to the basic financial statements

Open Space Special Tax Account Special Revenue	Roads Special Revenue	Other Funds	Total
\$ 53,042	\$ 43,302	\$ 72,795	\$ 358,042
-	-	12,744	12,814
-	-	36	1,370
3,815	921	6,387	19,883
-	-	11	6,683
-	787	12	1,023
-	1,974	9,348	98,332
-	-	-	11,928
-	-	-	642
-	294	72	3,629
<u>\$ 56,857</u>	<u>\$ 47,278</u>	<u>\$ 101,405</u>	<u>\$ 514,346</u>
\$ -	\$ 2,348	\$ 3,054	\$ 31,179
-	-	4,580	21,034
-	-	26	4,346
-	-	3,372	7,119
-	12	-	1,816
-	204	125	2,839
-	2,564	11,157	68,333
-	2,077	180	23,689
-	2,077	180	23,689
-	856	34	16,947
56,857	12,448	71,801	221,115
-	147	5,226	5,376
-	29,186	13,007	118,483
-	-	-	60,403
<u>56,857</u>	<u>42,637</u>	<u>90,068</u>	<u>422,324</u>
<u>\$ 56,857</u>	<u>\$ 47,278</u>	<u>\$ 101,405</u>	<u>\$ 514,346</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, 2017
 (Dollars in Thousands)

Fund balances - total governmental funds		\$ 422,324
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		1,874,464
Less: accumulated depreciation		(626,366)
Certain amounts are not available to pay current period expenditures and therefore are not reported in the governmental funds		
Deferred charge on refunding		3,514
Deferred amounts related to pensions		1,239
Certain amounts are not available to pay current period expenditures and therefore are deferred inflows of resources in the governmental funds		
		23,689
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		
		(539,319)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Net pension liability	(3,185)	
Compensated absences	(26,820)	
Certificates of participation	(20,212)	
Bonds payable	(43,645)	
Bond premium	(5,623)	
Loans payable	(71,360)	
Net OPEB obligation	(40,702)	
Capital lease obligations	(2,419)	
Accrued interest payable	(748)	
	<u> </u>	<u>(214,714)</u>
Net position of governmental activities		<u>\$ 944,831</u>

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 Year Ended June 30, 2017
(Dollars in Thousands)

	General Fund	Human Services Special Revenue	Health and Sanitation Special Revenue	Mandated Revenues Special Revenue
REVENUES:				
Taxes	\$ 258,935	\$ -	\$ -	\$ -
Licenses, permits and franchise fees	18,887	-	5,908	2,955
Fines, forfeitures and penalties	7,595	-	1,730	3,264
Use of money and property	5,669	90	(6)	413
Intergovernmental	78,957	168,991	96,358	14,914
Charges for services	43,201	1,349	5,252	4,042
Other	7,093	9,940	4,400	277
Total revenues	<u>420,337</u>	<u>180,370</u>	<u>113,642</u>	<u>25,865</u>
EXPENDITURES:				
Current:				
General government	77,992	-	-	57
Public protection	249,716	-	5,741	20,526
Public ways and facilities	494	-	-	-
Health and sanitation	-	-	118,176	-
Public assistance	-	198,666	-	-
Education	1,087	-	-	-
Recreation and cultural services	16,329	-	-	-
Capital outlay	7,202	237	68	46
Debt service:				
Principal	3,334	-	-	435
Interest and other	986	-	-	9
Total expenditures	<u>357,140</u>	<u>198,903</u>	<u>123,985</u>	<u>21,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,197</u>	<u>(18,533)</u>	<u>(10,343)</u>	<u>4,792</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,420	23,664	10,206	165
Transfers out	(65,464)	-	(377)	(3,416)
Issuance of long-term debt	17,225	-	-	-
Proceeds from sale of capital assets	546	-	-	-
Refunding to escrow agent	(17,019)	-	-	-
Debt Retired	-	-	-	-
Total other financing sources (uses)	<u>(59,292)</u>	<u>23,664</u>	<u>9,829</u>	<u>(3,251)</u>
Net change in fund balances	3,905	5,131	(514)	1,541
Fund balances, beginning of year	<u>145,765</u>	<u>16,085</u>	<u>16,518</u>	<u>44,331</u>
Fund balances, end of year	<u>\$ 149,670</u>	<u>\$ 21,216</u>	<u>\$ 16,004</u>	<u>\$ 45,872</u>

See accompanying notes to the basic financial statements

Open Space Special Tax Account Special Revenue	Roads Special Revenue	Other Funds	Total
\$ 23,190	\$ -	\$ 17,692	\$ 299,817
-	617	802	29,169
-	405	1	12,995
274	185	505	7,130
-	16,628	92,204	468,052
-	1,128	1,557	56,529
-	1,136	9,215	32,061
<u>23,464</u>	<u>20,099</u>	<u>121,976</u>	<u>905,753</u>
-	-	21,380	99,429
-	-	31,891	307,874
-	37,866	663	39,023
-	-	19,166	137,342
-	-	26,310	224,976
-	-	-	1,087
15,825	-	122	32,276
-	17,130	27,775	52,458
-	-	6,188	9,957
-	-	5,986	6,981
<u>15,825</u>	<u>54,996</u>	<u>139,481</u>	<u>911,403</u>
<u>7,639</u>	<u>(34,897)</u>	<u>(17,505)</u>	<u>(5,650)</u>
31	19,339	21,661	80,486
(7,402)	(399)	(4,539)	(81,597)
-	-	-	17,225
-	5	-	551
-	-	-	(17,019)
-	-	(47)	(47)
<u>(7,371)</u>	<u>18,945</u>	<u>17,075</u>	<u>(401)</u>
268	(15,952)	(430)	(6,051)
<u>56,589</u>	<u>58,589</u>	<u>90,498</u>	<u>428,375</u>
<u>\$ 56,857</u>	<u>\$ 42,637</u>	<u>\$ 90,068</u>	<u>\$ 422,324</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 Year Ended June 30, 2017
(Dollars in Thousands)

Net change in fund balances - total governmental funds:		\$ (6,051)
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	52,458	
Depreciation expense	<u>(27,116)</u>	25,342
The statement of activities reports gains or 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.		
		(3,420)
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.		
		282
Unavailable revenue reported in the statement of net position.		
		4,189
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.		
Refunding debt issued	(17,225)	
Principal repayments	9,957	
Amortization of bond premium	473	
Debt retired	<u>17,066</u>	10,271
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		426
Change in compensated absences		(1,607)
Change in OPEB		5,340
Change in net pension liability		(431)
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.		
		<u>(7,004)</u>
Change in net position of governmental activities		<u>\$ 27,337</u>

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA

General Fund

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

For the Fiscal Year Ended June 30, 2017

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 250,152	\$ 252,475	\$ 258,935	\$ 6,460
Licenses, permits, and franchises	16,388	16,788	18,887	2,099
Fines, forfeitures, and penalties	7,702	7,750	7,595	(155)
Use of money and property	5,344	5,440	5,669	229
Intergovernmental	80,492	81,602	78,957	(2,645)
Charges for services	55,438	51,623	43,201	(8,422)
Other	4,518	5,275	7,093	1,818
Total revenues	<u>420,034</u>	<u>420,953</u>	<u>420,337</u>	<u>(616)</u>
EXPENDITURES:				
General government:				
Board of Supervisors	3,761	3,767	3,483	284
County Administrator	4,793	4,799	4,360	439
General Services	1,692	1,756	1,742	14
Assessor	11,454	11,458	10,846	612
Auditor-Controller-Treasurer-Tax Collector	15,581	16,300	15,702	598
Purchasing Agent	1,551	1,553	1,528	25
County Counsel	8,747	8,879	8,875	4
Human Resources	7,789	7,818	7,516	302
Registrar of Voters	4,088	5,328	4,897	431
Property Management	20,472	21,223	20,348	875
Other general government	72,436	73,740	59,958	13,782
Total general government	<u>152,364</u>	<u>156,621</u>	<u>139,255</u>	<u>17,366</u>
Public protection				
District Attorney	23,665	23,998	23,101	897
Public Defender	10,757	11,163	11,158	5
Superior/Municipal Court	11,296	11,296	10,948	348
Sheriff Division	92,429	91,697	89,606	2,091
Detention	63,899	65,751	64,791	960
Probation Department	54,651	55,500	49,910	5,590
IOLERO	527	827	683	144
Emergency Services	2,098	2,292	2,053	239
Permit & Resource Management	23,653	25,513	21,194	4,319
Agricultural Commissioner	6,018	6,588	6,215	373
Total public protection	<u>288,993</u>	<u>294,625</u>	<u>279,659</u>	<u>14,966</u>

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA

General Fund

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

For the Fiscal Year Ended June 30, 2017

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public ways and facilities				
Public Works	353	640	494	146
Total public ways and facilities	<u>353</u>	<u>640</u>	<u>494</u>	<u>146</u>
Education				
Agricultural Extension	1,154	1,154	1,087	67
Total education	<u>1,154</u>	<u>1,154</u>	<u>1,087</u>	<u>67</u>
Recreation and cultural services				
Regional Parks	20,506	20,541	19,438	1,103
Veterans Buildings	661	841	833	8
Total recreation and cultural services	<u>21,167</u>	<u>21,382</u>	<u>20,271</u>	<u>1,111</u>
Expenditures subtotal	<u>464,031</u>	<u>474,422</u>	<u>440,766</u>	<u>33,656</u>
Reimbursements	(84,425)	(89,372)	(83,626)	(5,746)
Total expenditures	<u>379,606</u>	<u>385,050</u>	<u>357,140</u>	<u>27,910</u>
Excess of revenues over expenditures	<u>40,428</u>	<u>35,903</u>	<u>63,197</u>	<u>27,294</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	21,179	26,704	22,093	(4,612)
Transfers out	(77,685)	(87,051)	(82,137)	4,914
Issuance of long-term debt	-	17,225	17,225	-
Proceeds from sale of capital assets	-	-	546	546
Refunding to escrow agent	(1,283)	(17,414)	(17,019)	395
Total other financing sources (uses)	<u>(57,789)</u>	<u>(60,536)</u>	<u>(59,292)</u>	<u>1,243</u>
NET CHANGE IN FUND BALANCE	<u>\$ (17,361)</u>	<u>\$ (24,633)</u>	<u>\$ 3,905</u>	<u>\$ 28,537</u>

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA
Human Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 13	\$ 13	\$ 90	\$ 77
Intergovernmental	171,185	172,356	168,991	(3,365)
Charges for services	1,207	1,207	1,349	142
Other revenue	7,703	8,714	9,940	1,226
Total revenues	180,108	182,290	180,370	(1,920)
EXPENDITURES:				
Public assistance	274,326	279,561	270,298	9,263
Reimbursements	(70,981)	(72,376)	(71,395)	(981)
Total expenditures	203,345	207,185	198,903	8,282
Excess (deficiency) of revenues over (under) expenditures	(23,237)	(24,895)	(18,533)	6,362
OTHER FINANCING SOURCES (USES):				
Transfers in	24,103	24,576	23,797	(779)
Transfers out	(153)	(153)	(133)	20
Total other financing sources (uses)	23,950	24,423	23,664	(759)
NET CHANGE IN FUND BALANCES	\$ 713	\$ (472)	\$ 5,131	\$ 5,603

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, 2017
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ 6,149	\$ 6,149	\$ 5,908	\$ (241)
Fines, forfeitures and penalties	1,298	1,298	1,730	432
Use of money and property	(46)	(46)	(6)	40
Intergovernmental	105,804	106,624	96,358	(10,266)
Charges for services	5,675	6,587	5,252	(1,335)
Other revenue	2,109	7,878	4,400	(3,478)
Total revenues	120,989	128,490	113,642	(14,848)
EXPENDITURES:				
Public protection	5,788	6,312	5,935	377
Health & sanitation	217,954	228,629	216,916	11,713
Reimbursements	(90,963)	(90,512)	(98,866)	8,354
Total expenditures	132,779	144,429	123,985	20,444
Excess (deficiency) of revenues over (under) expenditures	(11,790)	(15,939)	(10,343)	5,596
OTHER FINANCING SOURCES (USES):				
Transfers in	10,121	11,989	11,773	(216)
Transfers out	(877)	(1,944)	(1,944)	-
Total other financing sources (uses)	9,244	10,045	9,829	(216)
NET CHANGE IN FUND BALANCE	\$ (2,546)	\$ (5,894)	\$ (514)	\$ 5,380

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, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ 2,691	\$ 2,691	\$ 2,955	\$ 264
Fines, forfeitures and penalties	3,743	3,743	3,264	(479)
Use of money and property	338	338	413	75
Intergovernmental	17,177	17,267	14,914	(2,353)
Charges for services	3,759	3,759	4,042	283
Other revenue	423	433	277	(156)
Total revenues	28,131	28,231	25,865	(2,366)
EXPENDITURES:				
General government	84	107	56	51
Public protection:				
Recorder	6,996	7,005	2,338	4,667
Superior Court	1,361	1,361	1,335	26
District Attorney	17,478	17,651	14,616	3,035
Sheriff	4,149	4,889	518	4,371
Detention and corrections	159	174	166	8
Probation	833	833	559	274
Emergency services	1,592	1,685	1,649	36
Other	417	435	123	312
Total public protection	32,985	34,033	21,304	12,729
Recreation and cultural services	45	45	-	45
Reimbursements	(225)	(249)	(287)	38
Total expenditures	32,889	33,936	21,073	12,863
Excess (deficiency) of revenues over (under) expenditures	(4,758)	(5,705)	4,792	10,497
OTHER FINANCING SOURCES (USES):				
Transfers in	400	484	278	(206)
Transfers out	(19,701)	(19,011)	(3,529)	15,482
Other financing uses	-	(148)	-	148
Total other financing sources (uses)	(19,301)	(18,675)	(3,251)	15,424
NET CHANGE IN FUND BALANCE	\$ (24,059)	\$ (24,380)	\$ 1,541	\$ 25,921

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, 2017
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 21,320	\$ 21,320	\$ 23,190	\$ 1,870
Use of money and property	420	420	274	(146)
Total revenues	21,740	21,740	23,464	1,724
EXPENDITURES:				
Recreation and cultural services	34,371	34,371	15,825	18,546
Total expenditures	34,371	34,371	15,825	18,546
Excess (deficiency) of revenues over (under) expenditures	(12,631)	(12,631)	7,639	20,270
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31	31
Transfers out	(7,503)	(7,503)	(7,402)	101
Total other financing sources (uses)	(7,503)	(7,503)	(7,371)	132
NET CHANGE IN FUND BALANCE	\$ (20,134)	\$ (20,134)	\$ 268	\$ 20,402

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, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, permits and franchise fees	\$ -	\$ -	\$ 617	\$ 617
Fines, forfeitures and penalties	530	530	405	(125)
Use of money and property	173	173	185	12
Intergovernmental	32,066	34,066	16,628	(17,438)
Charges for services	1,671	1,671	1,128	(543)
Other revenue	3,130	1,130	1,136	6
Total revenues	37,570	37,570	20,099	(17,471)
EXPENDITURES:				
Public ways and facilities	90,620	96,924	66,591	30,333
Reimbursements	(14,135)	(14,135)	(11,595)	(2,540)
Total expenditures	76,485	82,789	54,996	27,793
Excess (deficiency) of revenues over (under) expenditures	(38,915)	(45,219)	(34,897)	10,322
OTHER FINANCING SOURCES (USES):				
Transfers in	19,160	21,040	20,979	(61)
Transfers out	(798)	(2,078)	(2,039)	39
Proceeds from sale of capital assets	-	-	5	5
Total other financing sources (uses)	18,362	18,962	18,945	(17)
NET CHANGE IN FUND BALANCE	\$ (20,553)	\$ (26,257)	\$ (15,952)	\$ 10,305

See accompanying notes to the basic financial statements



COUNTY OF SONOMA, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2017

(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence			Total	
			Program	Transit	Other		
ASSETS:							
Current assets:							
Cash and investments	\$ 41,653	\$ 680	\$ 4,182	\$ 1,725	\$ 3,715	\$ 51,955	\$ 72,213
Cash and investments with trustee	-	-	-	-	2,696	2,696	1,335
Restricted cash and investments	-	414	-	-	127	541	-
Receivables, net							
Accounts	1,260	493	-	70	1,192	3,015	492
Loans	-	27	-	-	-	27	-
Contractual assessments	-	-	994	-	-	994	-
Interest and other	-	1	-	-	-	1	-
Due from other funds	3,549	-	-	-	-	3,549	15,870
Inventories	-	-	-	727	46	773	-
Due from other governments	-	4,136	-	3,229	42	7,407	282
Prepaid expenses and deposits	7	21	-	216	-	244	3
Total current assets	46,469	5,772	5,176	5,967	7,818	71,202	90,195
Noncurrent assets:							
Restricted cash and investments	2,052	47	-	1,191	-	3,290	-
Deposits and other assets	226	-	-	82	-	308	-
Receivables:							
Loan	-	427	-	-	-	427	-
Contractual assessments	-	-	31,859	-	-	31,859	-
Capital assets:							
Nondepreciable	3,178	21,150	-	8,249	1,480	34,057	62
Depreciable, net	18,844	70,606	-	24,012	19,580	133,042	17,209
Total noncurrent assets	24,300	92,230	31,859	33,534	21,060	202,983	17,271
Total assets	70,769	98,002	37,035	39,501	28,878	274,185	107,466
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred amounts related to pensions	275	522	-	176	1,334	2,307	160,180
Total deferred outflows of resources	275	522	-	176	1,334	2,307	160,180

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017
(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other	Total	
LIABILITIES:							
Current liabilities:							
Accounts payable and accrued liabilities	148	1,078	63	3,802	640	5,731	4,521
Due to other funds	-	3,500	100	-	58	3,658	1,410
Due to other governments	-	-	-	267	82	349	1
Advances from grantors and third parties	-	8	403	1,365	-	1,776	-
Deposits from others	-	46	-	-	277	323	-
Interest payable	-	57	319	-	97	473	1,891
Compensated absences	88	104	-	64	249	505	279
Advances from other governments	-	391	-	-	464	855	-
Self-funded insurance	-	-	-	-	-	-	10,286
Bonds payable	-	-	1,697	-	-	1,697	24,260
Notes payable	-	3,000	-	-	-	3,000	-
Loans payable	-	-	-	-	2	2	1,063
Contract retention payable	-	32	-	-	-	32	-
Other liabilities	-	-	-	-	800	800	160
Total current liabilities	<u>236</u>	<u>8,216</u>	<u>2,582</u>	<u>5,498</u>	<u>2,669</u>	<u>19,201</u>	<u>43,871</u>
Noncurrent portion of long-term liabilities:							
Self-funded insurance	-	-	-	-	-	-	29,936
Advances from other funds	-	-	100	-	117	217	11,711
Advances from other governments	-	3,856	-	-	3,118	6,974	-
Bonds payable	-	-	31,859	-	-	31,859	379,925
Notes payable	-	-	-	-	400	400	-
Loans payable	-	-	-	-	13	13	-
Landfill closure and postclosure costs	9,993	-	-	-	-	9,993	-
Net pension liabilities	701	1,176	-	442	2,446	4,765	322,881
Total noncurrent liabilities	<u>10,694</u>	<u>5,032</u>	<u>31,959</u>	<u>442</u>	<u>6,094</u>	<u>54,221</u>	<u>744,453</u>
Total liabilities	<u>10,930</u>	<u>13,248</u>	<u>34,541</u>	<u>5,940</u>	<u>8,763</u>	<u>73,422</u>	<u>788,324</u>
DEFERRED INFLOWS OF RESOURCES:							
Service concession arrangement	38,929	-	-	-	-	38,929	-
Deferred amounts related to pensions	616	64	-	31	283	994	18,641
Total deferred inflows of resources	<u>39,545</u>	<u>64</u>	<u>-</u>	<u>31</u>	<u>283</u>	<u>39,923</u>	<u>18,641</u>
NET POSITION:							
Net investment in capital assets	22,022	84,477	-	32,261	17,199	155,959	16,208
Restricted	6,605	484	-	-	351	7,440	-
Unrestricted	(8,058)	251	2,494	1,445	3,616	(252)	(555,527)
Total net position (deficit)	<u>\$ 20,569</u>	<u>\$ 85,212</u>	<u>\$ 2,494</u>	<u>\$ 33,706</u>	<u>\$ 21,166</u>	<u>\$ 163,147</u>	<u>\$ (539,319)</u>

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 Year Ended June 30, 2017
 (Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other	Total	
OPERATING REVENUES:							
Charges for services	\$ 800	\$ 471	\$ 117	\$ 1,825	\$ 2,178	\$ 5,391	\$ 145,564
Rents and concessions	5,861	5,212	-	-	10,284	21,357	2,216
Interest income	-	-	2,541	-	-	2,541	-
Sales and miscellaneous	-	81	-	-	243	324	4,656
Total operating revenues	<u>6,661</u>	<u>5,764</u>	<u>2,658</u>	<u>1,825</u>	<u>12,705</u>	<u>29,613</u>	<u>152,436</u>
OPERATING EXPENSES:							
Services and supplies	7,437	2,739	1,381	14,631	5,925	32,113	16,986
Salaries and employee benefits	977	2,091	-	760	4,129	7,957	91,053
Claim expenses	-	-	-	-	-	-	25,139
Depreciation and amortization	1,521	2,571	-	3,425	727	8,244	3,580
Total operating expenses	<u>9,935</u>	<u>7,401</u>	<u>1,381</u>	<u>18,816</u>	<u>10,781</u>	<u>48,314</u>	<u>136,758</u>
Operating income (loss)	<u>(3,274)</u>	<u>(1,637)</u>	<u>1,277</u>	<u>(16,991)</u>	<u>1,924</u>	<u>(18,701)</u>	<u>15,678</u>
NONOPERATING REVENUES (EXPENSES):							
Investment income	236	47	49	18	17	367	648
Interest expense	-	(195)	(1,077)	-	(153)	(1,425)	(23,054)
Intergovernmental	-	716	-	13,221	-	13,937	-
Gain (Loss) on disposal of capital assets	-	-	-	-	-	-	82
Miscellaneous	-	16	-	(31)	(10)	(25)	-
Total nonoperating revenues (expenses)	<u>236</u>	<u>584</u>	<u>(1,028)</u>	<u>13,208</u>	<u>(146)</u>	<u>12,854</u>	<u>(22,324)</u>
Income (loss) before capital contributions and transfers	<u>(3,038)</u>	<u>(1,053)</u>	<u>249</u>	<u>(3,783)</u>	<u>1,778</u>	<u>(5,847)</u>	<u>(6,646)</u>
Capital contributions	-	5,817	-	4,492	158	10,467	-
Transfers in	1,074	14	-	-	397	1,485	110
Transfers out	(3)	(6)	(5)	-	(2)	(16)	(468)
	<u>1,071</u>	<u>5,825</u>	<u>(5)</u>	<u>4,492</u>	<u>553</u>	<u>11,936</u>	<u>(358)</u>
Change in net position	<u>(1,967)</u>	<u>4,772</u>	<u>244</u>	<u>709</u>	<u>2,331</u>	<u>6,089</u>	<u>(7,004)</u>
Net position (deficit), beginning 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>
Net position (deficit), end of year	<u>\$ 20,569</u>	<u>\$ 85,212</u>	<u>\$ 2,494</u>	<u>\$ 33,706</u>	<u>\$ 21,166</u>	<u>\$ 163,147</u>	<u>\$ (539,319)</u>

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds						Internal Service Funds
	Energy Independence					Total	
	Refuse	Airport	Program	Transit	Other		
Cash flows from operating activities:							
Received from customers	\$ 5,316	\$ 5,616	\$ 138	\$ 1,997	\$ 11,760	\$ 24,827	\$ -
Received from interfund services provided	-	-	-	-	-	-	185,897
Received from assessments	-	-	6,753	-	-	6,753	-
Received for interest	-	-	2,486	-	-	2,486	-
Payments for assessments	-	-	(2,113)	-	-	(2,113)	-
Payments to suppliers for goods and services	(1,175)	(2,106)	(321)	(13,794)	(5,853)	(23,249)	(42,099)
Payments to employees for services	(1,156)	(2,193)	-	(720)	(3,915)	(7,984)	(90,867)
Payments for interfund services used	(1,044)	(553)	(1,202)	-	(131)	(2,930)	-
Net cash provided by (used in) operating activities	1,941	764	5,741	(12,517)	1,861	(2,210)	52,931
Cash flows from noncapital financing activities:							
Transfers in	1,074	14	-	-	397	1,485	110
Transfers out	(3)	(6)	(5)	-	(2)	(16)	(468)
Advances made to other funds	-	-	-	-	(49)	(49)	(4,143)
Proceeds from bonds	-	-	2,114	-	-	2,114	-
Principal paid on bonds	-	(25)	(6,808)	-	-	(6,833)	(21,065)
Interest paid	-	-	(1,114)	-	-	(1,114)	(23,054)
Proceeds from other governments	-	3,500	-	13,566	-	17,066	698
Repayments of advances to other funds	-	-	(100)	-	-	(100)	-
Miscellaneous noncapital financing sources	-	17	-	(31)	(10)	(24)	-
Net cash provided by (used in) noncapital financing activities	1,071	3,500	(5,913)	13,535	336	12,529	(47,922)
Cash flows from capital and related financing activities:							
Receipts from passenger facility charges	-	768	-	-	-	768	-
Proceeds from sale of capital assets	-	-	-	-	-	-	82
Acquisition and construction of capital assets	(395)	(6,603)	-	(3,088)	(1,370)	(11,456)	(708)
Proceeds from notes payable	-	3,000	-	-	500	3,500	-
Principal paid on notes payable	-	(6,500)	-	-	-	(6,500)	(1,079)
Repayments to other governments	-	(521)	-	-	(279)	(800)	-
Capital contributions	-	6,736	-	3,038	158	9,932	-
Interest paid	-	(331)	-	-	(162)	(493)	(81)
Net cash provided by (used in) capital and related financing activities	(395)	(3,451)	-	(50)	(1,153)	(5,049)	(1,786)
Cash flows from investing activities:							
Interest received on investments	236	47	49	18	17	367	648
Interfund loans - Sonoma County Airport	(3,548)	-	-	-	-	(3,548)	-
Proceeds on loan receivable - sale of Capital asset	-	25	-	-	-	25	-
Net cash provided by (used in) investing activities	(3,312)	72	49	18	17	(3,156)	648
Net increase (decrease) in cash and cash equivalents	(695)	885	(123)	986	1,061	2,114	3,871
Cash and cash equivalents, beginning of year	44,400	256	4,305	1,930	5,477	56,368	69,677
Cash and cash equivalents, end of year	\$ 43,705	\$ 1,141	\$ 4,182	\$ 2,916	\$ 6,538	\$ 58,482	\$ 73,548

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2017
(Dollars in Thousands)

	Business-Type Activities-Enterprise Funds					Total	Internal Service Funds
	Refuse	Airport	Energy Independence Program	Transit	Other		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ (3,274)	\$ (1,637)	\$ 1,277	\$ (16,991)	\$ 1,924	\$ (18,701)	\$ 15,678
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	1,521	2,571	-	3,425	727	8,244	3,580
Net pension activity	-	-	-	-	-	-	33,786
Miscellaneous	-	-	-	-	(7)	(7)	160
Changes in operating assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	45	(146)	21	143	(60)	3	(325)
Loans receivable	-	-	4,639	-	-	4,639	-
Inventories	-	-	-	(39)	(10)	(49)	-
Prepaid expenses and deposits	8	(16)	-	(15)	-	(23)	7
Deferred Outflow of resources	-	-	-	96	-	96	-
Other assets	-	-	-	(54)	36	(18)	-
Increase (decrease) in:							
Accounts payable	50	(143)	(142)	945	81	791	(141)
Customer deposits	-	6	-	-	(4)	2	-
Unearned revenue	-	(8)	(54)	29	-	(33)	-
Landfill closure and postclosure costs	5,159	-	-	-	-	5,159	-
Self-funded insurance	-	-	-	-	-	-	142
Deferred inflows of resources	(1,390)	-	-	(24)	-	(1,414)	-
Net pension activity	(183)	143	-	(34)	33	(41)	-
Deposits	-	-	-	-	(882)	(882)	-
Compensated absences	5	(6)	-	2	23	24	44
Net cash provided by (used in) operating activities	<u>\$ 1,941</u>	<u>\$ 764</u>	<u>\$ 5,741</u>	<u>\$ (12,517)</u>	<u>\$ 1,861</u>	<u>\$ (2,210)</u>	<u>\$ 52,931</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:							
Cash and investments	\$ 41,653	\$ 680	\$ 4,182	\$ 1,725	\$ 3,715	\$ 51,955	\$ 72,213
Restricted cash and investments, current	-	414	-	-	2,823	3,237	1,335
Restricted cash and investments, noncurrent	2,052	47	-	1,191	-	3,290	-
Total cash and cash equivalents	<u>\$ 43,705</u>	<u>\$ 1,141</u>	<u>\$ 4,182</u>	<u>\$ 2,916</u>	<u>\$ 6,538</u>	<u>\$ 58,482</u>	<u>\$ 73,548</u>
Noncash investing, capital and financing activities:							
Acquisition of capital assets through payables	\$ -	\$ 891	\$ -	\$ 1,734	\$ -	\$ 2,625	\$ -
Increase in capital assets for capitalized interest	-	138	-	-	-	138	-

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA

Fiduciary Funds
Statement of Net Position
June 30, 2017
(Dollars in Thousands)

	Investment Trust	Other Postemployment Benefits (OPEB) Trust	Private Purpose Trust	Agency
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and investments	\$ 1,195,823	\$ 2,174	\$ 7,242	\$ 309,381
Restricted cash and investments:				
OPEB Trust Investments:				
Equity Funds	-	41,917	-	-
Fixed Income	-	7,826	-	-
Restricted investments with trustee:				
Mutual funds	-	-	13	-
Receivables:				
Taxes	-	-	-	13,737
Notes, net	-	-	814	-
Interest and other	-	-	94	6,965
Due from other governments	-	-	-	3,744
Total assets	<u>1,195,823</u>	<u>51,917</u>	<u>8,163</u>	<u>333,827</u>
LIABILITIES:				
Accounts payable	-	2,174	17	-
Interest payable	-	-	169	-
Due to other agencies	-	-	-	333,827
Long-term debt:				
Due within one year	-	-	320	-
Due in more than one year	-	-	10,913	-
Total liabilities	<u>-</u>	<u>2,174</u>	<u>11,419</u>	<u>\$ 333,827</u>
NET POSITION (DEFICIT):				
Net position held in trust for pool participants	1,195,823	-	-	
Net position restricted for OPEB	-	49,743	-	
Net position held in trust for other purposes	-	-	(3,256)	
Total net position (deficit)	<u>\$ 1,195,823</u>	<u>\$ 49,743</u>	<u>\$ (3,256)</u>	

See accompanying notes to the basic financial statements

COUNTY OF SONOMA, CALIFORNIA
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017
 (Dollars in Thousands)

	Investment Trust	Other Postemployment Benefits (OPEB) Trust	Private Purpose Trust
ADDITIONS:			
Contributions	\$ 7,945,994	\$ -	\$ -
Employer contributions	-	27,948	-
OPEB employer contributions outside of trust	-	3,191	-
Property taxes	-	-	3,845
Investment income:			
Net increase in fair value of investments	-	3,217	-
Interest and dividends	3,808	1,632	28
Less investment expense	-	(154)	-
Net investment income	<u>3,808</u>	<u>4,695</u>	<u>28</u>
Miscellaneous	-	24	1
Total additions	<u>7,949,802</u>	<u>35,858</u>	<u>3,874</u>
DEDUCTIONS:			
Distributions	7,703,766	1,146	2,741
Employer plan expenses	-	19,410	-
OPEB employer reimbursements outside of trust	-	3,191	-
Services and salaries	-	-	551
Fiscal agent expenses	-	-	2
Legal expenses	-	218	-
Settlement	-	4,230	-
Interest expense	-	-	412
Total deductions	<u>7,703,766</u>	<u>28,195</u>	<u>3,706</u>
Change in net position	246,036	7,663	168
Net position held in trust, beginning of year, as restated	<u>949,787</u>	<u>42,080</u>	<u>(3,424)</u>
Net position (deficit) held in trust, end of year	<u>\$ 1,195,823</u>	<u>\$ 49,743</u>	<u>\$ (3,256)</u>

See accompanying notes to the basic financial statements



NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

(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. Blended component units are presented in the same manner as funds of the primary government. 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 Fair for operations. All debts and obligations of the Fair are County debts and obligations. The Fair's financial statements are for six months, due to moving to calendar year reporting effective July 1, 2016. Financial statements are presented as of December 31, 2016, which is the latest period audited.

Sonoma County Securitization Corporation (Corporation) – The 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 are 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 \$71.3 million as of June 30, 2017. 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. Corporation transactions are 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 regularly 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

The entities noted below are determined to be discretely presented component units. The County’s Board of Supervisors has the ability to exert its will on these entities, however the County is not involved in management of these entities.

Sonoma County Water Agency (SCWA) – The governing body of the Agency is the County’s governing body. The Agency is not managed the same as other County departments and its 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, as well as the Valley of the Moon Water District, and North Marin Water District) along with the engineering, administration, and operational services of four sanitation zones. These activities are primarily financed 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 its 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, provides the community with the option of operating and governing its housing authority. The Board of Supervisors 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.

Sanitation Districts – Several sanitation districts managed by the Sonoma County Water Agency (SCWA) are discretely presented component units of the County. SCWA provides administrative, engineering, operational and maintenance services to the Districts. Each District is responsible for operating and maintaining local sanitation collection systems, pump stations and treatment plants. The Districts’ activities are primarily financed through user fees.

- Sonoma Valley County Sanitation District
- Russian River County Sanitation District
- South Park County Sanitation District
- Occidental County Sanitation District

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sonoma County Water and Wastewater Financing Authority (The Financing Authority) was created to issue conduit debt obligations for the express purpose of providing capital financing on behalf of the Sonoma County Water Agency and various sanitation districts located within the County. The Financing Authority and County have no obligation to remit to bondholders anything beyond what is received from the parties on whose behalf the debt was issued. The Financing Authority is governed by the Board of Supervisors of the County who act ex-officio as the Board of Directors. The exercise of this oversight responsibility causes The Financing Authority to be a component unit of the County.

The Financing Authority does not issue separate financial statements as the disclosure of its conduit debt is included in the discrete component financial information presented herein for the Sonoma County Water Agency, and the Sonoma Valley and South Park Sanitation Districts.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation

Government - Wide Financial Statements

The statement of net position and statement of activities provide 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 are 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 franchise fees; 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 franchise fees; 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 restricts funds 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.

As of June 30, 2017 the 1991 Realignment Special Fund activity and fund balances were regrouped to other major revenue funds, primarily the Health and Sanitation Special Revenue Fund. As a result of this change the 1991 Realignment Special Fund is no longer a major revenue fund.

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 (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 (OPEB) Trust Fund** accounts 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 result from assessments levied against developed properties, with the owner's consent, and are reported in the Sonoma County Energy Independence Program (SCEIP) enterprise fund. Proceeds are used to finance projects that enhance the energy efficiency of real property as permitted by 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 \$36,100 of which \$1,087 was capitalized during the fiscal year ended June 30, 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

	Capitalization Threshold	Estimated Useful Life
Land	\$ -	N/A
Land improvements	25,000	15 to 50 years
Buildings and improvements:		
Buildings	25,000	50 years
Service and safety systems	25,000	20 years
Building improvements	25,000	15 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 and fiduciary trust fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the respective statements 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

- **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 (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 (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.

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

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, 2017 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 21 – 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, special assessments are 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

(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, as noted, for the fiscal year ending June 30, 2017:

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). See Note 16 for additional information.

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 related to tax abates provided by the County. See Note 22 for additional information.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which establishes accounting and financial reporting standards for defined benefit pensions by state and local governments through a cost-sharing plan that meets the criteria of GASB Statement No. 68 and is not a state or local government pension plan. This statement does not apply to the County in fiscal year 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. The County did not have any circumstances applicable during fiscal year 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 County did not have any circumstances applicable during fiscal year 2017.

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 measures 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.

(u) Future Pronouncements

The requirements of the following GASB Statements are effective for the purpose of implementation, if applicable to the County, for future fiscal year ending June 30, 2018:

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.

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.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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 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, Roads Special Revenue Fund, nonmajor special revenue funds, and the Capital Projects Fund are legally adopted on a non-GAAP basis. For the purposes of a budgetary presentation, actual GAAP expenditures have been adjusted to include reimbursements, other financing sources (uses) 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 and are eventually applied to other funds.

NOTE 3 – CASH AND INVESTMENTS

(a) Financial Statement Presentation

Total cash and investments at June 30, 2017 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	\$ 485,995	\$ 16,865	\$ 26	\$ 502,886
Discrete component units	178,177	50,408	-	228,585
Investment trust fund	1,195,823	-	-	1,195,823
Other postemployment benefits trust	2,174	49,743	-	51,917
Private purpose trust fund	7,242	13	-	7,255
Agency funds	309,381	-	-	309,381
	<u>\$ 2,178,792</u>	<u>\$ 117,029</u>	<u>\$ 26</u>	<u>\$ 2,295,847</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 the Sonoma County Pooled Investment Fund may invest 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 following table 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 \$2.2 billion portfolio, 37% of the investments have a maturity of one year or less. Of the remainder, less than 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 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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percentage Holdings</u>
Federal Farm Credit Bank	Federal Agency Security	\$ 496,953	22.62 %
Federal Home Loan Bank	Federal Agency Security	215,721	9.82
Federal Home Loan Mortgage Corp.	Federal Agency Security	429,329	19.55
Federal National Mortgage Association	Federal Agency Security	232,217	10.57

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, 2017, 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 decreased the Treasury Pool's investment income and carrying value by \$8,793 at June 30, 2017. Involuntary participants of the County's investment pool totaled \$1,411,108 at June 30, 2017. 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	\$ 1,381,969	\$ 1,374,220	0.625-2.25 %	7/19/17-5/25/22
U.S. Treasury notes	319,767	318,190	0.5-2.375	7/15/17-10/15/19
Corporate and medium term notes	240,931	241,432	.875-5.625	9/8/17-12/6/19
Other government obligations	30,413	30,424	1.25-3.0	8/1/17-9/2/31
Certificates of deposit	170,000	169,997	1.14-1.33	7/3/17/-6/29/18
Money market mutual funds	11,163	11,163	0.46	1 day
LAIF	3,016	3,016	0.7761	1 day
CAMP	48,128	48,152	1.056	1 day
Totals	<u>\$ 2,205,387</u>	<u>\$ 2,196,594</u>		

(h) Condensed Pool Statements

The Treasury Pool includes investments with a fair value of \$2,196,594 and deposits of \$35,002. 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, 2017:

Statement of Net Position

Cash and investments	\$ 2,253,102
Less: Investments held by fiscal agent	<u>(62,584)</u>
Net position held in trust for pool participants	<u>\$ 2,190,518</u>
Equity of internal participants	\$ 994,695
Equity of external pool participants	<u>1,195,823</u>
Net position held in trust for pool participants	<u>\$ 2,190,518</u>

Statement of Changes in Net Position

Net position at July 1, 2016	\$ 1,878,699
Net change in pooled cash and investments	<u>311,819</u>
Net position held in trust for pool participants at June 30, 2017	<u>\$ 2,190,518</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

(i) Investment Credit Ratings and Maturity

As of June 30, 2017, 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	\$ 7,430	\$ -	\$ -	\$ -	\$ -	\$ 7,430
U.S. Treasury bill	Aaa/AA+	-	5,411	-	-	-	5,411
OPEB trust investments:							
Equity Funds	Not rated	41,917	-	-	-	-	41,917
Fixed Income	Aaa/Ba1	-	152	52	2,855	4,767	7,826
Total investments held by fiscal agents		<u>49,347</u>	<u>5,563</u>	<u>52</u>	<u>2,855</u>	<u>4,767</u>	<u>62,584</u>
Investments managed by County Treasurer:							
U.S. Agency Securities:							
Federal Farm Credit Bank	Aaa/AA+	9,979	14,952	69,760	402,262	-	496,953
Federal Home Loan Bank	Aaa/AA+	-	5,078	24,885	185,758	-	215,721
Federal Home Loan Mortgage Corp.	Aaa/AA+	-	52,585	22,927	353,817	-	429,329
Federal National Mortgage Association	Aaa/AA+	19,889	-	-	212,328	-	232,217
Subtotal U. S. Agency Securities		<u>29,868</u>	<u>72,615</u>	<u>117,572</u>	<u>1,154,165</u>	<u>-</u>	<u>1,374,220</u>
U.S. Treasury notes	Aaa/AA+	9,919	134,684	24,962	148,625	-	318,190
Corporate and medium term notes	A-/AAA	-	85,733	89,765	65,934	-	241,432
Other government obligations	Not rated	-	5,060	1,000	2,703	21,661	30,424
Certificates of deposit	A1/AA-	-	144,960	25,037	-	-	169,997
Money market mutual funds	AAAm	11,163	-	-	-	-	11,163
LAIF	Not rated	3,016	-	-	-	-	3,016
Joint Powers Authority Pool:							
CAMP	AAAm	48,152	-	-	-	-	48,152
Total investments managed by County Treasurer		<u>\$ 102,118</u>	<u>\$ 443,052</u>	<u>\$ 258,336</u>	<u>\$ 1,371,427</u>	<u>\$ 21,661</u>	<u>2,196,594</u>
Cash and deposits	N/A						35,002
Less outstanding warrants	N/A						(41,078)
Subtotal cash and investments							<u>\$ 2,253,102</u>

Discrete Component Units

	Credit Rating (Moody’s/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	\$ 1,520	\$ -	\$ -	\$ -	\$ 1,520
SCEIP bonds	N/A	325	365	1,257	8,789	10,736
U.S. Treasury STRIPS	N/A	12,196	-	11,761	5,654	29,611
Total investments held by bond trustees		<u>\$ 14,041</u>	<u>\$ 365</u>	<u>\$ 13,018</u>	<u>\$ 14,443</u>	<u>\$ 41,867</u>

NOTE 3 – CASH AND INVESTMENTS (Continued)

	<u>Credit Rating</u> <u>(S & P)</u>	<u>Maturity</u> <u>12 Months or Less</u>	<u>Fair Value</u>
Sonoma Valley County Sanitation District			
Non-pooled investments:			
Money market mutual funds	P-1/A-1+	\$ <u>878</u>	\$ <u>878</u>
Total cash and investments			\$ <u>2,295,847</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 \$3,016 at June 30, 2017. The total amount invested by all public agencies in LAIF at June 30, 2017, was \$22.7 billion. LAIF is part of the State of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2017 was \$78.3 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 194 days as of June 30, 2017. 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 one Joint Powers Authority (JPA), the California Asset Management Program (CAMP), which falls under California Government Code 53601(p). CAMP is 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 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, 2017, the County’s total investment in CAMP was \$ 48,152.

(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 (Endowment) for the purpose of funding future capital improvements. 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 no later than the final maturity of the Bonds in 2030. As of June 30, 2017, the County’s investment in the Tobacco Endowment was invested in money market mutual funds totaling \$11,163.

(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) 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, 2017, the County’s investment in SCEIP bonds, included in other governmental obligations was \$27,820.

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, 2017 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	\$ 1,374,220	\$ -	\$ 1,374,220	\$ -
U.S. Treasury notes	318,190	-	318,190	-
Corporate and medium term notes	241,432	-	241,432	-
Other government obligations	30,424	-	-	30,424
Certificates of deposit	169,997	-	169,997	-
Total investments measured at fair value	<u>2,134,263</u>	<u>\$ -</u>	<u>\$ 2,103,839</u>	<u>\$ 30,424</u>
Investments not subject to fair value hierarchy:				
Money market mutual funds	11,163			
LAIF	3,016			
CAMP	48,152			
Total pooled and directed investments	<u>\$ 2,196,594</u>			

Discrete 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)
Sonoma County Water Agency				
U.S. Treasury STRIPS	\$ 29,611	\$ 29,611	\$ -	\$ -
SCEIP bonds	10,736	-	-	10,736
Total investments	<u>\$ 40,347</u>	<u>\$ 29,611</u>	<u>\$ -</u>	<u>\$ 10,736</u>

Discrete Component Units Fair Value Measurements presentation excludes Money Market Mutual Funds.

NOTE 4 – RECEIVABLES

Receivables for the fiscal year ended June 30, 2017, for the County’s individual major funds, nonmajor and internal service funds in the aggregate are as follows:

<u>Governmental Activities</u>	<u>General Fund</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Mandated Revenues Special Revenue</u>	<u>Open Space</u>		<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
					<u>Tax Account Special Revenue</u>	<u>Roads Special Revenue</u>			
Accounts receivables	\$ 1,152	\$ -	\$ 46	\$ 136	\$ -	\$ -	\$ 36	\$ 492	\$ 1,862
Interest and other	7,757	60	799	144	3,815	921	6,387	-	19,883
Total	\$ 8,909	\$ 60	\$ 845	\$ 280	\$ 3,815	\$ 921	\$ 6,423	\$ 492	\$ 21,745

<u>Business-Type Activities</u>	<u>Refuse</u>	<u>Airport</u>	<u>Energy Independence Program</u>	<u>Transit</u>	<u>Other Enterprise Funds</u>	<u>Total Business-Type Activities</u>
Accounts receivables	\$ 1,260	\$ 493	\$ -	\$ 70	\$ 1,192	\$ 3,015
Loans	-	454	-	-	-	454
Contractual assessments	-	-	32,853	-	-	32,853
Interest and other	-	1	-	-	-	1
Total	\$ 1,260	\$ 948	\$ 32,853	\$ 70	\$ 1,192	\$ 36,323

NOTE 5 – DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources for the fiscal year ended June 30, 2017, for the County’s individual major funds, non-major and internal service funds in the aggregate are as follows:

<u>Governmental Activities</u>	<u>Internal Service Funds</u>	<u>Other Governmental Activities</u>	<u>Total Governmental Activities</u>	
Deferred amounts related to pension	\$ 160,180	\$ 1,501	\$ 161,681	
Deferred amounts on refunding	-	3,514	3,514	
Total	\$ 160,180	\$ 5,015	\$ 165,195	

<u>Business-Type Activities</u>	<u>Refuse</u>	<u>Airport</u>	<u>Transit</u>	<u>Other Enterprise Funds</u>	<u>Total Business-Type Activities</u>
Deferred amounts related to pension	\$ 275	\$ 522	\$ 176	\$ 1,334	\$ 2,307

For additional information on deferred amounts related to pension 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, 2017 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	\$ 573
	Energy Independence Program	100
	Internal service funds	1,410
	Other governmental funds	113
	Other enterprise funds	9
		<u>2,205</u>
Human Services Special Revenue Fund	Other governmental funds	<u>3,034</u>
Health and Sanitation Special Revenue Fund	Other governmental funds	<u>1,433</u>
First 5 Sonoma County Commission	Health and Sanitation Special Revenue Fund	<u>11</u>
Refuse Enterprise Fund	Airport Enterprise Fund	3,500
	Other enterprise funds	49
		<u>3,549</u>
Internal service funds	Health and Sanitation Special Revenue Fund	11,800
	Human Services Special Revenue Fund	4,000
	Mandated Revenues Special Revenue Fund	70
		<u>15,870</u>
		<u>\$ 26,102</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Energy Independence Program	\$ 100
	Other enterprise funds	117
	Internal service funds	11,711
		<u>\$ 11,928</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, 2017:

(1) Between Governmental and Business-Type Activities:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
<i>Governmental activities:</i>	<i>Business-type activities:</i>		
General Fund	Refuse Enterprise Fund	\$ 1,074	Funding for operations
	Airport Enterprise Fund	14	Funding for operations
	Other enterprise funds	397	Funding for operations
		<u>1,485</u>	
<i>Business-type activities:</i>	<i>Governmental activities:</i>		
Refuse Enterprise Fund	General Fund	(3)	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>(2)</u>	Funding for operations
		<u>(16)</u>	
Net transfers between Governmental and Business-type activities		<u><u>\$ 1,469</u></u>	

NOTE 6 – INTERFUND TRANSACTIONS (Continued)

(2) Between Funds within the Governmental Activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	Human Services Special Revenue Fund	\$ 23,664	Funding for operations
	Health and Sanitation Special Revenue Fund	10,166	Funding for operations
	Mandated Revenues Special Revenue Fund	165	Funding for operations
	Roads Special Revenue Fund	19,339	Funding for operations
	Internal service funds	10	Funding for operations and capital outlay
	Other governmental funds	10,635	Funding for operations and capital outlay
		<u>63,979</u>	
Health and Sanitation Special Revenue Fund	General Fund	<u>377</u>	Funding for operations
Mandated Revenues Special Revenue Fund	General Fund	582	Funding for operations
	Other governmental funds	<u>2,834</u>	Funding for capital outlay
		3,416	
Open Space Special Tax Account Special Revenue Fund	Other governmental funds	<u>7,402</u>	Funding for debt service
Roads Special Revenue Fund	General Fund	49	Funding for operations
	Internal service funds	100	Funding for capital outlay
	Other governmental funds	<u>250</u>	Funding for operations
		399	
Other governmental funds	General Fund	3,928	Funding for operations
	Health and Sanitation Special Revenue Fund	40	Funding for operations
	Open Space Special Tax Account Special Revenue Fund	31	Funding for operations
	Other governmental funds	<u>540</u>	Funding for operations
		4,539	
Internal service funds	General Fund	<u>468</u>	Funding for operations
		<u>\$ 80,580</u>	

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Governmental activities:					
<i>Total capital assets, not being depreciated</i>					
Land	\$ 397,974	\$ 392	\$ -	\$ -	\$ 398,366
Intangible assets	319,639	12,199	-	314	332,152
Work in progress	8,882	2,931	(686)	(6,945)	4,182
Construction in progress	55,920	31,892	(2,740)	(20,129)	64,943
Total capital assets, not being depreciated	<u>782,415</u>	<u>47,414</u>	<u>(3,426)</u>	<u>(26,760)</u>	<u>799,643</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	36,440	10	(542)	5,668	41,576
Infrastructure	538,319	-	-	14,311	552,630
Buildings and improvements	421,922	65	(279)	5,584	427,292
Land improvements	873	-	-	-	873
Machinery and equipment	93,419	5,959	(10,028)	1,197	90,547
Total capital assets, being depreciated	<u>1,090,973</u>	<u>6,034</u>	<u>(10,849)</u>	<u>26,760</u>	<u>1,112,918</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(14,998)	(3,787)	542	-	(18,243)
Infrastructure	(400,842)	(9,379)	234	-	(409,987)
Buildings and improvements	(145,746)	(8,335)	187	-	(153,894)
Land improvements	(63)	(37)	-	-	(100)
Machinery and equipment	(65,702)	(9,158)	9,892	-	(64,968)
Total accumulated depreciation	<u>(627,351)</u>	<u>(30,696)</u>	<u>10,855</u>	<u>-</u>	<u>(647,192)</u>
Total capital assets, being depreciated, net	463,622	(24,662)	6	26,760	465,726
Governmental activities capital assets, net	<u>\$ 1,246,037</u>	<u>\$ 22,752</u>	<u>\$ (3,420)</u>	<u>\$ -</u>	<u>\$ 1,265,369</u>
Business-Type Activities:					
<i>Total capital assets, not being depreciated</i>					
Land	\$ 23,143	\$ 4	\$ -	\$ -	\$ 23,147
Construction in progress	9,647	13,055	(8)	(11,784)	10,910
Total capital assets, not being depreciated	<u>32,790</u>	<u>13,059</u>	<u>(8)</u>	<u>(11,784)</u>	<u>34,057</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	9,142	-	-	-	9,142
Infrastructure	1,621	-	-	-	1,621
Land improvements	51	-	-	-	51
Buildings and improvements	237,840	167	(4)	10,879	248,882
Machinery and equipment	36,598	270	(84)	905	37,689
Total capital assets, being depreciated	<u>285,252</u>	<u>437</u>	<u>(88)</u>	<u>11,784</u>	<u>297,385</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(6,711)	(333)	-	-	(7,044)
Infrastructure	(119)	(65)	-	-	(184)
Land improvements	(5)	(3)	-	-	(8)
Buildings and improvements	(128,679)	(5,307)	4	-	(133,982)
Machinery and equipment	(20,673)	(2,536)	84	-	(23,125)
Total accumulated depreciation	<u>(156,187)</u>	<u>(8,244)</u>	<u>88</u>	<u>-</u>	<u>(164,343)</u>
Total capital assets, being depreciated, net	129,065	(7,807)	-	11,784	133,042
Business-type activities capital assets, net	<u>\$ 161,855</u>	<u>\$ 5,252</u>	<u>\$ (8)</u>	<u>\$ -</u>	<u>\$ 167,099</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Discrete Component Units	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
Sonoma County Water Agency					
<i>Total capital assets, not being depreciated</i>					
Intangible assets	\$ 107,550	\$ -	\$ -	\$ 9	\$ 107,559
Land	12,245	-	-	361	12,606
Intangible work in progress	1,529	783	(22)	(19)	2,271
Construction in progress	35,695	8,977	(13)	(24,463)	20,196
Total capital assets, not being depreciated	<u>157,019</u>	<u>9,760</u>	<u>(35)</u>	<u>(24,112)</u>	<u>142,632</u>
<i>Total capital assets, being depreciated</i>					
Intangible assets	2,339	-	-	9	2,348
Infrastructure	289,477	260	(171)	20,239	309,805
Land improvements	4,179	-	-	183	4,362
Buildings and improvements	52,017	-	-	3,681	55,698
Machinery and equipment	13,148	1,194	(258)	-	14,084
Total capital assets, being depreciated	<u>361,160</u>	<u>1,454</u>	<u>(429)</u>	<u>24,112</u>	<u>386,297</u>
<i>Less accumulated depreciation for:</i>					
Intangible assets	(998)	(301)	-	-	(1,299)
Infrastructure	(144,205)	(8,328)	163	-	(152,370)
Land and improvements	(1,803)	(206)	-	-	(2,009)
Buildings and improvements	(12,260)	(1,601)	-	-	(13,861)
Machinery and equipment	(7,381)	(844)	229	-	(7,996)
Total accumulated depreciation	<u>(166,647)</u>	<u>(11,280)</u>	<u>392</u>	<u>-</u>	<u>(177,535)</u>
Total capital assets, being depreciated, net	<u>194,513</u>	<u>(9,826)</u>	<u>(37)</u>	<u>24,112</u>	<u>208,762</u>
Discrete component unit capital assets, net	<u>\$ 351,532</u>	<u>\$ (66)</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ 351,394</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	81	-	-	-	81
Total capital assets, being depreciated	<u>3,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,723</u>
<i>Less accumulated depreciation:</i>					
Total accumulated depreciation	<u>(924)</u>	<u>(130)</u>	<u>-</u>	<u>-</u>	<u>(1,054)</u>
Total capital assets, being depreciated, net	<u>2,799</u>	<u>(130)</u>	<u>-</u>	<u>-</u>	<u>2,669</u>
Discrete component unit capital assets, net	<u>\$ 9,549</u>	<u>\$ (130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,419</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation

Depreciation expense charged to governmental activities for the fiscal year ended June 30, 2017 was as follows:

General government	\$ 5,333
Public protection	9,238
Public ways and facilities	9,492
Health and sanitation	987
Public assistance	667
Education	54
Recreation and cultural services	1,345
Depreciation on capital assets held by the Heavy Equipment Replacement and Enterprise Resource Planning (ERP) Internal services funds is charged to the various functions based on their usage of the assets	656
	<u>2,924</u>
Total depreciation expense – governmental activities	<u>\$ 30,696</u>

Depreciation expense charged to business-type activities for the fiscal year ended June 30, 2017 was as follows:

Refuse	\$ 1,521
Airport	2,571
Transit	3,425
Fair	377
Marinas	142
Other Districts	208
Total depreciation expense – business-type activities	<u>\$ 8,244</u>

NOTE 8 – PAYABLES

Accounts payable and accrued liabilities for the fiscal year ended June 30, 2017, for the County’s individual major funds, nonmajor and internal service funds in the aggregate are as follows:

<u>Governmental Activities</u>	<u>General Fund</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Mandated Revenues Special Revenue</u>	<u>Roads Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Total Accounts payable, and accrued liabilities	<u>\$ 18,734</u>	<u>\$ 1,059</u>	<u>\$ 5,822</u>	<u>\$ 162</u>	<u>\$ 2,348</u>	<u>\$ 3,054</u>	<u>\$ 4,521</u>	<u>\$ 35,700</u>

<u>Business-Type Activities</u>	<u>Refuse</u>	<u>Airport</u>	<u>Energy Independence Program</u>	<u>Transit</u>	<u>Other Enterprise Funds</u>	<u>Total Business-Type Activities</u>
Total Accounts payable, and accrued liabilities	<u>\$ 148</u>	<u>\$ 1,078</u>	<u>\$ 63</u>	<u>\$ 3,802</u>	<u>\$ 640</u>	<u>\$ 5,731</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, 2017, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Future Minimum Lease Payments</u>
2018	\$ 9,011
2019	7,567
2020	6,698
2021	5,539
2022	4,067
Thereafter	8,991
Total	<u>\$ 41,873</u>

Total rental expense for operating leases for the fiscal year ended June 30, 2017 was \$9,116.

NOTE 10 – LONG-TERM LIABILITIES

(a) Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the fiscal year ended June 30, 2017:

<u>Governmental activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Compensated absences	\$ 25,448	\$ 24,724	\$ (23,073)	\$ 27,099	\$ 27,099
Net pension liability (1)	343,189	36,285	(53,408)	326,066	-
Net OPEB obligation	46,042	-	(5,340)	40,702	-
Self-insurance (1)	40,080	21,404	(21,262)	40,222	10,286
Certificates of participation	22,356	17,225	(19,369)	20,212	2,974
Bonds payable	48,865	-	(5,220)	43,645	5,465
Pension obligation bonds (1)	425,250	-	(21,065)	404,185	24,260
Loans payable	74,490	-	(2,067)	72,423	1,135
Capital lease obligations	2,862	-	(443)	2,419	419
Subtotal, long-term obligations	<u>1,028,582</u>	<u>99,638</u>	<u>(151,247)</u>	<u>976,973</u>	<u>71,638</u>
Deferred amounts:					
Issuance premiums	6,550	-	(927)	5,623	-
Subtotal, deferred amounts	<u>6,550</u>	<u>-</u>	<u>(927)</u>	<u>5,623</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 1,035,132</u>	<u>\$ 99,638</u>	<u>\$ (152,174)</u>	<u>\$ 982,596</u>	<u>\$ 71,638</u>

(1) Internal Service Funds (ISF) predominantly serve governmental funds, therefore ISF long-term obligations are included as part of the above totals for governmental activities.

<u>Business-Type Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Compensated absences	\$ 480	\$ 498	\$ (473)	\$ 505	\$ 505
Net pension liability	5,367	150	(752)	4,765	-
Landfill closure and postclosure	4,834	5,558	(399)	9,993	-
Advances from other government	8,799	-	(970)	7,829	855
Energy bonds payable	38,250	2,114	(6,808)	33,556	1,697
Loan payable	17	-	(2)	15	2
Note payable	7,200	3,500	(6,500)	4,200	3,800
Total business-type activities long-term obligations	<u>\$ 64,947</u>	<u>\$ 11,820</u>	<u>\$ (15,904)</u>	<u>\$ 60,863</u>	<u>\$ 6,859</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Discrete Component Units					
Sonoma County Water Agency					
Long-term contract payable	\$ 88,267	\$ -	\$ (3,439)	\$ 84,828	\$ 3,550
Compensated absences	2,157	2,002	(1,784)	2,375	2,375
Net pension liability	24,445	2,983	(3,827)	23,601	
Pollution remediation	200	-	(2)	198	
Revenue and general obligation bonds	38,734	3,690	(5,085)	37,339	1,569
Advances from other governments	12,166	-	(2,372)	9,794	383
Capital lease obligations	5,014	-	(1,220)	3,794	627
Subtotal, long-term obligations	<u>170,983</u>	<u>8,675</u>	<u>(17,729)</u>	<u>161,929</u>	<u>8,504</u>
Add deferred amounts:					
Issuance premiums	1,609	-	(149)	1,460	
Subtotal, deferred amounts	<u>1,609</u>	<u>-</u>	<u>(149)</u>	<u>1,460</u>	<u>-</u>
Total Sonoma County Water Agency long-term obligations	<u>\$ 172,592</u>	<u>\$ 8,675</u>	<u>\$ (17,878)</u>	<u>\$ 163,389</u>	<u>\$ 8,504</u>
Community Development Commission					
Compensated absences	\$ 191	\$ 48	\$ (37)	\$ 202	\$ 202
Net pension liability	3,410	367	(527)	3,250	-
Loans payable	-	771	(6)	765	6
Total Community Development Commission long-term obligations	<u>\$ 3,601</u>	<u>\$ 1,138</u>	<u>\$ (570)</u>	<u>\$ 4,217</u>	<u>\$ 208</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

(b) Long term obligations outstanding

Individual issues of bonds, notes, loans, capital leases and certificates of participation outstanding at June 30, 2017 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, 2017</u>
Governmental Activities					
Certificates of Participation (1):					
2010 Administration Building COP	2024	2.89-3.8%	\$ 71-138	\$ 1,475	\$ 827
2013 Series A (Refunding 2003 COPs) (3)	2017	.08-1.55%	1,665-1,715	8,455	1,715
2013 Series B (Refunding 2003 COPs) (3)	2017	.08-1.55%	430-445	2,185	445
2017 General Services Energy (Refunding 2009 COP) (2) (4)	2026	2.45%	660-1,080	17,225	17,225
					<u>20,212</u>
Bonds payable:					
2007 Series A Agricultural Preservation And Open Space (Measure F) (5)	2031	4.00–5.00%	0-7,340	93,845	3,940
2015 Series A Agricultural Preservation And Open Space (Measure F) (6)	2024	2.00–5.00%	0-7,010	43,335	39,705
					<u>43,645</u>
Pension obligation bonds (7):					
2003 Series A	2022	1.55-5.07%	7,685-25,970	210,200	114,045
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	269,140
					<u>404,185</u>
Loans payable					
Sonoma County Tobacco Securitization Corporation (8)	2045	4.25-5.25%	755-4,200	83,060	71,260
Pacific Gas & Electric Loans	2018	0%	6-17	398	100
Enterprise Financial System Loans (9)	2018	2.21-3.34%	8-195	2,104	1,063
					<u>72,423</u>
Capital lease obligations (10)					
	2027	3.62-6.77%	26-245	10,429	2,419
Total governmental activities					<u>\$ 542,884</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, 2017</u>
Business-Type Activities					
Advances from other governments (11):					
California Department of Boating and Waterways to Spud Point Marina	2023	4.50%	\$ 192-356	\$ 6,000	\$ 1,921
Various state and local agencies for the County's other enterprise funds	2053	2.75-3.41%	4-213	4,172	1,661
California Department of Transportation to the Airport Enterprise Fund	2020	4.37-5.06%	21-405	7,987	4,247
					<u>7,829</u>
Energy Bonds Payable (12):					
Energy Independence Program	2037	3.00%	93-2,926	72,472	<u>33,556</u>
Loans Payable:					
Pacific Gas & Electric Loan	2025	0.00%	0-2	20	<u>15</u>
Notes Payable:					
Airport (13)	2018	1.40%	0-2,000	2,000	2,000
Airport (13)	2018	1.40%	0-1,000	1,000	1,000
Fair	2017	Variable	1-1,200	1,200	700
Fair	2021	3.00%	100	500	500
					<u>4,200</u>
Total business-type activities					<u>\$ 45,600</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates / Ranges	Annual Principal Installments	Original Issue Amount	Outstanding Balance June 30, 2017
Discrete Component Units					
Sonoma County Water Agency					
Long-term contract payable (14)	2034	3.23%	\$ 2,934-6,286	\$ 102,371	\$ 84,828
Revenue and General Obligation Bonds (15):					
Water Agency General Obligation Bonds	2017-2020	5.00%	31-41	800	94
2012A Water Revenue Refunding Bonds	2032	.30-5.00%	0-815	12,265	10,365
2015A & AT Water Revenue Refunding Bonds	2040	2.25-5.0%	0-1,335	23,865	23,190
2017 Water and Wastewater Revenue Bonds	2026	2.33%	333-409	3,690	3,690
					37,339
Advances from other governments (16) & (17):					
California Department of Water Resources to Water Agency	2027	2.79%	653-1,019	15,857	9,794
					9,794
Capital Lease Obligations (18):					
Water Agency	2020-2023	4.08-4.30%	260-505	8,585	3,794
Total Sonoma County Water Agency					135,755
Community Development Commission					
USDA Loan	2037	5.63%	\$ 6	\$ 817	765
Total Community Development Commission					765

NOTE 10 – LONG-TERM LIABILITIES (Continued)Notes:

- (1) 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.
- (2) The County issued Certificates of Participation in April 2009 for a comprehensive energy project for improvements at the Central Mechanical Plant to reduce energy and water consumption and install a 1.4 megawatt fuel cell to generate electricity and heat. 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) 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.
- (4) The County refunded the 2009 Energy COP on March 17, 2017 to defease outstanding debt of \$16,515, issuing new debt of \$17,225 to be fully paid by the end of year 2036. Total savings to the County will be \$1,122, with an economic gain of \$927.
- (5) The Open Space bonds were issued for the acquisition and preservation of open space in the County of Sonoma. The bonds are payable 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.
- (6) Open Space 2007A bond debt refunding with the Open Space 2015A bonds resulted in a partial defeasance of outstanding debt of \$72,770. The remaining 2007A bond principal of \$11,250 will be fully extinguished by September 1, 2017.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) The County has entered into capital leases to acquire various machinery and equipment. Debt service payments are funded by legally available resources.
- (11) 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.
- (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 finance 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 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.
- (15) Debt service payments are funded by operating revenues.
- (16) The advances from other governments represent loans from various state and local agencies for which debt service payments are funded by the operations of the related fund or activity.
- (17) The Water Agency has constructed a collector well located adjacent to the Russian River at Wohler Road.
- (18) The Water Agency has entered into capital leases to acquire various facilities, machinery, and equipment. Debt service payments are funded by legally available resources.

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.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

(c) Pledged revenue

The Open Space bonds were issued for the acquisition and preservation of open space in the County of Sonoma. The bonds are payable 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. Sales tax revenues were projected to produce 244 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$51,572, payable through 2024. For the current year, principal and interest paid and total sales tax revenues were \$7,503 and \$22,203, respectively.

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 annual 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 \$149,724 payable through 2045.

(d) Tobacco securitization

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, 2017, principal and interest payments were \$4,601 while tobacco settlement revenue was \$4,290. Based on the information above, the County presents the bonds debt service to maturity assuming no further turbo payments.

NOTE 10 – LONG-TERM LIABILITIES (Continued)

(e) Debt service requirements

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, 2017:

Year ending June 30:	Certificates of Participation		Bonds Payable		Pension Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,974	\$ 211	\$ 5,465	\$ 2,038	\$ 24,260	\$ 22,093
2019	819	233	5,740	1,765	27,555	20,894
2020	869	216	6,035	1,471	30,955	19,400
2021	873	206	6,340	1,162	34,725	17,636
2022	948	188	6,665	837	38,810	15,660
2023-2027	4,749	741	13,400	655	145,400	51,283
2028-2032	5,115	432	-	-	102,480	9,001
2033-2037	3,865	113	-	-	-	-
Subtotals	20,212	2,340	43,645	7,928	404,185	155,967
Plus: Issuance premiums	-	-	5,623	-	-	-
Total	<u>\$ 20,212</u>	<u>\$ 2,340</u>	<u>\$ 49,268</u>	<u>\$ 7,928</u>	<u>\$ 404,185</u>	<u>\$ 155,967</u>

Year ending June 30:	Loans Payable ⁽¹⁾		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2018	\$ 1,135	\$ 3,668	\$ 419	\$ 126
2019	24	3,647	182	109
2020	4	3,647	196	99
2021	3,035	3,647	211	89
2022	-	3,518	227	77
2023-2027	9,920	17,095	1,184	192
2028-2032	-	15,111	-	-
2033-2037	-	15,111	-	-
2038-2042	31,045	8,747	-	-
2043-2047	27,260	4,294	-	-
Total	<u>\$ 72,423</u>	<u>\$ 78,485</u>	<u>\$ 2,419</u>	<u>\$ 692</u>

(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, 2017, annual debt service requirements of business-type activities to maturity are as follows:

<u>Year ending June 30:</u>	<u>Loans Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2	\$ -	\$ 3,800	\$ 14
2019	2	-	100	11
2020	2	-	100	8
2021	2	-	100	5
2022	2	-	100	2
2023-2027	5	-	-	-
Total	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 4,200</u>	<u>\$ 40</u>

<u>Year ending June 30:</u>	<u>Advances From Other Governments</u>		<u>Energy Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 855	\$ 323	\$ 1,697	\$ 945
2019	893	286	1,845	942
2020	862	247	1,903	886
2021	766	211	1,890	829
2022	682	180	1,880	772
2023-2027	2,196	537	10,771	2,958
2028-2032	920	152	10,916	1,198
2033-2037	124	109	2,594	169
2038-2042	142	65	60	1
2043-2047	163	45	-	-
2048-2052	186	21	-	-
2053-2057	40	1	-	-
Total	<u>\$ 7,829</u>	<u>\$ 2,177</u>	<u>\$ 33,556</u>	<u>\$ 8,700</u>

NOTE 10 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2017, annual debt service requirements of the component units Sonoma County Water Agency and Community Development Commission to maturity are as follows:

Year ending June 30:	Revenue and General Obligation			
	Long-term Contract		Bonds Payable	
	Principal	Interest	Principal	Interest
2018	\$ 3,550	\$ 2,735	\$ 1,569	\$ 1,218
2019	3,664	2,621	1,595	1,173
2020	3,783	2,503	1,635	1,126
2021	3,905	2,381	1,665	1,071
2022	4,030	2,255	1,726	1,006
2023-2027	22,188	9,240	9,709	3,905
2028-2032	26,004	5,424	9,145	2,362
2033-2037	17,704	1,154	7,110	1,076
2038-2042	-	-	3,185	226
Subtotals	84,828	28,313	37,339	13,163
Plus: Issuance premiums	-	-	1,460	-
Total	<u>\$ 84,828</u>	<u>\$ 28,313</u>	<u>\$ 38,799</u>	<u>\$ 13,163</u>

Year ending June 30:	Advances From Other					
	Capital Lease Obligations		Governments		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 627	\$ 175	\$ 383	\$ 137	\$ 6	\$ 24
2019	653	141	783	257	6	24
2020	681	106	805	235	7	24
2021	585	71	828	213	7	24
2022	483	49	851	189	7	24
2023-2027	765	33	4,626	575	33	119
2028-2032	-	-	1,518	43	47	119
2033-2037	-	-	-	-	652	71
Total	<u>\$ 3,794</u>	<u>\$ 575</u>	<u>\$ 9,794</u>	<u>\$ 1,649</u>	<u>\$ 765</u>	<u>\$ 429</u>

(f) 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, 2017, does not expect to incur a liability.

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, 2017, advances from grantors and third parties are as follows:

<u>Governmental Activities</u>	<u>General Fund</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Mandated Revenues Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Total Advances from grantors and third parties	<u>\$ 1,004</u>	<u>\$ 1,481</u>	<u>\$ 1,256</u>	<u>\$ 6</u>	<u>\$ 3,372</u>	<u>\$ 7,119</u>
		<u>Energy Independence Program</u>	<u>Transit</u>	<u>Total Business-Type Activities</u>		
<u>Business-Type Activities</u>	<u>Airport</u>					
Total Advances from grantors and third parties	<u>\$ 8</u>	<u>\$ 403</u>	<u>\$ 1,365</u>	<u>\$ 1,776</u>		

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

The majority of the County’s unavailable revenue is due to 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, in the amount of \$12,379 as of June 30, 2017.

At June 30, 2017, deferred inflows of resources are as follows:

<u>Governmental Funds</u>	<u>General Fund</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 Activities</u>
Unavailable revenue	\$ 6,768	\$ 3,863	\$ 10,801	\$ 2,077	\$ 180	\$ 23,689
<u>Governmental Activities</u>	<u>Internal Service Funds</u>	<u>Other Governmental Activities</u>	<u>Total Governmental Activities</u>			
Deferred amounts related to pension	\$ 18,641	\$ 262	\$ 18,903			
<u>Business-Type Activities</u>	<u>Refuse</u>	<u>Airport</u>	<u>Transit</u>	<u>Other Enterprise Funds</u>	<u>Total Business-Type Activities</u>	
Service concession arrangement	\$ 38,929	\$ -	\$ -	\$ -	\$ 38,929	
Deferred amounts related to pensions	616	64	31	283	994	
	<u>\$ 39,545</u>	<u>\$ 64</u>	<u>\$ 31</u>	<u>\$ 283</u>	<u>\$ 39,923</u>	

For additional information on deferred pension see Note 14, and on Service Concession Arrangement see Note 20.

NOTE 13 – NET POSITION/FUND BALANCES

(a) Classification

Fund balances at June 30, 2017 were classified as follows:

	<u>General</u>	<u>Human Services Special Revenue</u>	<u>Health and Sanitation Special Revenue</u>	<u>Mandated Revenue Special Revenue</u>
Nonspendable:				
Inventories	\$ 224	\$ -	\$ -	\$ -
Prepaid items and deposits	180	3,056	17	10
Advances and loans	12,570	-	-	-
Total nonspendable fund balances	12,974	3,056	17	10
Restricted:				
Agricultural Preservation and Open Space District	-	-	-	-
Capital projects and equipment replacement	-	-	-	24,422
First 5 Children and Families Commission	-	-	-	-
Debt service	-	-	-	-
Parks donations, mitigation and operations	-	-	-	2,706
Courthouse/Criminal Justice Construction	-	-	-	1,456
Health services programs	-	-	15,987	395
Fire and emergency services	-	-	-	-
Public assistance	-	18,160	-	-
Lighting districts	-	-	-	-
Road maintenance	-	-	-	-
Public protection	-	-	-	10,478
Air pollution control	-	-	-	-
Clerk, recorder, assessor operations	-	-	-	4,849
Other programs	-	-	-	1,556
Total restricted fund balances	-	18,160	15,987	45,862
Committed:				
Roads ARM activities	-	-	-	-
Advertising activities	-	-	-	-
Other programs	3	-	-	-
Total committed fund balances	3	-	-	-
Assigned:				
Capital projects and equipment replacement	11,871	-	-	-
Tribal development impact mitigation	13,334	-	-	-
Eliminate projected 2016-17 budgetary deficit	13,947	-	-	-
Redevelopment agencies	17,260	-	-	-
General services	7,068	-	-	-
Other Post Employment Services	3,000	-	-	-
Public protection	3,522	-	-	-
Road maintenance	-	-	-	-
Encumbrances	2,490	-	-	-
Audit reserves - SB90 State Mandate program	1,756	-	-	-
Other programs	2,042	-	-	-
Total assigned fund balances	76,290	-	-	-
Unassigned	60,403	-	-	-
Total fund balances	\$ 149,670	\$ 21,216	\$ 16,004	\$ 45,872

Open Space Special Tax Account Special Revenue	Roads Special Revenue	Other Funds	Total	
\$ -	\$ 787	\$ 12	\$ 1,023	Nonspendable:
-	69	22	3,354	Inventories
-	-	-	12,570	Prepaid items and deposits
-	856	34	16,947	Advances and loans
				Total nonspendable fund balances
				Restricted:
56,587	-	6,856	63,713	Agricultural Preservation and Open Space District
-	12,448	-	36,870	Capital projects and equipment replacement
-	-	13,670	13,670	First 5 Children and Families Commission
-	-	12,744	12,744	Debt service
-	-	-	2,706	Parks donations, mitigation and operations
-	-	-	1,456	Courthouse/Criminal Justice Construction
-	-	-	16,382	Health services programs
-	-	3,023	3,023	Fire and emergency services
-	-	327	18,487	Public assistance
-	-	7,629	7,629	Lighting districts
-	-	717	717	Road maintenance
-	-	22,679	33,157	Public protection
-	-	3,816	3,816	Air pollution control
-	-	-	4,849	Clerk, recorder, assessor operations
-	-	340	1,896	Other programs
56,587	12,448	71,801	221,115	Total restricted fund balances
				Committed:
-	147	-	147	Roads ARM activities
-	-	5,226	5,226	Advertising activities
-	-	-	3	Other programs
-	147	5,226	5,376	Total committed fund balances
				Assigned:
-	19,633	13,007	44,511	Capital projects and equipment replacement
-	-	-	13,334	Tribal development impact mitigation
-	-	-	13,947	Eliminate projected 2016-17 budgetary deficit
-	-	-	17,260	Redevelopment agencies
-	-	-	7,068	General services
-	-	-	3,000	Other Post Employment Services
-	-	-	3,522	Public protection
-	9,553	-	9,553	Road maintenance
-	-	-	2,490	Encumbrances
-	-	-	1,756	Audit reserves - SB90 State Mandate program
-	-	-	2,042	Other programs
-	29,186	13,007	118,483	Total assigned fund balances
-	-	-	60,403	Unassigned
\$ 56,587	\$ 42,637	\$ 90,068	\$ 422,324	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 \$(575,873) at June 30, 2017. 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 \$(3,256) at June 30, 2017. This fund reports the assets and liabilities of the Sonoma County Redevelopment Successor Agency, including \$11,233 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, 2016, the date of the most recent actuarial valuation, Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	4,812
Current active members	4,112
Terminated vested members	<u>1,112</u>
Total	<u><u>10,036</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.SCRETIRE.com.

(b) Benefits Provided

Benefit Tiers

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

Tier Name	Membership Effective Date	Basic Provisions	Salary Period
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 the member's 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 highest average compensation or a service retirement benefit, whichever is higher.

Death Benefit – After 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/domestic partner 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 the highest average 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, 2016:

	<u>December 31, 2016</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%
Cost-of-living adjustments	None

In the December 31, 2016 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 11 years remaining as of December 31, 2016.

(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, 2017 were based on the Plan’s valuation dated December 31, 2015. 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 between approximately 7% and 15% of their annual covered salary, and the member’s particular rate is based upon age at entry into the System. Plan B members are required to contribute a flat rate as calculated by the actuary. 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, 2017, the County contributed \$52,981 or approximately 18.03% of covered payroll.

NOTE 14 – EMPLOYEES’ RETIREMENT PLANS (Continued)

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

At June 30, 2017, the County reported a liability of \$330,831 for its proportionate share of the net pension liability and discrete component unit’s reported their proportionate share of \$26,851. The net pension liability was measured as of December 31, 2016 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, 2016, the County’s proportion was 84.27%, an increase of 1.34% compared to December 31, 2015, and the discrete component unit’s proportion was 6.84%, an increase of 0.09%, compared to December 31, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$31,760 and the discrete component units recognized \$2,764. 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, 2017, 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	\$ 3,591	\$ (18,361)
Changes in assumptions	37,961	-
Net difference between projected and actual earnings on retirement plan investments	65,266	-
Changes in proportion and differences between County contributions and proportionate share of contributions	3,997	(542)
County contributions subsequent to the measurement date	25,462	-
County prepayment of future year contributions	25,404	-
Total Governmental Activities	<u>\$ 161,681</u>	<u>\$ (18,903)</u>
<u>Business-Type Activities</u>		
Differences between expected and actual experience	\$ 9	\$ (367)
Changes in assumptions	573	-
Net difference between projected and actual earnings on retirement plan investments	1,265	-
Changes in proportion and differences between County contributions and proportionate share of contributions	70	(627)
County contributions subsequent to the measurement date	390	-
Total Business-Type Activities	<u>\$ 2,307</u>	<u>\$ (994)</u>
<u>Discrete Component Units</u>		
Differences between expected and actual experience	\$ 89	\$ (1,472)
Changes in assumptions	2,662	-
Net difference between projected and actual earnings on retirement plan investments	5,660	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,104	-
County contributions subsequent to the measurement date	2,106	-
Total Discrete Component Units	<u>\$ 11,621</u>	<u>\$ (1,472)</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, 2018 and totaled \$25,826 for the County and \$2,106 for discrete component units. The County has prepayments of future year contributions on deposit with SCERA of \$25,404 at June 30, 2017. 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>
2018	\$ 34,016	\$ 162	\$ 3,037
2019	43,170	301	3,635
2020	19,242	347	1,672
2021	(4,516)	113	(301)
Total	<u>\$ 91,912</u>	<u>\$ 923</u>	<u>\$ 8,043</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, 2016. 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, 2016 and 2015.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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	100.00 %	

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

The following presents the governmental activities, business-type activities and discrete component units proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Governmental Activities	\$ 592,596	\$ 326,066	\$ 103,362
Business-Type Activities	8,515	4,765	1,632
Discrete Component Units:			
Community Development Commission	5,907	3,250	1,030
Sonoma County Water Agency	42,893	23,601	7,482
Total	\$ 649,911	\$ 357,682	\$ 113,506

NOTE 15 – DEFERRED COMPENSATION PLANS

The Sonoma County Deferred Compensation Benefit Plans are all administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for these plans, as such, plan assets and any related liability to plan participants are excluded from the County's financial statements.

Employer Contribution Deferred Compensation Plan

The Sonoma County Deferred Compensation Benefit Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Sections 401(a) and 457(b). The plan is available to employee groups based on bargaining unit and job class.

Employer-only annual contributions are calculated based upon a percentage of employee compensation under annual agreements with employee bargaining groups and unions. For fiscal year ended June 30, 2017 the County's contribution was \$2,094.

Voluntary Deferred Compensation Plan

The County offers, to its employees eligible under Federal law and the rules of the deferred compensation plan, a voluntary deferred compensation plan. This plan was created in accordance with Section 457 of the Internal Revenue Code and is available to substantially all employees allowing participants to defer a portion of their current income until future years, up to a maximum of \$18,000 (whole dollars).

Deferred Compensation Plan PST

The Deferred Compensation Plan PST (Part-time, Seasonal & Temporary employee) 457 plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 457. Enrollment in this plan is mandatory for part-time (less than 0.50 full time equivalent (FTE)), extra-help, seasonal and temporary employees. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 3.5% and the County's contribution equals 4.0% for a combined total of 7.5%.

NOTE 16 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB)

(a) Plan Overview

The County is the plan administrator of a postemployment healthcare plan (PH Plan). In accordance with County Board of Supervisors approved salary resolution, for unrepresented employees and applicable memorandum of understanding for represented employees, the County provides either a single employer defined benefit under GASB 74 or a defined contribution plan depending on an employee’s date of hire. The authority to establish and amend benefit provisions of the PH Plan resides with the County Board of Supervisors, which consists of five members.

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 defined benefit PH Plan and is closed to new participants. Employees hired on or after January 1, 2009, are eligible to participate in a defined contribution Plan.

(b) Defined Benefit Plan Description

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 defined benefit plan. The OPEB trust is reported herein in Fiduciary Funds Statements.

The PH Plan is a single-employer plan. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2017, the County’s average contribution rate was 8.95% of covered payroll.

To be eligible for the 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, 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.

As of June 30, 2017, plan membership consisted of the following:

Current retirees, beneficiaries, and dependents receiving benefit payments	4,120
Retirees entitled to but not yet receiving benefit payments	289
Current active participants	<u>2,083</u>
Total	<u>6,492</u>

(c) Benefits Provided

Retirees and the County share in the cost of monthly premiums for medical coverage. The County contribution toward plan member premiums is a \$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.

(d) Contributions

The defined benefit PH Plan funding policy provides for periodic contributions by the County. The contributions rate as a percentage of covered payroll is 8.8% percent, and is and authorized annually by the County Board of Supervisors.

NOTE 16 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

(e) Investments

The investment policy in regard to the allocation of invested assets is established and may be amended by the County. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumption are Based on the County’s asset allocation, the following is the County’s target asset mix and allocation ranges. The following was the adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S.Equity	30%	8.7%
Mid Cap U.S. Equity	4%	8.7%
Small Cap U.S.Equity	8%	8.7%
International Equity	8%	9.7%
Global Equity	6%	9.7%
U.S. Core Fixed Income	31%	4.1%
Alternatives	8%	5.9%
Cash	1%	3.1%
Real Estate	4%	7.2%
Total Fixed Income	<u>100%</u>	

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(f) Net OPEB Liability

Components of the net OPEB liability as of June 30, 2017:

Total OPEB liability	\$ 385,583
Plan fiduciary net position	<u>49,743</u>
Net OPEB liability	<u>\$ 335,840</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.90%

(g) 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.

NOTE 16 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 and June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, except the Excise Tax imposed by the Affordable Care Act and related statutes was reflected in the actuarial valuation as of June 30, 2017:

Actuarial cost method	Entry Age
Investment rate of return, net of investment expense	6.50%
Projected annual salary increases	3.50%
Inflation	3.00%
Healthcare cost trend rates	7 percent for 2017/2018, decreasing down to 5 percent over 4 years

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, with adjustments for mortality improvements based on Scale AA to 2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2014.

The long-term expected rate of return on plan investments was determined using a building-block method in which the expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected investment expenses and a risk margin.

The discount rates used to measure the total OPEB liability were 3.78% and 3.05% as of June 30, 2017 and June 30, 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuarially determined contribution rates. For this purpose, 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 for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2024.

The Plan's fiduciary net position was projected to be exhausted by June 30, 2025. The projected cross-over date when projected benefits are not covered by projected assets occurs between June 30, 2023 and June 30, 2024. The long-term expected rate of return on Plan investments of 6.5% per annum was applied to periods of projected benefit payments through June 30, 2023. Benefit payments after June 30, 2023 were discounted at 3.58%, the municipal bond rate, to be used as the investment return assumption for employer assets.

(h) Sensitivity of the Discount Rate on the Net OPEB Liability

The following presents the Net OPEB liability as of June 30, 2017 calculated using the discount rate of 3.78%, as well as what the County's Net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.78%) or 1-percentage-point higher (4.78%) than the current rate:

1% Decrease (2.78%)	Current Discount Rate (3.78%)	1% Increase (4.78%)
\$ 375,953	\$ 335,840	\$ 301,703

NOTE 16 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

(i) Sensitivity of the Trend Rate on the Net OPEB Liability

The following present the Net OPEB liability as of June 30, 2017, calculated using the trend rate of +1%, as well as what the County’s Net OPEB liability would be if it were calculated using trend rate that are -1% than the current rates:

1% Decrease Trend -1%	Current Trend Rates	1% Increase Trend +1%
\$ 325,965	\$ 335,840	\$ 348,805

The 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.

The following information is provided for the County in accordance with GASB 45:

(j) Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, the County’s actuary determined an annual OPEB cost (expense) of \$22,359. The County’s annual OPEB cost and the net OPEB obligation as of and for the fiscal year ended June 30, 2017 were as follows:

Annual required contribution	\$ 21,652
Interest on net OPEB obligation	3,338
Adjustment to annual required contribution	(2,631)
Annual OPEB cost (expense)	<u>22,359</u>
Contributions made	(27,699)
Increase (decrease) in net OPEB obligation	(5,340)
Net OPEB obligation - beginning of year	<u>46,042</u>
Net OPEB obligation - end of year	<u><u>\$ 40,702</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the defined benefit PH plan and the net OPEB obligation for 2017, 2016, and 2015 are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 22,359	\$ 27,699	124%	\$ 40,702
2016	22,476	29,062	129%	46,042
2015	27,530	25,950	94%	52,628

NOTE 16 – OTHER POSTEMPLOYMENT HEALTH BENEFITS (OPEB) (Continued)

(k) Funding Policy

The 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 defined benefit PH Plan over a period not to exceed thirty years.

In accordance with GASB 45, the funded status for the year as of June 30, 2016, the most recent actuarial valuation date, the defined benefit PH Plan was 13.25% funded. The actuarial accrued liability for benefits was \$317,512 and the actuarial value of assets was \$42,080 resulting in an unfunded actuarial accrued liability (UAAL) of \$275,432. The covered payroll (annual payroll of active employees covered by the plan) was \$296,355, and the ratio of the UAAL to the covered payroll was 92.94%.

(l) Defined Contribution Plan Description

For employees hired on or after January 1, 2009, the County provides a defined 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 employee's 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.

(m) Sonoma County Association of Retired Employees (SCARE) Settlement

In April 2017, a settlement agreement regarding retiree health care benefits was approved by the Federal District Court. The settlement contains two central provisions. First, the agreement provides for continuation of County contributions to healthcare premiums of up to \$500 per month through May 2026. Beginning in June 2026, the county contribution decreases to \$200 per month through May 2041. Second, the county agreed to fund \$12 million (less administration costs) to HRA plans for retiree class members. This benefit will be funded over a three year period ending June 2019. The first HRA contribution of \$3,230 was paid in Fiscal Year 2016-17. Subsequent benefit payments of \$4,330 and \$4,090 are required to be paid in Fiscal Years 2017-18 and 2018-19 respectively.

NOTE 17 – 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, and \$1,000 of a general liability claim. 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, 2017, totaled \$33,966, which is recorded in the internal service fund as operating revenue. As of June 30, 2017, the estimated liability in the internal service fund totaled \$40,222 of which \$10,286 is estimated to be payable in the ensuing year. The remaining \$29,936 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 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.

The County also participates in the Authority’s medical malpractice program with up to \$21,500 per event coverage and a \$5 deductible. Funding for this program is actuarially determined and contributions are determined by claims experience and exposures (number of patient visits). As of June 30, 2017, the estimated liability in the internal service fund totaled \$570.

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

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2017</u>
Unpaid claims liability at beginning of year	\$ 40,442	\$ 40,080
Incurred claims	23,973	21,404
Claim payments	<u>(24,335)</u>	<u>(21,262)</u>
Unpaid claims liability at end of year	<u>\$ 40,080</u>	<u>\$ 40,222</u>

NOTE 18 – 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, 2017, the estimated closure and postclosure liability was \$9,993 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. 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 two resolutions establishing financial assurance for post-closure maintenance and corrective action via 30 year agreements with the California Integrated Waste Management Board (CIWMB). The Annapolis Landfill agreement provides a pledged revenue of \$36 per year and Healdsburg Landfill agreement pledged \$78 per year. Both 30 year agreements are 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 \$38,929 as of June 30, 2017. 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 19 – COMMITMENTS AND CONTINGENCIES

(a) 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.

(b) Encumbrances

The County governmental funds had the following open encumbrances at June 30, 2017:

General Fund	\$ 2,490
Human Services Special Revenue Fund	115
Health and Sanitation Special Revenue Fund	37
Mandated Revenues Special Revenue Fund	311
Roads Special Revenue Fund	2,782
Other governmental funds	<u>8,260</u>
Total encumbrances for governmental funds	<u>\$ 13,995</u>

(c) 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.

(d) Payroll Tax Payments

The County is continuing the appeal process to the IRS for the return of a \$3.9M tax overpayment in 2016.

NOTE 20 – 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, 2017. 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:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Deferred Inflows of Resources				
Central Landfill and County				
Transfer Stations	\$ 40,320	\$ -	\$ (1,391)	\$ 38,929

Refuse retained certain capital assets related to the SCA. The assets carrying value, net of accumulated depreciation at June 30, 2017 and over the term of the agreement is as follows:

Central Landfill and County Transfer Stations

Land	\$ 2,538
Buildings & Improvements	18,548
Equipment	296
SCA capital assets, net	<u>\$ 21,382</u>

NOTE 21 – 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.

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, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Redevelopment Successor Agency Tax allocation bonds payable*	\$ 10,140	\$ -	\$ (415)	\$ 9,725	\$ 320

*excludes bond premium amortization

On February 1, 2012, two Tax Allocation Bonds (Bonds); 1986 Series A, and the 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, maturing on-August 1, 2034. 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. Unamortized bond premium at June 30, 2017 is \$1,412.

The annual principal and interest requirements on the long-term bonds outstanding at June 30, 2017, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 320	\$ 406	\$ 726
2019	390	400	790
2020	395	392	787
2021	415	376	791
2022	430	360	790
2023-2027	2,445	1,510	3,955
2028-2032	3,110	851	3,961
2032-2035	2,220	149	2,369
Total	<u>\$ 9,725</u>	<u>\$ 4,444</u>	<u>\$ 14,169</u>

NOTE 22 – TAX ABATEMENTS

The County provides property tax abatements under the Sonoma County Uniform Rules for Agricultural Preserves and Farmland Security Zones (Rules). The Rules govern the County’s administration of the Agricultural Preserve Program under the California Land Conservation Act, also known as the Williamson Act. The purpose of the Act is the long-term preservation of agricultural and open space lands. Participation in the program is voluntary, where the land is enforceably restricted to agricultural, open space, or recreational uses in exchange for reduced property tax assessments. Program applications are approved by the Board of Supervisors.

California Land Conservation Act contract minimum term is 10 years and automatically renews until a nonrenewal or cancellation process is initiated. Under the nonrenewal process the annual tax assessment increases to market value of the property. Under the cancellation process, a cancellation fee is assessed based upon the contract and government code. Under certain circumstances the Act also allows for farmland security zone contracts with terms of 20 years. Land is assessed for property tax purposes at a rate consistent with actual use, rather than the potential market value of the property.

For the fiscal year ended June 30, 2017, the Agricultural Preserve Program tax abatements were \$4,375.

NOTE 23 – FUND BALANCE RECLASSIFICATION

Governmental Fund Groups Fund Balance Reclassification

For CAFR reporting purposes, the County regrouped certain funds for fiscal year ended June 30, 2017 to better illustrate the purpose of the activities performed by those funds.

- The 1991 Realignment Fund is no longer reported as a separate Major Fund. These funds were reclassified to the associated Health and Sanitation or Human Services special revenue funds.
- Certain funds included in Mandated Special Revenues which are managed by Health or Human Services were reclassified into the appropriate Health or Human Services major special revenue fund.
- Certain funds included in Other Special Revenue were combined with the Mandated and Health Services special revenue funds.

The restatement of beginning of year fund balances are reflected in the following table:

	June 30, 2016					
	Previously Presented	Mandated Revenues	1991 Realignment	Other Special Revenue	Restatement Total	June 30, 2016 Restated
Human Services	\$ 15,406	\$ 162	\$ 517	\$ -	\$ 679	\$ 16,085
Health and Sanitation	5,275	1,042	10,114	87	11,243	16,518
Mandated Revenues	45,403	(1,204)	-	132	(1,072)	44,331
1991 Realignment	10,631	-	(10,631)	-	(10,631)	-
Other Funds	90,717	-	-	(219)	(219)	90,498
Total Fund Balance	<u>\$ 167,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,432</u>

NOTE 24 – FUND BALANCE RESTATEMENT**a) Other Postemployment Benefits (OPEB) Trust**

The Other Postemployment Benefits (OPEB) Trust beginning net position of \$43,755 was restated to \$42,080. The correction of \$1,675 is a result of implementing changes associated with GASB 74 (Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) whereby amounts received in prior years for benefits not yet paid should have been offset by a liability. The ending net position balance of \$49,743 is also reflected in the most recent actuarial valuation as of June 30, 2017.

b) Community Development Commission

Community Development Commission was the successor agency to Sonoma City Redevelopment Agency's housing activities, which included a multifamily project called Village Greens II. In accordance with the Successor Agency agreement, only the assets were transferred to the Community Development Commission. The project has a related mortgage which was transferred to Sonoma City. The Community Development Commission has since decided to transfer the project and to facilitate the transfer assumed the related debt. This resulted in a prior period correction reducing beginning net position in the amount of \$(657).

NOTE 25 – SUBSEQUENT EVENTS**a) Chanate Hospital Complex Sale**

On July 11, 2017, the Board of Supervisors approved a Development and Disposition Agreement authorizing the sale of the 81.56-acre County-owned Chanate property. The proposed sale will result in the development of up to 800 new residential units, at rates affordable to low income households, and up to 60 veteran units available to qualified homeless Veterans. The cash sale price is estimated between \$6 and \$11 million depending on number of units built.

b) Sonoma County Wildfires

In October 2017, Sonoma County experienced several major wildfires which were a declared major disaster at both Federal and State levels. The wildfires collectively known as the Sonoma Complex Fires (the Fires) burned over 100,000 acres and destroyed more than 6,500 structures in the County and local areas.

While the overall financial impact to the County is not known, the effects of the fires are expected to be significant. The resulting loss of homes and businesses are expected to have a negative impact on property tax revenues. Costs are projected to increase due to damaged and lost property, infrastructure, and equipment. As well, expenses related to emergency protective measures, debris removal, and permanent work will be substantial. These additional expenses, to an extent, will be mitigated by recoveries through insurance, as well as Federal, State, and Local aid.



REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

COUNTY OF SONOMA, CALIFORNIA
Schedule of County's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years *
(Dollars in Thousands)

<u>Measurement Date</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Proportion of the net pension liability	84.27%	84.43%	81.66%
Proportionate share of the net pension liability	\$ 330,831	\$ 348,556	\$ 177,023
Covered payroll	\$ 285,864	\$ 271,061	\$ 262,325
Proportionate share of the net pension liability as a percentage of covered payroll	115.73%	128.59%	67.48%
Plan fiduciary net position as a percentage of the total pension liability	86.02%	84.68%	91.46%

Schedule of County Pension Contributions

Last Ten Fiscal Years *
(Dollars in Thousands)

	<u>June 30, 2017</u>	<u>6/30/2016 (1)</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 52,981	\$ 56,663	\$ 55,981
Contributions in relation to the actuarially determined contribution	52,981	60,216	55,981
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (3,553)</u>	<u>\$ -</u>
County's covered payroll	\$ 293,871	\$ 288,885	\$ 265,945
Contributions as a percentage of covered payroll	18.03%	20.84%	21.05%

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

Notes:

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.

(1) Actuarially determined contribution corrected to actuarial report. The excess contribution remains consistent at (\$3,553).

COUNTY OF SONOMA, CALIFORNIA
 Schedule of Changes in Net OPEB Liability and Related Ratios
 Last Ten Fiscal Years *
 (Dollars in Thousands)

	2016-17
Total OPEB Liability	
Service Cost	\$ 13,800
Interest	12,579
Differences between expected and actual experience	(1,547)
Change due to reflecting the Excise Tax	2,351
Changes of assumptions	(28,454)
Benefit payments	(23,529)
Net change in total OPEB Liability	(24,800)
Total OPEB liability - beginning of year	410,383
Total OPEB liability - end of year (a)	\$ 385,583
Plan fiduciary net position	
Contributions – PARS	\$ 3,000
Contributions – Premiums net of retiree contributions	22,377
Contributions – Administrative	1,152
Contributions – Legal	217
Contributions – Total employer	\$ 26,746
Net investment income	4,817
Benefit payments – Premiums	(23,530)
Legal expense	(217)
Administrative expense	(153)
Net change in plan fiduciary net position	7,663
Plan fiduciary net position - beginning of year	42,080
Plan fiduciary net position - end of year (b)	49,743
County net OPEB liability, ending (a-b)	\$ 335,840
Plan fiduciary net position as a percentage of the total OPEB liability	12.90%
Covered employee payroll	\$ 321,401
County's net OPEB liability as a percentage of covered employee payroll	104.49%

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

COUNTY OF SONOMA, CALIFORNIA
Schedule of County OPEB Contributions
 Last Ten Fiscal Years
 (Dollars in Thousands)

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Actuarially determined contribution	\$ 21,653	\$ 21,455	\$ 26,538	\$ 25,518	\$ 26,715
Contributions in relation to the actuarially determined contribution	27,699	29,062	25,950	26,060	21,851
Contribution deficiency (excess)	(6,046)	(7,607)	588	(542)	4,864
Covered-employee payroll	\$ 321,401	\$ 287,745	-	\$ 327,651	-
Contribution as a percentage of covered employee payroll	8.62%	10.10%	n/a	7.95%	n/a

- Long dash Indicates historical data not available at time of reporting

Notes:

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation date	Actuarially determined contribution rates are based on the June 30 OPEB funding valuation
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level percent of payroll for total unfunded actuarial accrued liability
Remaining amortization period	
June 30, 2016 valuation	30 years (rolling) for outstanding balance of the June 30, 2016 unfunded OPEB liability
June 30, 2015 valuation	30 years (rolling) for outstanding balance of the June 30, 2015 unfunded OPEB liability
Asset valuation method	Market value of assets
Actuarial assumptions:	
June 30, 2016 valuation	
<i>Investment rate of return</i>	7.25%, net of OPEB plan investment expense, including inflation
<i>Payroll growth</i>	3.50%
<i>Other assumptions</i>	Same as those used in the June 30, 2016 GASB 43 actuarial valuation dated Feb. 9, 2017
June 30, 2015 valuation	
<i>Investment rate of return</i>	7.50%, net of OPEB plan investment expense, including inflation
<i>Payroll growth</i>	4.00%
<i>Other assumptions</i>	Same as those used in the June 30, 2015 GASB 43 actuarial valuation dated Dec. 11, 2015

Schedule of OPEB Investment Returns
 Last Ten Fiscal Years *

2017

Annual Money-Weighted Rate of Return, Net of Investment Expense 11.47%

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

Schedule of OPEB Funding Progress
 (Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
6/30/2016	\$ 42,080	\$ 317,512	\$ 275,432	13.3%	\$ 296,355	92.9%
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%

2011-12	2010-11	2009-10	2008-09	2007-08
\$ 25,626	\$ 23,583	\$ 21,767	\$ 38,613	\$ 37,039
21,814	23,042	18,226	21,982	19,543
3,812	541	3,541	16,631	17,496
\$ 314,045	–	\$ 308,595	–	\$ 286,742
6.95%	n/a	5.91%	n/a	6.82%



NONMAJOR GOVERNMENTAL FUNDS

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

Accounts for the accumulation of resources for, and the payment of, long-term debt.

SPECIAL REVENUE FUNDS

Special revenue funds are authorized by statutory provisions and are financed by specific taxes or other revenues. The following funds are included in the Special Revenue classification:

ADVERTISING

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 tax on the rental revenue of hotel, motel, bed and breakfast, and inn beds, vacation rentals, and on campgrounds in unincorporated areas of the County

FIRE AND EMERGENCY SERVICES

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

FIRST 5 COMMISSION

Established by the Sonoma County Board of Supervisors Ordinance No. 5142 in 1998 pursuant to Proposition 10, the California Children and Families First Act of 1998. The Commission's purpose is to promote, support, and improve the early development of children from the prenatal stage through five years of age; and is funded by cigarette and other tobacco sales tax.

AGRICULTURAL PRESERVATION AND OPEN SPACE DISTRICT

The Open Space District was formed in 1990 for the purpose of preserving agricultural land and open space in Sonoma County, and is financed primarily through a quarter-cent sales tax, which is administered by the Sonoma County Auditor-Controller-Treasurer-Tax Collector. The District 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)).

2011 REALIGNMENT

Established as required by Assembly Bill 109 which transferred responsibility from the State to the County for supervision, custody and 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.

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2017

(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	\$ 59,454	\$ 13,341	\$ -	\$ 72,795
Cash and investments with trustee	-	-	12,744	12,744
Receivables, net				
Accounts	2	34	-	36
Interest and other	3,380	64	2,943	6,387
Due from other funds	11	-	-	11
Assets held for resale	12	-	-	12
Due from other governments	8,808	540	-	9,348
Prepaid expenses and deposits	72	-	-	72
Total assets	<u>\$ 71,739</u>	<u>\$ 13,979</u>	<u>\$ 15,687</u>	<u>\$ 101,405</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued salaries and benefits	2,239	815	-	3,054
Due to other funds	4,580	-	-	4,580
Due to other governments	26	-	-	26
Advances from grantors and third parties	429	-	2,943	3,372
Other liabilities	125	-	-	125
Total liabilities	<u>7,399</u>	<u>815</u>	<u>2,943</u>	<u>11,157</u>
 Deferred inflows of resources:				
Unavailable revenue	23	157	-	180
Total deferred inflows of resources	<u>23</u>	<u>157</u>	<u>-</u>	<u>180</u>
 Fund balances:				
Nonspendable	34	-	-	34
Restricted	59,057	-	12,744	71,801
Committed	5,226	-	-	5,226
Assigned	-	13,007	-	13,007
Total fund balances	<u>64,317</u>	<u>13,007</u>	<u>12,744</u>	<u>90,068</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 71,739</u>	 <u>\$ 13,979</u>	 <u>\$ 15,687</u>	 <u>\$ 101,405</u>

COUNTY OF SONOMA, CALIFORNIA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended June 30, 2017
(Dollars in Thousands)

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total
REVENUES:				
Taxes	\$ 17,692	\$ -	\$ -	\$ 17,692
Licenses, permits and franchise fees	802	-	-	802
Fines, forfeitures and penalties	1	-	-	1
Use of money and property	302	(25)	228	505
Intergovernmental	88,784	3,420	-	92,204
Charges for services	1,557	-	-	1,557
Other	4,816	112	4,287	9,215
Total revenues	<u>113,954</u>	<u>3,507</u>	<u>4,515</u>	<u>121,976</u>
EXPENDITURES				
Current:				
General government	19,944	1,381	55	21,380
Public protection	31,891	-	-	31,891
Public ways and facilities	663	-	-	663
Health and sanitation	19,166	-	-	19,166
Public assistance	26,310	-	-	26,310
Recreation and cultural services	122	-	-	122
Capital outlay	13,130	14,645	-	27,775
Debt service:				
Principal	53	-	6,135	6,188
Interest and other	17	-	5,969	5,986
Total expenditures	<u>111,296</u>	<u>16,026</u>	<u>12,159</u>	<u>139,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,658</u>	<u>(12,519)</u>	<u>(7,644)</u>	<u>(17,505)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,904	12,355	7,402	21,661
Transfers out	(4,508)	-	(31)	(4,539)
Other financing uses	(47)	-	-	(47)
Total other financing sources (uses):	<u>(2,651)</u>	<u>12,355</u>	<u>7,371</u>	<u>17,075</u>
Net change in fund balance	7	(164)	(273)	(430)
Fund balance, beginning of year, as restated	<u>64,310</u>	<u>13,171</u>	<u>13,017</u>	<u>90,498</u>
Fund balance, end of year	<u>\$ 64,317</u>	<u>\$ 13,007</u>	<u>\$ 12,744</u>	<u>\$ 90,068</u>

COUNTY OF SONOMA, CALIFORNIA

Capital Projects Fund

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

For the Fiscal Year Ended June 30, 2017

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ (25)	\$ (25)	\$ -
Intergovernmental	13,154	14,007	3,420	(10,587)
Other revenue	1,340	1,476	112	(1,364)
Total revenues	14,494	15,458	3,507	(11,951)
EXPENDITURES:				
General government				
Administration Center	2,853	1,573	738	835
Hall of Justice	1,374	1,246	795	451
Main Adult Detention Facility	14,354	17,615	2,570	15,045
North County Detention Facility	17	-	-	-
Los Guilucos	57	-	-	-
Memorial Buildings	2,408	2,351	688	1,663
Misc. Capital Projects	19,970	14,481	6,656	7,825
Regional Parks	11,675	17,494	4,579	12,915
Total expenditures	52,708	54,760	16,026	38,734
Deficiency of revenues under expenditures	(38,214)	(39,302)	(12,519)	26,783
OTHER FINANCING SOURCES (USES):				
Transfers in	26,548	33,803	18,142	15,661
Transfers out	(240)	(6,557)	(5,787)	(770)
Other Financing Sources	500	-	-	-
Total other financing sources (uses)	26,808	27,246	12,355	14,891
NET CHANGE IN FUND BALANCE	\$ (11,406)	\$ (12,056)	\$ (164)	\$ 41,674



COUNTY OF SONOMA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

(Dollars in Thousands)

	<u>Advertising</u>	<u>Fire and Emergency Services</u>	<u>First 5 Sonoma County Commission</u>	<u>Agricultural Preservation and Open Space District</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	\$ 2,233	\$ 3,750	\$ 13,439	\$ 7,241
Receivables, net				
Accounts	-	2	-	-
Interest and other	3,331	47	-	-
Due from other funds	-	-	11	-
Inventories	-	-	-	-
Due from other governments	33	-	943	402
Prepaid items and deposits	11	-	10	26
Total assets	<u>\$ 5,608</u>	<u>\$ 3,799</u>	<u>\$ 14,403</u>	<u>\$ 7,669</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued salaries and benefits	371	347	604	782
Due to other funds	-	-	-	-
Due to other governments	-	-	26	-
Advances from grantors and third parties	-	429	-	-
Other liabilities	-	-	70	30
Total liabilities	<u>371</u>	<u>776</u>	<u>700</u>	<u>812</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	23	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>
Fund balances:				
Nonspendable	11	-	10	1
Restricted	-	3,023	13,670	6,856
Committed	5,226	-	-	-
Total fund balances	<u>5,237</u>	<u>3,023</u>	<u>13,680</u>	<u>6,857</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,608</u>	<u>\$ 3,799</u>	<u>\$ 14,403</u>	<u>\$ 7,669</u>

2011 Realignment	Special Districts	Total
\$ 19,916	\$ 12,875	\$ 59,454
-	-	2
-	2	3,380
-	-	11
-	12	12
7,398	32	8,808
-	25	72
<u>\$ 27,314</u>	<u>\$ 12,946</u>	<u>\$ 71,739</u>

39	96	2,239
4,580	-	4,580
-	-	26
-	-	429
-	25	125
<u>4,619</u>	<u>121</u>	<u>7,399</u>

-	-	23
<u>-</u>	<u>-</u>	<u>23</u>

-	12	34
22,695	12,813	59,057
-	-	5,226
<u>22,695</u>	<u>12,825</u>	<u>64,317</u>

<u>\$ 27,314</u>	<u>\$ 12,946</u>	<u>\$ 71,739</u>
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COUNTY OF SONOMA, CALIFORNIA
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenses and Changes in Fund Balances
 For the Year Ended June 30, 2017
 (Dollars in Thousands)

	Advertising	Fire and Emergency Services	First 5 Sonoma County Commission	Agricultural Preservation and Open Space District
REVENUES:				
Taxes	\$ 13,797	\$ 2,470	\$ -	\$ -
Licenses, permits and franchise fees	-	1	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	8	20	75	28
Intergovernmental	56	251	4,568	21,870
Charges for services	31	1,280	-	-
Other	205	892	7	36
Total revenues	<u>14,097</u>	<u>4,914</u>	<u>4,650</u>	<u>21,934</u>
EXPENDITURES				
Current:				
General government	10,504	-	-	9,440
Public protection	-	6,170	-	-
Public ways and facilities	-	-	-	-
Health and sanitation	-	-	6,780	-
Public assistance	-	-	-	-
Recreation and cultural services	-	-	-	-
Capital outlay	-	231	-	12,651
Debt service:				
Principal	-	53	-	-
Interest and other	-	17	-	-
Total expenditures	<u>10,504</u>	<u>6,471</u>	<u>6,780</u>	<u>22,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,593</u>	<u>(1,557)</u>	<u>(2,130)</u>	<u>(157)</u>
Transfers in	39	1,820	-	5
Transfers out	(4,393)	(12)	-	(17)
Total other financing sources (uses):	<u>(4,354)</u>	<u>1,761</u>	<u>-</u>	<u>(12)</u>
Net change in fund balance	(761)	204	(2,130)	(169)
Fund balance, beginning of year, as restated	<u>5,998</u>	<u>2,819</u>	<u>15,810</u>	<u>7,026</u>
Fund balance, end of year	<u>\$ 5,237</u>	<u>\$ 3,023</u>	<u>\$ 13,680</u>	<u>\$ 6,857</u>

2011 Realignment	Special Districts	Total
\$ -	\$ 1,425	\$ 17,692
-	801	802
-	1	1
109	62	302
60,408	1,631	88,784
-	246	1,557
3,656	20	4,816
<u>64,173</u>	<u>4,186</u>	<u>113,954</u>
-	-	19,944
25,721	-	31,891
-	663	663
10,366	2,020	19,166
25,167	1,143	26,310
-	122	122
-	248	13,130
-	-	53
-	-	17
<u>61,254</u>	<u>4,196</u>	<u>111,296</u>
<u>2,919</u>	<u>(10)</u>	<u>2,658</u>
-	40	1,904
-	(86)	(4,508)
-	(46)	(2,651)
2,919	(56)	7
<u>19,776</u>	<u>12,881</u>	<u>64,310</u>
<u>\$ 22,695</u>	<u>\$ 12,825</u>	<u>\$ 64,317</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, 2017

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 10,628	\$ 10,966	\$ 13,797	\$ 2,831
Use of money and property	25	25	8	(17)
Intergovernmental	-	56	56	-
Charges for services	-	30	31	1
Miscellaneous	64	92	205	113
Total revenues	<u>10,717</u>	<u>11,169</u>	<u>14,097</u>	<u>2,928</u>
EXPENDITURES:				
General government				
Advertising	4,235	4,563	4,475	88
Economic Development	6,031	6,511	6,029	482
Total expenditures	<u>10,266</u>	<u>11,074</u>	<u>10,504</u>	<u>570</u>
Excess of revenues over expenditures	<u>451</u>	<u>95</u>	<u>3,593</u>	<u>3,498</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	124	161	163	2
Transfers out	<u>(4,507)</u>	<u>(4,507)</u>	<u>(4,517)</u>	<u>(10)</u>
Total other financing sources (uses)	<u>(4,383)</u>	<u>(4,346)</u>	<u>(4,354)</u>	<u>(8)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,932)</u>	<u>\$ (4,251)</u>	<u>\$ (761)</u>	<u>\$ 3,490</u>

COUNTY OF SONOMA, CALIFORNIA
 Sonoma County Fire & Emergency Services Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2017
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,270	\$ 2,270	\$ 2,470	\$ 200
Licenses, permits and franchises	-	-	1	1
Use of money and property	15	15	21	6
Intergovernmental	328	328	251	(77)
Charges for services	1,289	1,293	1,367	74
Other revenue	719	646	892	246
Total revenues	4,621	4,552	5,002	450
EXPENDITURES:				
Public protection				
CSA #40 Fire Services Districts	5,881	7,134	6,448	686
County Facility Districts	28	28	23	5
Total expenditures	5,909	7,162	6,471	691
Excess of revenues over expenditures	(1,288)	(2,610)	(1,469)	(241)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,329	2,121	2,087	(34)
Transfers out	(313)	(313)	(280)	33
Other financing use	-	(134)	(134)	-
Total other financing sources (uses)	1,016	1,674	1,673	(1)
NET CHANGE IN FUND BALANCE	\$ (272)	\$ (936)	\$ 204	\$ (242)

COUNTY OF SONOMA, CALIFORNIA

First 5 Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2017

(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 117	\$ 117	\$ 75	\$ (42)
Intergovernmental	3,661	4,617	4,568	(49)
Miscellaneous	-	-	7	7
Total revenues	<u>3,778</u>	<u>4,734</u>	<u>4,650</u>	<u>(84)</u>
EXPENDITURES:				
Health and sanitation				
First 5 Sonoma County	7,071	8,603	6,780	1,823
Reimbursement	(157)	(157)	-	(157)
Total expenditures	<u>6,914</u>	<u>8,446</u>	<u>6,780</u>	<u>1,666</u>
Excess of revenues over expenditures	<u>(3,136)</u>	<u>(3,712)</u>	<u>(2,130)</u>	<u>1,582</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,136)</u>	<u>\$ (3,712)</u>	<u>\$ (2,130)</u>	<u>\$ 1,582</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, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 60	\$ 60	\$ 28	\$ (32)
Intergovernmental	36,753	36,753	21,870	(14,883)
Charges for services	-	-	-	-
Miscellaneous	15	15	36	21
Total revenues	36,828	36,828	21,934	(14,894)
EXPENDITURES:				
General government	\$ 36,590	\$ 36,328	\$ 22,091	\$ 14,237
Total expenditures	36,590	36,328	22,091	14,237
Excess of revenues over expenditures	238	500	(157)	(657)
OTHER FINANCING SOURCES (USES):				
Transfers in	6	6	5	(1)
Transfers out	(17)	(17)	(17)	-
Total other financing sources (uses)	(11)	(11)	(12)	(1)
NET CHANGE IN FUND BALANCE	\$ 227	\$ 489	\$ (169)	\$ (658)

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, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 14	\$ 14	\$ 109	\$ 95
Intergovernmental	62,059	62,059	60,408	(1,651)
Charges for services				-
Other revenue	1,400	1,400	3,656	2,256
Total revenues	63,473	63,473	64,173	700
EXPENDITURES:				
Public protection				
District Attorney	188	275	275	-
Probations	15,652	15,867	12,736	3,131
Public Defender	80	80	80	-
Sheriff Law Enforcement	8,959	8,959	7,568	1,391
Sheriff Detention	5,207	5,207	5,062	145
Total public protection	30,086	30,388	25,721	4,667
Health and sanitation				
Health services	9,762	10,366	10,366	-
Public assistance				
Human services	26,682	26,682	25,167	1,515
Total expenditures	66,530	67,436	61,254	6,182
Excess of revenues over expenditures	(3,057)	(3,963)	2,919	6,882
NET CHANGE IN FUND BALANCE	\$ (3,057)	\$ (3,963)	\$ 2,919	\$ 6,882

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, 2017
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 935	\$ 935	\$ 1,425	\$ 490
Licenses, permits and franchise fees	900	900	801	(99)
Fines Forfeitures and penalties	-	-	1	1
Use of money and property	74	74	62	(12)
Intergovernmental	2,104	1,744	1,631	(113)
Charges for services	245	245	246	1
Other revenue	-	-	20	20
Total revenues	<u>4,258</u>	<u>3,898</u>	<u>4,186</u>	<u>288</u>
EXPENDITURES:				
Health & sanitation				
Northern Air Pollution Control District	2,736	2,760	2,020	740
Public protection				
Rio Nido GHAD	10	10	-	10
Public ways and facilities:				
County Services Area #41				
Airport Business Center	50	50	-	50
Countywide Lighting	1,238	1,238	799	439
Meadowlark	5	5	-	5
Permanent Road Districts	59	59	5	54
Total Public Ways and facilities	<u>1,352</u>	<u>1,352</u>	<u>804</u>	<u>548</u>
Public assistance:				
In Home Support Services Public Authority	1,445	1,445	1,226	219
Recreation and cultural services:				
CSA #41 District Parks	256	256	146	110
Total expenditures	<u>5,799</u>	<u>5,823</u>	<u>4,196</u>	<u>1,627</u>
Deficiency of revenues under expenditures	<u>(1,541)</u>	<u>(1,925)</u>	<u>(10)</u>	<u>1,915</u>
OTMER FINANCING SOURCES (USES):				
Transfers in	263	336	264	72
Transfers out	(195)	(338)	(310)	(28)
Total other financing sources (uses)	<u>68</u>	<u>(2)</u>	<u>(46)</u>	<u>44</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,473)</u>	<u>\$ (1,927)</u>	<u>\$ (56)</u>	<u>\$ 1,959</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, 2017
(Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
ASSETS:				
Current assets:				
Cash and investments	\$ 340	\$ 1,580	\$ 1,795	\$ 3,715
Cash and investments with trustee	2,693	3	-	2,696
Restricted cash and investments	-	127	-	127
Accounts receivable	1,057	98	37	1,192
Inventories	-	46	-	46
Due from other governments	-	-	42	42
Total current assets	<u>4,090</u>	<u>1,854</u>	<u>1,874</u>	<u>7,818</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	640	566	274	1,480
Depreciable, net	11,213	3,630	4,737	19,580
Total noncurrent assets	<u>11,853</u>	<u>4,196</u>	<u>5,011</u>	<u>21,060</u>
Total assets	<u>15,943</u>	<u>6,050</u>	<u>6,885</u>	<u>28,878</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to pensions	1,215	119	-	1,334
Total deferred outflows of resources	<u>1,215</u>	<u>119</u>	<u>-</u>	<u>1,334</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	565	66	9	640
Due to other funds	-	-	58	58
Due to other governments	-	82	-	82
Deposits from others	150	127	-	277
Interest payable	-	79	18	97
Compensated absences	219	30	-	249
Advances from other governments	-	286	178	464
Loans payable	-	2	-	2
Other liabilities payable from restricted assets	800	-	-	800
Total current liabilities	<u>1,734</u>	<u>672</u>	<u>263</u>	<u>2,669</u>
Noncurrent portion of long-term liabilities:				
Advances from other funds	-	-	117	117
Advances from other governments	-	1,635	1,483	3,118
Notes payable	400	-	-	400
Loans payable	-	13	-	13
Net pension liabilities	2,158	288	-	2,446
Total noncurrent liabilities	<u>2,558</u>	<u>1,936</u>	<u>1,600</u>	<u>6,094</u>
Total liabilities	<u>4,292</u>	<u>2,608</u>	<u>1,863</u>	<u>8,763</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts related to pensions	267	16	-	283
Total deferred inflows of resources	<u>267</u>	<u>16</u>	<u>-</u>	<u>283</u>
NET POSITION:				
Net investment in capital assets	11,587	2,262	3,350	17,199
Restricted	351	-	-	351
Unrestricted	661	1,283	1,672	3,616
Total net position	<u>\$ 12,599</u>	<u>\$ 3,545</u>	<u>\$ 5,022</u>	<u>\$ 21,166</u>

COUNTY OF SONOMA, CALIFORNIA

Nonmajor Enterprise Funds

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

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,032	\$ 1,146	\$ 2,178
Rents and concessions	9,204	1,080	-	10,284
Sales and miscellaneous	-	231	12	243
Total operating revenues	<u>9,204</u>	<u>2,343</u>	<u>1,158</u>	<u>12,705</u>
OPERATING EXPENSES:				
Services and supplies	3,357	1,691	877	5,925
Salaries and employee benefits	3,465	664	-	4,129
Depreciation and amortization	377	142	208	727
Total operating expenses	<u>7,199</u>	<u>2,497</u>	<u>1,085</u>	<u>10,781</u>
Operating income (loss)	<u>2,005</u>	<u>(154)</u>	<u>73</u>	<u>1,924</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	-	9	8	17
Interest expense	(10)	(87)	(56)	(153)
Miscellaneous	(10)	-	-	(10)
Total nonoperating revenues (expenses)	<u>(20)</u>	<u>(78)</u>	<u>(48)</u>	<u>(146)</u>
Income (loss) before capital contributions and transfers	1,985	(232)	25	1,778
Capital contributions	158	-	-	158
Transfers in	-	372	25	397
Transfers out	-	(2)	-	(2)
	<u>158</u>	<u>370</u>	<u>25</u>	<u>553</u>
Change in net position	2,143	138	50	2,331
Net position, beginning of year	<u>10,456</u>	<u>3,407</u>	<u>4,972</u>	<u>18,835</u>
Net position, end of year	<u>\$ 12,599</u>	<u>\$ 3,545</u>	<u>\$ 5,022</u>	<u>\$ 21,166</u>

COUNTY OF SONOMA, CALIFORNIA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017
(Dollars in Thousands)

	Fair	Marinas	Other Districts	Total
Cash flows from operating activities:				
Received from customers	\$ 8,253	\$ 2,356	\$ 1,151	\$ 11,760
Payments to suppliers for goods and services	(3,428)	(1,541)	(884)	(5,853)
Payments to employees for services	(3,285)	(630)	-	(3,915)
Payments for interfund services used	-	(131)	-	(131)
Net cash provided by (used in) operating activities	<u>1,540</u>	<u>54</u>	<u>267</u>	<u>1,861</u>
Cash flows from noncapital financing activities:				
Transfers in	-	372	25	397
Transfers out	-	(2)	-	(2)
Scholarships paid	(10)	-	-	(10)
Advances made to other funds	-	-	(49)	(49)
Net cash provided by noncapital financing activities	<u>(10)</u>	<u>370</u>	<u>(24)</u>	<u>336</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,361)	(9)	-	(1,370)
Proceeds - note payable from commercial bank	500	-	-	500
Repayments to other governments	-	(275)	(4)	(279)
Capital contributions from other governments	158	-	-	158
Interest paid	(10)	(98)	(54)	(162)
Net cash provided by (used in) capital and related financing activities	<u>(713)</u>	<u>(382)</u>	<u>(58)</u>	<u>(1,153)</u>
Cash flows from investing activities:				
Interest received on investments	-	9	8	17
Net cash provided by (used in) investing activities	<u>-</u>	<u>9</u>	<u>8</u>	<u>17</u>
Net increase (decrease) in cash and cash equivalents	817	51	193	1,061
Cash and cash equivalents, beginning of year	2,216	1,659	1,602	5,477
Cash and cash equivalents, end of year	<u>\$ 3,033</u>	<u>\$ 1,710</u>	<u>\$ 1,795</u>	<u>\$ 6,538</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,005	\$ (154)	\$ 73	\$ 1,924
Depreciation and amortization	377	142	208	727
Miscellaneous	(7)	-	-	(7)
Accounts receivable	(70)	17	(7)	(60)
Inventories	-	(10)	-	(10)
Other assets	36	-	-	36
Accounts payable	58	30	(7)	81
Customer deposits	-	(4)	-	(4)
Compensated absences	23	-	-	23
Deposits	(882)	-	-	(882)
Net pension activity	-	33	-	33
Net cash provided by (used in) operating activities	<u>\$ 1,540</u>	<u>\$ 54</u>	<u>\$ 267</u>	<u>\$ 1,861</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments	\$ 340	\$ 1,580	\$ 1,795	\$ 3,715
Cash and investments with trustee	2,693	130	-	2,823
Total cash and cash equivalents	<u>\$ 3,033</u>	<u>\$ 1,710</u>	<u>\$ 1,795</u>	<u>\$ 6,538</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, 2017
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
ASSETS:					
Current assets:					
Cash and investments	\$ 54,996	\$ 287	\$ 3,739	\$ 13,191	\$ 72,213
Cash and investments with trustee	1,250	-	-	85	1,335
Accounts receivable	447	-	14	31	492
Due from other funds	15,870	-	-	-	15,870
Due from other governments	282	-	-	-	282
Prepaid expenses	3	-	-	-	3
Total current assets	<u>72,848</u>	<u>287</u>	<u>3,753</u>	<u>13,307</u>	<u>90,195</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable	-	-	62	-	62
Depreciable, net	-	4,112	13,097	-	17,209
Total noncurrent assets	<u>-</u>	<u>4,112</u>	<u>13,159</u>	<u>-</u>	<u>17,271</u>
Total assets	<u>72,848</u>	<u>4,399</u>	<u>16,912</u>	<u>13,307</u>	<u>107,466</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amounts related to pensions	1,192	-	-	158,988	160,180
Total deferred outflows of resources	<u>1,192</u>	<u>-</u>	<u>-</u>	<u>158,988</u>	<u>160,180</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,109	9	46	3,357	4,521
Due to other funds	-	-	1,410	-	1,410
Due to other governments	1	-	-	-	1
Interest payable	-	-	6	1,885	1,891
Compensated absences	279	-	-	-	279
Self-funded insurance	10,286	-	-	-	10,286
Bonds payable	-	-	-	24,260	24,260
Loans payable	-	-	1,063	-	1,063
Other liabilities	160	-	-	-	160
Total current liabilities	<u>11,835</u>	<u>9</u>	<u>2,525</u>	<u>29,502</u>	<u>43,871</u>
Noncurrent portion of long-term liabilities:					
Self-funded insurance	29,936	-	-	-	29,936
Advances from other funds	-	-	11,711	-	11,711
Bonds payable	-	-	-	379,925	379,925
Net pension liability	2,623	-	-	320,258	322,881
Total noncurrent liabilities	<u>32,559</u>	<u>-</u>	<u>11,711</u>	<u>700,183</u>	<u>744,453</u>
Total liabilities	<u>44,394</u>	<u>9</u>	<u>14,236</u>	<u>729,685</u>	<u>788,324</u>
DEFERRED INFLOWS OF RESOURCES:					
Deferred amounts related to pensions	158	-	-	18,483	18,641
Total deferred inflows of resources	<u>158</u>	<u>-</u>	<u>-</u>	<u>18,483</u>	<u>18,641</u>
NET POSITION:					
Net investment in capital assets	-	4,112	12,096	-	16,208
Unrestricted (deficit)	29,488	278	(9,420)	(575,873)	(555,527)
Total net position (deficit)	<u>\$ 29,488</u>	<u>\$ 4,390</u>	<u>\$ 2,676</u>	<u>\$ (575,873)</u>	<u>\$ (539,319)</u>

COUNTY OF SONOMA, CALIFORNIA

Internal Service Funds

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

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
OPERATING REVENUES:					
Charges for services	\$ 33,966	\$ -	\$ 11,702	\$ 99,896	\$ 145,564
Rents and concessions	-	2,216	-	-	2,216
Sales and miscellaneous	4,629	27	-	-	4,656
Total operating revenues	<u>38,595</u>	<u>2,243</u>	<u>11,702</u>	<u>99,896</u>	<u>152,436</u>
OPERATING EXPENSES:					
Services and supplies	5,987	2,208	8,791	-	16,986
Salaries and employee benefits	4,327	-	-	86,726	91,053
Claims expenses	25,139	-	-	-	25,139
Depreciation and amortization	-	656	2,924	-	3,580
Total operating expenses	<u>35,453</u>	<u>2,864</u>	<u>11,715</u>	<u>86,726</u>	<u>136,758</u>
Operating income (loss)	<u>3,142</u>	<u>(621)</u>	<u>(13)</u>	<u>13,170</u>	<u>15,678</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	425	2	36	185	648
Interest expense	-	-	(49)	(23,005)	(23,054)
Gain (Loss) on disposal of capital assets	-	82	-	-	82
Total nonoperating revenues (expenses)	<u>425</u>	<u>84</u>	<u>(13)</u>	<u>(22,820)</u>	<u>(22,324)</u>
Income (loss) before capital contributions and transfers	3,567	(537)	(26)	(9,650)	(6,646)
Transfers in	10	100	-	-	110
Transfers out	(16)	-	(452)	-	(468)
	<u>(6)</u>	<u>100</u>	<u>(452)</u>	<u>-</u>	<u>(358)</u>
Change in net position	3,561	(437)	(478)	(9,650)	(7,004)
Net position (deficit), beginning of year	<u>25,927</u>	<u>4,827</u>	<u>3,154</u>	<u>(566,223)</u>	<u>(532,315)</u>
Net position (deficit), end of year	<u>\$ 29,488</u>	<u>\$ 4,390</u>	<u>\$ 2,676</u>	<u>\$ (575,873)</u>	<u>\$ (539,319)</u>

COUNTY OF SONOMA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017
(Dollars in Thousands)

	Insurance	Heavy Equipment Replacement	ERP System	Employee Retirement	Total
Cash flows from operating activities:					
Received from interfund services provided	\$ 38,569	\$ 2,243	\$ 11,700	\$ 133,385	\$ 185,897
Payments to suppliers for goods and services	(31,307)	(2,394)	(8,793)	395	(42,099)
Payments to employees for services	(4,141)	-	-	(86,726)	(90,867)
Net cash provided by (used in) operating activities	<u>3,121</u>	<u>(151)</u>	<u>2,907</u>	<u>47,054</u>	<u>52,931</u>
Cash flows from noncapital financing activities:					
Transfers in	10	100	-	-	110
Transfers out	(16)	-	(452)	-	(468)
Advances to other funds	(2,996)	-	(1,147)	-	(4,143)
Proceeds from other governments	698	-	-	-	698
Principal paid on bonds	-	-	-	(21,065)	(21,065)
Interest paid	-	-	(49)	(23,005)	(23,054)
Net cash provided by noncapital financing activities	<u>(2,304)</u>	<u>100</u>	<u>(1,648)</u>	<u>(44,070)</u>	<u>(47,922)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	82	-	-	82
Acquisition and construction of capital assets	-	(646)	(62)	-	(708)
Principal paid on notes payable	-	-	(1,079)	-	(1,079)
Interest paid	-	-	(5)	(76)	(81)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(564)</u>	<u>(1,146)</u>	<u>(76)</u>	<u>(1,786)</u>
Cash flows from investing activities:					
Interest received on investments	425	2	36	185	648
Net cash provided by (used in) investing activities	<u>425</u>	<u>2</u>	<u>36</u>	<u>185</u>	<u>648</u>
Net increase (decrease) in cash and cash equivalents	1,242	(613)	149	3,093	3,871
Cash and cash equivalents, beginning of year	55,004	900	3,590	10,183	69,677
Cash and cash equivalents, end of year	<u>\$ 56,246</u>	<u>\$ 287</u>	<u>\$ 3,739</u>	<u>\$ 13,276</u>	<u>\$ 73,548</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 3,142	\$ (621)	\$ (13)	\$ 13,170	\$ 15,678
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	-	656	2,924	-	3,580
Net pension activity	298	-	-	33,488	33,786
Miscellaneous	160	-	-	-	160
Changes in assets and liabilities:					
Decrease (increase) in:					
Accounts receivable	(324)	-	(2)	1	(325)
Prepaid expenses	7	-	-	-	7
Increase (decrease) in:					
Accounts payable	(348)	(186)	(2)	395	(141)
Compensated absences	44	-	-	-	44
Self-funded insurance	142	-	-	-	142
Net cash provided by (used in) operating activities	<u>\$ 3,121</u>	<u>\$ (151)</u>	<u>\$ 2,907</u>	<u>\$ 47,054</u>	<u>\$ 52,931</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:					
Cash and investments	\$ 54,996	\$ 287	\$ 3,739	\$ 13,191	\$ 72,213
Cash and investments with trustee	1,250	-	-	85	1,335
Total cash and cash equivalents	<u>\$ 56,246</u>	<u>\$ 287</u>	<u>\$ 3,739</u>	<u>\$ 13,276</u>	<u>\$ 73,548</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, 2017
 (Dollars in Thousands)

	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
ASSETS:				
Current assets:				
Cash and investments	\$ 272,804	\$ 1,820,251	\$ (1,783,674)	309,381
Receivables:				
Taxes	15,014	6,925	(8,202)	13,737
Interest and other	4,634	22,850	(20,519)	6,965
Due from other agencies	3,588	3,744	(3,588)	3,744
Total assets	\$ 296,040	\$ 1,853,770	\$ (1,815,983)	\$ 333,827
LIABILITIES:				
Due to other agencies	\$ 296,040	\$ 1,795,275	\$ (1,757,488)	\$ 333,827
Total liabilities	\$ 296,040	\$ 1,795,275	\$ (1,757,488)	\$ 333,827

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

These nonmajor discretely presented component units account for the goods and services provided by these component units. See also 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, 2017
(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	\$ 14,379	\$ 1,632	\$ 9,149	\$ 2,738	\$ 27,898
Restricted cash and investments	4,755	1,019	375	-	6,149
Receivables, net	553	313	51	10	927
Due from other governments	1,480	-	-	-	1,480
Capital assets:					
Nondepreciable	14,380	1,152	857	415	16,804
Depreciable, net	60,970	24,075	15,281	2,260	102,586
Total Assets	<u>96,517</u>	<u>28,191</u>	<u>25,713</u>	<u>5,423</u>	<u>155,844</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charge on refunding	141	-	114	-	255
Total deferred outflows of resources	<u>141</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>255</u>
LIABILITIES:					
Accounts payable and accrued liabilities	1,118	45	4	5	1,172
Interest payable	353	40	11	-	404
Pollution remediation	-	-	1,583	-	1,583
Long-term liabilities:					
Due within one year	1,682	385	178	-	2,245
Due in more than one year	21,840	3,380	1,752	-	26,972
Total liabilities	<u>24,993</u>	<u>3,850</u>	<u>3,528</u>	<u>5</u>	<u>32,376</u>
NET POSITION:					
Net investment in capital assets	53,173	21,462	14,322	2,675	91,632
Restricted	4,040	1,015	364	-	5,419
Unrestricted	14,452	1,864	7,613	2,743	26,672
Total net position	<u>\$ 71,665</u>	<u>\$ 24,341</u>	<u>\$ 22,299</u>	<u>\$ 5,418</u>	<u>\$ 123,723</u>

COUNTY OF SONOMA, CALIFORNIA
Discretely Presented Nonmajor Component Units
Combining Statement of Activities
For the Year Ended June 30, 2017
(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	\$ 14,505	\$ 14,710	\$ 61	\$ 3,092
Russian River Sanitation District	5,639	4,512	270	109
South Park Sanitation District	2,988	3,628	-	8
Occidental Sanitation District	854	563	1,064	380
Total component units	\$ 23,986	\$ 23,413	\$ 1,395	\$ 3,589

GENERAL REVENUES:

Property Tax
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
\$ 3,358	\$ -	\$ -	\$ -	\$ 3,358
-	(748)	-	-	(748)
-	-	648	-	648
-	-	-	1,153	1,153
<u>3,358</u>	<u>(748)</u>	<u>648</u>	<u>1,153</u>	<u>4,411</u>
1	92	-	-	93
143	78	46	155	422
-	(4)	-	-	(4)
<u>144</u>	<u>166</u>	<u>46</u>	<u>155</u>	<u>511</u>
3,502	(582)	694	1,308	4,922
<u>68,163</u>	<u>24,923</u>	<u>21,605</u>	<u>4,110</u>	<u>118,801</u>
<u>\$ 71,665</u>	<u>\$ 24,341</u>	<u>\$ 22,299</u>	<u>\$ 5,418</u>	<u>\$ 123,723</u>

FUNCTION/PROGRAM ACTIVITIES:

Component units:

Sonoma Valley Sanitation District
Russian River Sanitation District
South Park Sanitation District
Occidental Sanitation District

GENERAL REVENUES:

Property Tax
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year



STATISTICAL SECTION

(UNAUDITED)

This section 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

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

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12 (1)</u> <u>as restated</u>
Governmental activities					
Net investment in capital assets	\$ 638,123	\$ 639,694	\$ 679,921	\$ 759,723	\$ 1,025,895
Restricted	239,285	266,458	249,264	319,824	232,061
Unrestricted	47,391	116,262	85,857	57,518	7,420
Total governmental activities net position	<u>\$ 924,799</u>	<u>\$ 1,022,414</u>	<u>\$ 1,015,042</u>	<u>\$ 1,137,065</u>	<u>\$ 1,265,376</u>
Business-type activities					
Net investment in capital assets	310,006	316,361	326,402	329,814	96,064
Restricted	16,585	15,053	13,199	13,259	737
Unrestricted	(10,229)	(21,646)	29,617	31,018	(14,689)
Total business-type activities net position	<u>\$ 316,362</u>	<u>\$ 309,768</u>	<u>\$ 369,218</u>	<u>\$ 374,091</u>	<u>\$ 82,112</u>
Total government					
Net investment in capital assets	948,129	956,055	1,006,323	1,089,537	1,121,959
Restricted	255,870	281,511	262,463	333,083	232,798
Unrestricted	37,162	94,616	115,474	88,536	(7,269)
Total primary government net position	<u>\$ 1,241,161</u>	<u>\$ 1,332,182</u>	<u>\$ 1,384,260</u>	<u>\$ 1,511,156</u>	<u>\$ 1,347,488</u>

Notes:

- (1) FY 2011-12 net position was restated for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated 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

2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	2016-17	
\$ 1,040,466	\$ 1,088,783	\$ 1,113,783	\$ 1,163,262	\$ 1,192,407	Governmental activities
234,551	243,497	223,011	210,531	209,960	Net investment in capital assets
55,683	(524,188)	(481,556)	(456,299)	(457,536)	Restricted
\$ 1,330,700	\$ 808,092	\$ 855,238	\$ 917,494	\$ 944,831	Unrestricted
					Total governmental activities net position
99,990	113,075	137,860	145,735	155,959	Business-type activities
883	412	1,038	4,265	7,440	Net investment in capital assets
(16,116)	11,585	8,326	7,058	(252)	Restricted
\$ 84,757	\$ 125,072	\$ 147,224	\$ 157,058	\$ 163,147	Unrestricted
					Total business-type activities net position
1,140,456	1,201,858	1,251,643	1,308,997	1,348,366	Total government
235,434	243,909	224,049	214,796	217,400	Net investment in capital assets
39,567	(512,603)	(473,230)	(449,241)	(457,788)	Restricted
\$ 1,415,457	\$ 933,164	\$ 1,002,462	\$ 1,074,552	\$ 1,107,978	Unrestricted
					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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12 (1)</u> <u>as restated</u>
Expenses					
Governmental activities					
General government	\$ 99,168	\$ 98,084	\$ 102,272	\$ 98,919	\$ 73,075
Public protection	259,154	260,005	270,306	238,008	229,093
Public ways and facilities	50,542	35,382	32,958	37,790	32,421
Health and sanitation	129,519	137,012	130,761	125,551	111,819
Public assistance	216,274	220,082	233,972	223,126	173,641
Education	19,148	18,933	18,409	16,642	870
Recreation and cultural services	15,944	15,475	15,290	13,191	12,560
Interest on long-term debt	31,016	31,962	35,320	47,045	43,675
Total governmental activities expenses	<u>\$ 820,765</u>	<u>\$ 816,935</u>	<u>\$ 839,288</u>	<u>\$ 800,272</u>	<u>\$ 677,154</u>
Business-type activities					
Refuse	40,407	36,398	(24,419)	32,712	33,169
Airport	-	-	-	-	3,985
Energy Independence Program	-	-	-	-	4,487
Transit	-	-	-	-	15,617
Fair	-	-	-	-	10,901
Marinas	2,115	1,995	1,638	1,933	2,482
Water Agency	52,086	53,009	53,651	50,720	-
Sonoma Valley County Sanitation District	10,027	11,798	13,242	12,063	-
Other business-type activities	37,948	38,952	39,758	41,754	1,769
Total business-type activities expenses	<u>\$ 142,583</u>	<u>\$ 142,152</u>	<u>\$ 83,870</u>	<u>\$ 139,182</u>	<u>\$ 72,410</u>
Total primary government	<u>\$ 963,348</u>	<u>\$ 959,087</u>	<u>\$ 923,158</u>	<u>\$ 939,454</u>	<u>\$ 677,226</u>

Notes:

- (1) FY 2011-12 net position was restated for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated for the implementation of GASB 65.
- (3) FY 2013-14 Refuse restated expenses to for adjustment to closure/post closure liability and abandonment of capital asset.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	2016-17	
\$ 87,504	\$ 89,881	\$ 95,094	\$ 109,637	\$ 104,166	Expenses
241,671	243,619	272,963	281,574	310,466	Governmental activities
33,573	47,887	36,868	38,964	47,670	General government
116,742	118,391	118,085	132,071	135,564	Public protection
186,547	200,026	201,913	212,754	220,772	Public ways and facilities
605	840	1,020	1,056	1,117	Health and sanitation
12,465	13,147	14,482	16,004	33,174	Public assistance
43,801	37,978	37,598	35,344	29,136	Education
\$ 722,908	\$ 751,769	\$ 778,023	\$ 827,404	\$ 882,066	Recreation and cultural services
					Interest on long-term debt
					Total governmental activities expenses
32,803	32,532	26,492	5,494	9,935	Business-type activities
4,283	4,223	4,743	5,330	7,596	Refuse
3,681	2,723	2,566	2,581	2,458	Airport
15,967	17,484	16,762	17,923	18,816	Energy Independence Program
10,743	10,072	13,645	10,661	7,199	Transit
2,284	2,214	2,708	2,213	2,497	Fair
-	-	-	-	-	Marinas
-	-	-	-	-	Water Agency
1,885	1,789	1,235	1,035	1,238	Sonoma Valley County Sanitation District
\$ 71,646	\$ 71,037	\$ 68,151	\$ 45,237	\$ 49,739	Other business-type activities
					Total business-type activities expenses
\$ 722,980	\$ 751,840	\$ 778,091	\$ 872,641	\$ 931,805	Total primary government

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

	2007-08	2008-09	2009-10	2010-11	2011-12 (1) as restated
Program Revenue					
Governmental activities					
Charges for services					
General government	\$ 52,920	\$ 65,296	\$ 66,710	\$ 43,331	\$ 34,924
Public protection	53,080	45,817	30,940	31,505	27,092
Public ways and facilities	5,404	3,044	2,365	1,883	7,260
Health and sanitation	11,937	12,568	11,285	23,004	24,611
Public assistance	2,176	3,705	1,859	1,377	1,256
Education	1,056	620	541	556	62
Recreation and cultural services	3,573	4,976	2,824	3,337	3,555
Total charges for services	130,146	136,026	116,524	104,993	98,760
Operating grants and contributions	357,581	363,984	403,381	417,770	395,426
Capital grants and contributions	18,063	16,864	31,048	15,293	4,617
Total governmental activities	505,790	516,874	550,953	538,056	498,803
Business - type activities					
Charges for services					
Refuse	34,234	31,877	33,860	32,640	34,234
Airport	-	-	-	-	3,650
Energy Independence Program	-	-	-	-	1,892
Transit	-	-	-	-	2,157
Fair	-	-	-	-	9,671
Marinas	1,928	1,279	1,154	1,747	2,172
Water Agency	45,742	44,447	42,528	49,296	-
Sonoma Valley County Sanitation District	9,570	10,199	10,773	11,529	-
Other business-type activities	22,933	22,807	24,092	25,698	1,226
Total charges for services	114,407	110,609	112,407	120,910	55,002
Operating grants and contributions	16,263	14,175	12,594	12,611	12,686
Capital grants and contributions	5,683	4,214	9,888	4,771	7,332
Total business - type activities program revenues	136,353	128,998	134,889	138,292	75,020
Total primary government	\$ 642,143	\$ 645,872	\$ 685,842	\$ 676,348	\$ 573,823
Net (Expense) Revenue					
Governmental activities	\$ (314,975)	\$ (300,061)	\$ (288,335)	\$ (262,216)	\$ (178,351)
Business - type activities	(6,230)	(13,154)	51,019	(890)	2,610
Total primary government net expenses	\$ (321,205)	\$ (313,215)	\$ (237,316)	\$ (263,106)	\$ (175,741)

Notes:

- (1) FY 2011-12 net position was restated for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated for the implementation of GASB 65.

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

2012-13 (2) as restated	2013-14	2014-15	2015-16	2016-17	
					Program Revenue
					Governmental activities
					Charges for services
\$ 53,062	\$ 46,308	\$ 41,223	\$ 52,021	\$ 40,057	General government
32,987	29,345	32,776	34,737	35,029	Public protection
59	43	371	395	407	Public ways and facilities
8,055	6,275	6,780	6,501	13,938	Health and sanitation
12,938	18,021	8,190	9,173	3,499	Public assistance
-	-	-	-	-	Education
4,011	4,329	4,640	5,193	5,763	Recreation and cultural services
111,112	104,321	93,980	108,020	98,693	Total charges for services
406,152	437,904	426,888	471,383	464,039	Operating grants and contributions
11,116	4,832	7,754	3,102	4,013	Capital grants and contributions
528,380	547,057	528,622	582,505	566,745	Total governmental activities
					Business - type activities
					Charges for services
34,930	37,993	29,343	7,380	6,661	Refuse
4,056	4,285	4,589	4,935	5,764	Airport
2,110	1,957	3,000	2,845	2,658	Energy Independence Program
2,193	2,165	2,000	2,035	1,825	Transit
9,455	9,597	12,353	11,520	9,204	Fair
2,241	2,312	2,858	2,145	2,343	Marinas
-	-	-	-	-	Water Agency
-	-	-	-	-	Sonoma Valley County Sanitation District
1,904	1,711	1,106	1,078	1,158	Other business-type activities
56,889	60,020	55,249	31,938	29,613	Total charges for services
10,584	12,253	12,238	13,232	13,937	Operating grants and contributions
2,340	31,828	21,369	7,712	10,467	Capital grants and contributions
69,813	104,101	88,856	52,882	54,017	Total business - type activities program revenues
<u>\$ 598,193</u>	<u>\$ 651,158</u>	<u>\$ 617,478</u>	<u>\$ 635,387</u>	<u>\$ 620,762</u>	Total primary government
					Total program revenues
\$ (194,528)	\$ (204,172)	\$ (249,401)	\$ (244,899)	\$ (315,321)	Net (Expense) Revenue
(1,833)	28,182	20,705	7,645	4,278	Governmental activities
<u>\$ (196,361)</u>	<u>\$ (175,990)</u>	<u>\$ (228,696)</u>	<u>\$ (237,254)</u>	<u>(311,043)</u>	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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	2011-12 (1) as restated
Net (expense) revenue					
Governmental activities	\$ (314,975)	\$ (300,061)	\$ (288,335)	\$ (262,216)	\$ (178,351)
Business-type activities	(6,230)	(13,154)	51,019	(890)	2,610
Total primary government net expense	<u>(321,205)</u>	<u>(313,215)</u>	<u>(237,316)</u>	<u>(263,106)</u>	<u>(175,741)</u>
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Property	250,770	232,997	216,904	210,717	171,431
Documentary transfer	3,867	3,117	3,114	2,960	3,390
Transient occupancy	1,997	7,457	7,139	7,929	8,757
Grants and other governmental revenues					
not restricted to specific programs	19,209	16,337	12,208	15,928	33,028
Unrestricted investment earnings	37,044	25,117	17,979	13,883	14,249
Gain on sale of capital assets	45	42	2,113	-	-
Other	17,870	21,669	19,472	25,850	23,765
Special/Extraordinary items	-	-	-	55,033	15,455
Transfers	(2,343)	(3,987)	(5,315)	(3,998)	2,338
Total governmental activities	<u>328,459</u>	<u>302,749</u>	<u>273,614</u>	<u>328,302</u>	<u>272,413</u>
Business-type activities:					
Taxes:					
Property	295	238	205	206	-
Unrestricted investment earnings	5,057	2,927	1,229	961	1,697
Gain on sale of capital assets	81	134	81	20	-
Other	-	572	1,104	578	529
Special items:					
Forgiveness of debt	-	-	-	-	-
Transfers	2,343	3,987	5,315	3,998	(2,338)
Total business-type activities	<u>7,776</u>	<u>7,858</u>	<u>7,934</u>	<u>5,763</u>	<u>(112)</u>
Total primary government	<u>\$ 336,235</u>	<u>\$ 310,607</u>	<u>\$ 281,548</u>	<u>\$ 334,065</u>	<u>\$ 272,301</u>
Changes in net position:					
Governmental activities	13,484	2,688	(14,721)	66,086	94,062
Business-type activities	1,546	(5,296)	58,953	4,873	2,498
Total primary government	<u>\$ 15,030</u>	<u>\$ (2,608)</u>	<u>\$ 44,232</u>	<u>\$ 70,959</u>	<u>\$ 96,560</u>

Notes:

- (1) FY 2011-12 net position was restated for the implementation of GASB 61 and restatement of capital assets.
- (2) FY 2012-13 net position was restated 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

2012-13 (2) as restated	2013-14 (3) as restated	2014-15	2015-16	2016-17	
\$ (194,528)	\$ (204,712)	\$ (249,401)	\$ (244,899)	\$ (315,321)	Net (expense) revenue
(1,833)	28,182	20,705	7,645	4,278	Governmental activities
(196,361)	(176,530)	(228,696)	(237,254)	(311,043)	Business-type activities
					Total primary government net expense
					General revenues and other changes in net position:
					Governmental activities:
					Taxes:
183,429	193,221	208,316	222,211	233,256	Property
4,301	4,439	4,953	5,541	6,047	Documentary transfer
9,705	11,037	16,759	14,188	17,701	Transient occupancy
					Grants and other governmental revenues
34,360	38,474	39,153	40,686	42,813	not restricted to specific programs
8,068	11,305	6,157	8,331	7,778	Unrestricted investment earnings
-	-	-	-	-	Gain on sale of capital assets
20,875	16,808	22,561	17,583	36,532	Other
-	-	-	-	-	Special/Extraordinary items
(886)	(1,163)	(1,464)	(1,385)	(1,469)	Transfers
259,852	274,121	296,435	307,155	342,658	Total governmental activities
					Business-type activities:
					Taxes:
-	-	-	-	-	Property
1,681	2,186	25	370	367	Unrestricted investment earnings
-	-	-	-	-	Gain on sale of capital assets
568	548	70	65	(25)	Other
					Special items:
1,343	-	-	-	-	Forgiveness of debt
886	1,163	1,464	1,385	1,469	Transfers
4,478	3,897	1,559	1,820	1,811	Total business-type activities
\$ 264,330	\$ 278,018	\$ 297,994	\$ 308,975	\$ 344,469	Total primary government
					Changes in net position:
65,324	69,409	47,034	62,256	27,337	
2,645	32,079	22,264	9,465	6,089	
\$ 67,969	\$ 101,488	\$ 69,298	\$ 71,721	\$ 33,426	Total primary government

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

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Fund			
Reserved for:	\$ 3,146	\$ 6,466	\$ 3,092
Encumbrances	28,865	38,144	28,331
Other Purposes			
Unreserved:			
Designated	35,289	48,277	36,390
Undesignated	54,565	28,430	37,107
Total General Fund	<u>121,865</u>	<u>121,317</u>	<u>104,920</u>
All Other Governmental Funds:			
Reserved for:			
Encumbrances	19,740	30,242	21,383
Inventories	723	696	1,062
Long-term advances	1,042	1,062	1,072
Prepaid items and deposits	1,949	2,147	2,197
Debt Service	107,748	114,752	105,636
Unreserved, Reported in:			
Special Revenue Funds:			
Designated	-	4,504	4,513
Undesignated	233,840	220,821	209,472
Capital Projects Funds	15,846	16,726	4,261
Total Other Governmental Funds	<u>380,888</u>	<u>390,950</u>	<u>349,596</u>

	<u>2010-11</u>	<u>2011-12 (2)</u> <u>as restated</u>
General Fund (1)		
Nonspendable	\$ 30,642	\$ 3,451
Restricted	188	-
Committed	656	243
Assigned	35,980	35,655
Unassigned	41,710	48,496
Subtotal general fund	<u>109,176</u>	<u>87,845</u>
All Other Governmental Funds		
Nonspendable	11,962	2,280
Restricted	338,298	235,047
Committed	9,330	2,868
Assigned	24,894	15,775
Unassigned	(1,271)	(1,329)
Subtotal all other governmental funds	<u>383,213</u>	<u>254,641</u>
Total governmental fund balance	<u>\$ 492,389</u>	<u>\$ 342,486</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 for the implementation of GASB 61 and restatement of capital assets.

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

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
\$ 5,179	\$ 13,023	\$ 12,074	\$ 14,673	\$ 12,974	General Fund (1)
-	-	-	-	-	Nonspendable
240	153	90	3	3	Restricted
45,743	50,694	64,400	73,592	76,290	Committed
48,479	47,658	55,325	57,497	60,403	Assigned
99,641	111,528	131,889	145,765	149,670	Unassigned
					Subtotal general fund
2,566	4,045	5,456	4,326	3,973	All Other Governmental Funds
242,054	239,446	235,532	222,475	221,115	Nonspendable
3,217	3,806	6,873	7,024	5,373	Restricted
28,429	34,065	31,309	48,785	42,193	Committed
(609)	-	(412)		-	Assigned
275,657	281,362	278,758	282,610	272,654	Unassigned
\$ 375,298	\$ 392,890	\$ 410,647	\$ 428,375	\$ 422,324	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)
 (Accrual Basis of Accounting)

	2007-08	2008-09	2009-10	2010-11	2011-12 (1) as restated
Revenues (by source):					
Taxes	\$ 260,652	\$ 259,512	\$ 239,365	\$ 238,234	\$ 216,720
Licenses, permits and franchise fees	18,463	16,508	15,966	17,245	22,053
Fines, forfeitures and penalties	11,674	11,906	18,388	21,872	16,110
Use of money and property	35,013	24,248	17,752	13,706	13,940
Intergovernmental	386,417	410,813	424,796	420,612	388,607
Charges for services	83,100	76,588	77,765	65,293	61,135
Other	23,006	20,629	20,400	28,285	24,122
Total revenues	<u>818,325</u>	<u>820,204</u>	<u>814,432</u>	<u>805,247</u>	<u>742,687</u>
Expenditures (by function):					
Current:					
General government	86,741	86,953	76,465	367,407	72,306
Public protection	236,146	243,073	253,316	226,418	233,356
Public ways and facilities	25,054	24,839	23,123	30,048	27,922
Health and sanitation	130,099	129,817	123,988	120,960	116,802
Public assistance	201,745	210,537	224,337	217,900	181,425
Education	16,752	17,932	17,313	16,019	606
Recreation and cultural services	14,270	14,061	13,919	12,078	12,284
Capital outlay	50,179	56,743	83,254	41,569	37,105
Debt service:					
Principal	57,948	24,513	24,956	30,771	10,683
Interest	34,801	31,533	33,255	45,749	16,714
Total expenditures	<u>853,735</u>	<u>840,001</u>	<u>873,926</u>	<u>1,108,919</u>	<u>709,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,410)</u>	<u>(19,797)</u>	<u>(59,494)</u>	<u>(303,672)</u>	<u>33,484</u>
Other financing sources (uses):					
Transfers in	213,115	96,981	94,339	116,232	98,435
Transfers out	(215,470)	(101,147)	(99,923)	(120,483)	(95,189)
Issuance of long-term debt	99,957	33,472	5,404	294,410	107
Premium on long term debt issuance	4,752	-	-	-	-
Proceeds from sale of capital assets	-	5	1,923	-	5,124
Other financing uses	-	-	-	-	-
Total other financing sources and uses	<u>102,354</u>	<u>29,311</u>	<u>1,743</u>	<u>290,159</u>	<u>8,477</u>
Extraordinary item - Open Space Authority Dissolution	-	-	-	70,488	-
Extraordinary item - State takeaway (AB99)	-	-	-	(15,455)	15,455
NET CHANGE IN FUND BALANCES	66,944	9,514	(57,751)	41,520	57,416
Fund balances, beginning of year, as restated	435,809	502,753	512,267	450,869	285,070
FUND BALANCES, END OF YEAR	<u>\$ 502,753</u>	<u>\$ 512,267</u>	<u>\$ 454,516</u>	<u>\$ 492,389</u>	<u>\$ 342,486</u>

Notes:

(1) FY 2011-12 net position was restated for the implementation of GASB 61 and restatement of capital assets.

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector

2012-13	2013-14	2014-15	2015-16	2016-17	
\$ 231,920	\$ 247,203	\$ 269,220	\$ 282,665	\$ 299,817	Revenues (by source):
21,962	23,360	24,315	28,577	29,169	Taxes
24,978	13,312	17,182	24,836	12,995	Licenses, permits and franchise fees
7,276	9,919	5,954	7,561	7,130	Fines, forfeitures and penalties
401,810	440,438	432,396	469,363	468,052	Use of money and property
74,580	67,657	52,483	54,607	56,529	Intergovernmental
20,422	16,782	21,495	29,495	32,061	Charges for services
782,948	818,671	823,045	897,104	905,753	Other
					Total revenues
					Expenditures (by function):
					Current:
85,869	91,087	97,029	108,126	99,429	General government
243,245	249,862	268,532	281,466	307,874	Public protection
25,991	41,824	29,197	30,496	39,023	Public ways and facilities
122,133	123,730	122,444	135,081	137,342	Health and sanitation
195,708	210,568	210,166	218,413	224,976	Public assistance
611	837	836	1,032	1,087	Education
12,037	12,812	14,309	15,231	32,276	Recreation and cultural services
32,643	46,142	39,679	39,986	52,458	Capital outlay
					Debt service:
12,149	20,573	8,509	82,754	9,957	Principal
17,838	13,169	13,178	18,697	6,981	Interest
748,224	810,604	803,879	931,282	911,403	Total expenditures
					Excess (deficiency) of revenues
34,724	8,067	19,166	(34,178)	(5,650)	over (under) expenditures
					Other financing sources (uses):
79,641	82,821	86,587	143,129	80,486	Transfers in
(80,543)	(84,445)	(88,797)	(141,950)	(81,597)	Transfers out
594	10,640	299	43,335	17,225	Issuance of long-term debt
-	-	-	7,044	-	Premium on long term debt issuance
125	509	390	348	551	Proceeds from sale of capital assets
-	-	-	-	(47)	Other financing uses
(183)	9,525	(1,521)	51,906	(401)	Total other financing sources and uses
-	-	-	-	-	Extraordinary item - Open Space Authority Dissolution
-	-	-	-	-	Extraordinary item - State takeaway (AB99)
34,541	17,592	17,645	17,728	(6,051)	NET CHANGE IN FUND BALANCES
340,757	375,298	393,002	410,647	428,375	Fund balances, beginning of year, as restated
\$ 375,298	\$ 392,890	\$ 410,647	\$ 428,375	\$ 422,324	FUND BALANCES, END OF YEAR

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>
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
2016-17	82,727,351	2,659,027	(3,171,082)	82,215,296	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%, 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

Fiscal Year	County Direct Rates (1)			Overlapping Rates (1)			Total
	County	Other	County Direct Rate	Cities (2)	School Districts (3)	Special Districts	
2007-08	0.21159	0.78841	1.0000	0.07250	0.02729	0.00992	1.10971
2008-09	0.21231	0.78769	1.0000	0.06250	0.02659	0.01009	1.09918
2009-10	0.21266	0.78734	1.0000	0.06750	0.02593	0.01069	1.10412
2010-11	0.21353	0.78647	1.0000	0.07500	0.02571	0.01442	1.11513
2011-12	0.21313	0.78687	1.0000	0.07500	0.02607	0.01266	1.11373
2012-13	0.21326	0.78674	1.0000	0.06500	0.02597	0.01174	1.10271
2013-14	0.21332	0.78668	1.0000	0.05200	0.02603	0.01259	1.09061
2014-15	0.21282	0.78718	1.0000	0.05700	0.02561	0.01170	1.09431
2015-16	0.21305	0.78695	1.0000	0.10700	0.02440	0.01263	1.14403
2016-17	0.21333	0.78667	1.0000	0.10700	0.02440	0.02440	1.15580

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, 2017 and June 30, 2008
 (Dollar Amounts in Thousands)

June 30, 2017:

June 30, 2008:

<u>Taxpayer</u>	<u>Total Taxes (1)</u>	<u>Rank</u>	<u>Percentage of Total County Taxes</u>	<u>Total Taxes (1)</u>	<u>Rank</u>	<u>Percentage of Total County Taxes</u>
Geysers Power Co LLC	\$ 12,134	1	1.23%	\$ 7,754	1	0.97%
Pacific Gas and Electric Company	12,107	2	1.23	6,728	2	0.84
Keysight Technologies (2)	2,406	3	0.25	1,859	4	0.24
Pacific Bell	1,694	4	0.18	1,932	3	0.25
Ferrari-Carano Vineyards and Winery	1,210	5	0.13	-		-
Foley Family Wines	1,191	6	0.12	-		-
EMI Santa Rosa LTD	1,115	7	0.12	790	9	0.10
CWI Fairmont Sonoma Hotel LLC	1,083	8	0.11	-		-
Jackson Family Investments III LLC	1,012	9	0.11	-		-
Lytton Rancheria of California	963	10	0.10	-		-
SC Sonoma Development LLC	-		-	921	5	0.12
Constellation Wines US Inc.	-		-	912	6	0.12
SMI Real Estate LLC	-		-	903	7	0.12
Quarry Heights LLC	-		-	857	8	0.11
Carinalli, Clement C & Ann Marie	-		-	785	10	0.10
Total	<u>\$ 34,915</u>		<u>3.58%</u>	<u>\$ 23,441</u>		<u>2.97%</u>
Total taxes of all taxpayers (3)	<u>\$ 985,900</u>			<u>\$ 801,148</u>		

Notes:

- (1) Taxable Assessed Secured amounts.
- (2) Keysight Technologies separated from Agilent in 2014.
- (3) Obtained from Property Tax Statistics Summary

Source:

Sonoma County Auditor-Controller-Treasurer-Tax Collector
 Sonoma County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2008

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

<u>Fiscal Year</u>	<u>Taxes Levied (1)</u>	<u>Collections within the fiscal year of the Levy (2)</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
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%
2016-17	822,153	815,344	99.2%	-	815,344	99.2%

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)

Fiscal Year	Governmental Activities					
	Pension Obligation Bonds	Certificates of Participation	Long-Term Contract Payable	Loans Payable	Notes Payable	Bonds Payable
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
2016-17	404,185	20,212	-	72,423	-	43,645

Fiscal Year	Business-Type Activities					
	Certificates of Participation	Sewer Bonds	Water Bonds	Capital Leases	Notes and Loans Payable	Energy Independence Bonds
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	38,250
2016-17	-	-	-	-	15	33,556

Fiscal Year	Ratios based on Total Primary Debt			
	Population (1)	Percentage of Assessed Value (2)	Percentage of Personal Income	Per Capita (3)
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	0.81%	2.35%	1,260
2016-17	505,120	0.73%	2.22%	1,188

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. 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	Other	Unamortized			
Assessment Bonds	Capital Leases	Government	Premiums	Subtotal	Fiscal Year
\$ 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
-	2,419	-	5,623	548,507	2016-17

Business-Type Activities

Landfill Closure and Postclosure	Advances From Other Governments	Unamortized Loss	Subtotal	Total Primary Government	Fiscal Year
\$ 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
4,834	8,799	-	51,900	632,273	2015-16
9,993	7,829	-	51,393	599,900	2016-17

COUNTY OF SONOMA, CALIFORNIA
 Ratios of Net General Bonded Debt Outstanding (Unaudited)
 Last Ten Fiscal Years
 (Dollar Amounts in Thousands)

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 (2)	Net Bonded Debt Per Capita
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	-
2016-17	-	-	-	82,215,296	0.00%	505,120	-

Notes:

- (1) Under the original bond official statements, Sonoma County's Pension Obligation Bonds do not qualify as General Obligation Bonds.
- (2) Population Estimate as of January 1.

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
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%
2016-17	82,215,296	1,644,306	-	1,644,306	100%

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data is located 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, 2017
 (Dollar Amounts in Thousands)

2016-17 Assessed Valuation:

\$ 82,215,296

Overlapping General Obligation Debt and Tax Assessment Debt (1)	Debt Outstanding	Percentage Applicable to Sonoma County
High School Districts	\$ 211,027	100%
Unified School Districts	362,986	100%
Elementary Districts	255,179	100%
Santa Rosa Junior College	279,950	100%
Sonoma County Water Agency	84,827	100%
Total Overlapping General Obligation Debt and Tax Assessment Debt	<u>\$ 1,193,969</u>	

Direct General Obligation Debt (1)

Direct General Obligation Debt (1)	Debt Outstanding	
Sonoma County Pension Obligation Bonds	\$ 404,185	100%
Sonoma County Certificates of Participation	20,212	100%
Sonoma County Loans Payable	72,423	100%
Sonoma County Bonds Payable	49,268	100%
Sonoma County Capital Leases	2,419	100%
Total Direct Debt	<u>\$ 548,507</u>	

Total Combined Overlapping and Direct Debt

\$ 1,742,476

Ratio of 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.45%
Total Direct Debt	0.67%
Total Combined Overlapping and Direct Debt	2.12%

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

<u>Calendar Year</u>	<u>Estimated Population</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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%
2017	505,120	27,034,022	53,520	70,940	3.6%

Incorporated Cities Population:

Cloverdale	8,931
Cotati	7,272
Healdsburg	11,800
Petaluma	60,941
Rohnert Park	42,067
Santa Rosa	176,799
Sebastopol	7,579
Sonoma	10,989
Town of Windsor	27,371
Total Incorporated	<u>353,749</u>
Total Unincorporated Areas	<u>151,371</u>
Total Population	<u><u>505,120</u></u>

Notes:

(1) Personal Income of all County residents in thousands and estimated as of November 2016.

Sources:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State - January 1, 2016 and 2017

US Department of Commerce, Bureau of Economic Analysis - Regional Data of GDP and Personal Income (BEARFACTS). Estimates based on 2016 data.

California Department of Education; Data Enrollment by Grade report for 2016-17

State of California Employment Development Department: Labor Force Statistics

Economic Development Dept. -Local Area Unemployment Map for Counties, as of June 2017

COUNTY OF SONOMA, CALIFORNIA
Major Employers (Unaudited)
June 30, 2017 and June 30, 2008

Employer	June 30, 2017			June 30, 2008		
	Number of Employees (2)	Rank	Percent of Total County Employment	Number of Employees	Rank	Percent of Total County Employment
County of Sonoma (4)	3,894	1	1.56%	-		0.00%
Santa Rosa Junior College (4)	3,676	2	1.47	-		-
Kaiser Permanente	2,640	3	1.06	2,437	2	1.05
Graton Resort and Casino	2,000	4	0.80	n/a		n/a
Santa Rosa City Schools (4)	1,691	5	0.68	-		-
St. Joseph Health System	1,578	6	0.63	2,775	1	1.20
Keysight Technologies (3)	1,505	7	0.61	1,400	5	0.61
Sonoma State University (1) (4)	1,275	8	0.51	-		-
City of Santa Rosa (4)	1,267	9	0.51	-		-
Medtronic CardioVascular	1,000	10	0.40	1,200	6	0.52
Sonoma Development Center	-			1,777	3	0.77
Safeway	-			1,615	4	0.70
Sutter Regional Hospital	-			1,081	7	0.47
Amy's Kitchen	-			1,050	8	0.46
AT&T	-			900	9	0.39
Jackson Wine Estates	-			810	10	0.35
Ten largest Employer's	20,526		8.23%	15,045		6.52%
All other employer's	229,674		91.77%	216,887		93.48%
Total Employers (2)	250,200		100.00%	231,932		100.00%

Notes:

- (1) As of Fall 2015
- (2) As of March 2016
- (3) Keysight Technologies separated from Agilent in 2014.
- (4) Employer excluded from the 2008 ranking which only included private industry employers

Source:

Sonoma County Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2008
North Bay Business Journal - Private Sector Employers in 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:	2007-08	2008-09	2009-10	2010-11	2011-12
General Government					
Board of Supervisors / County Administrator	33	36	33	33	28
General Services	131	133	126	119	114
County Clerk-Assessor-Recorder-PA	121	127	119	112	111
Auditor-Controller / Treasurer-Tax Collector	109	108	108	105	93
County Counsel	36	36	37	37	36
Human Resources	45	65	62	56	47
Information Systems	137	140	137	123	107
Economic Development	9	9	9	8	8
Agricultural Preservation and Open Space District	20	26	26	29	29
Public Protection					
District Attorney	128	129	129	124	113
Public Defender	56	55	57	54	50
Sheriff	733	732	711	660	624
Probation	326	312	318	301	279
Permit and Resource Management	168	168	140	121	101
Emergency Services	28	28	26	25	25
Child Support Services	152	144	129	115	108
Agricultural Commissioner	72	73	68	37	43
Northern Sonoma County Air Pollution Control	6	6	6	6	6
Public Assistance					
Human Services	660	655	638	669	664
In-Home Supportive Services (IHSS)	3	4	4	2	2
Health Services					
H.S.-Administration	59	58	50	48	56
Prevention & Planning	25	22	17	-	-
Environmental Health	34	36	34	-	-
Public Health	235	228	180	211	211
Mental Health	207	173	173	158	172
Alcohol, Drug & Tobacco	82	77	61	40	39
Special Revenue Funds	5	6	6	6	6
County Medical Services Program	-	-	-	-	-
Public Ways & Facilities					
Roads	189	172	149	128	128
Cultural & Recreational					
Regional Parks (1)	145	151	148	134	126
Education					
U.C. Cooperative Extension	11	10	8	6	5
Enterprise Funds					
Integrated Waste Enterprise Fund (2)	62	59	42	39	40
Airport Enterprise Fund	8	9	13	13	15
Transit	-	8	7	7	7
Fairgrounds	42	39	37	38	37
Discrete Component Units					
Community Development Commission	43	41	41	41	43
Sonoma County Water Agency	221	226	226	231	230
Library (3)	138	138	138	138	138
	<u>4,479</u>	<u>4,439</u>	<u>4,213</u>	<u>3,974</u>	<u>3,841</u>

Notes:

- (1) Regional Parks number of extra help employees not included after FY13-14.
- (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

2012-13	2013-14	2014-15	2015-16	2016-17	FTE'S:
					General Government
32	35	37	39	38	Board of Supervisors / County Administrator
116	119	119	111	110	General Services
114	118	109	102	103	County Clerk-Assessor-Recorder-PA
97	96	92	88	90	Auditor-Controller / Treasurer-Tax Collector
36	38	38	39	41	County Counsel
50	56	57	55	56	Human Resources
107	107	117	100	102	Information Systems
11	12	10	12	12	Economic Development
28	29	27	24	25	Agricultural Preservation and Open Space District
					Public Protection
114	120	121	115	122	District Attorney
52	52	49	49	51	Public Defender
634	648	635	603	625	Sheriff
278	285	286	291	267	Probation
102	101	108	105	112	Permit and Resource Management
27	27	24	23	21	Emergency Services
102	99	98	85	85	Child Support Services
37	41	32	32	37	Agricultural Commissioner
6	6	6	6	6	Northern Sonoma County Air Pollution Control
					Public Assistance
697	783	835	890	876	Human Services
1	1	1	1	1	In-Home Supportive Services (IHSS)
					Health Services
59	69	75	66	65	H.S.-Administration
-	-	-	-	-	Prevention & Planning
-	-	-	-	-	Environmental Health
202	200	206	213	210	Public Health
190	196	212	201	226	Mental Health
41	44	38	35	39	Alcohol, Drug & Tobacco
7	25	26	25	20	Special Revenue Funds
26	35	39	31	30	County Medical Services Program
					Public Ways & Facilities
128	137	124	118	113	Roads
					Cultural & Recreational
117	127	79	81	79	Regional Parks (1)
					Education
5	5	5	5	5	U.C. Cooperative Extension
					Enterprise Funds
41	41	40	9	10	Integrated Waste Enterprise Fund (2)
15	15	14	15	16	Airport Enterprise Fund
7	6	6	5	5	Transit
34	34	36	27	25	Fairgrounds
					Discrete Component Units
34	35	36	39	43	Community Development Commission
243	250	212	215	228	Sonoma County Water Agency
138	138	-	-	-	Library (3)
3,928	4,130	3,949	3,855	3,894	

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

Function/Program	2007-08	2008-09	2009-10	2010-11	2011-12
Law & Justice					
Filed Felonies/New Cases/New VOPs - DA/PD	2,589	2,550	2,533	2,196	2,066
Misdemeanor/Felony Court Appearances - DA/PD	144,492	145,343	126,841	139,428	124,854
Public Safety					
Fire Prevention Inspections (1)	-	-	-	-	-
Dispatch Calls - Sheriff	111,311	140,549	132,978	124,158	126,882
Adult Detention Facility Bookings - Sheriff	20,641	19,661	20,890	17,903	18,000
Juvenile Hall Average Daily Population	96	86	85	90	84
Health & Public Assistance					
Birth Certificates Registered - Health Services	5,904	5,704	5,880	5,532	5,188
Emergency Medical Responses - Health Services	53,365	55,364	54,000	53,417	43,278
Total Collections - Child Support Enforcement	\$ 32,023	\$ 30,338	\$ 29,743	\$ 30,363	\$ 28,574
Community Resources & Public Facilities -					
Permit & Resource Management					
Code Enforcement Cases	1,369	1,453	1,203	870	850
Customers Served (Public Counter)	33,727	29,552	35,060	33,988	30,389
Building Permits Issued	31,617	25,011	15,914	16,340	16,690
Integrated Waste					
Tonnage - Transportation & Public Works	335,000	263,087	240,000	240,000	240,000
Diverted Tonnage - Transportation & Public Works	125,000	108,076	106,625	107,356	110,000
Regional Parks					
Park Visitors	4,653,942	4,766,850	4,605,999	4,064,068	5,383,600
Veterans/Community Center:					
Events	4,507	4,095	4,145	4,397	3,655
Attendance	434,013	360,950	387,500	319,317	280,885

Notes:

- (1) Fire operating indicators changed to Fire Prevention Inspections in FY 2014-15.
- Long dash Indicates historical data was not available at time of reporting or the operating indicator has changed or these statistics are no longer available.

Source:

Sonoma County Departments

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	Function/Program
					Law & Justice
2,321	2,511	2,706	2,229	2,370	Filed Felonies/New Cases/New VOPs - DA/PD
123,008	130,135	-	149,121	99,714	Misdemeanor/Felony Court Appearances - DA/PD
					Public Safety
-	-	1,417	1,321	1,393	Fire Prevention Inspections (1)
126,959	125,149	115,351	114,980	111,568	Dispatch Calls - Sheriff
17,773	17,703	16,881	15,953	15,987	Adult Detention Facility Bookings - Sheriff
80	76	72	60	54	Juvenile Hall Average Daily Population
					Health & Public Assistance
5,058	5,166	5,224	5,380	4,997	Birth Certificates Registered - Health Services
45,980	50,634	55,157	50,567	66,680	Emergency Medical Responses - Health Services
\$ 28,372	\$ 28,699	\$ 29,038	\$ 31,063	\$ 34,120	Total Collections - Child Support Enforcement
					Community Resources & Public Facilities -
					Permit & Resource Management
877	899	955	1,058	-	Code Enforcement Cases
-	35,193	35,649	33,458	-	Customers Served (Public Counter)
-	16,517	17,090	14,704	-	Building Permits Issued
					Integrated Waste
230,837	267,251	266,913	292,867	297,282	Tonnage - Transportation & Public Works
110,000	109,000	119,566	102,302	85,696	Diverted Tonnage - Transportation & Public Works
					Regional Parks
5,843,143	5,545,143	5,603,743	5,376,723	5,430,330	Park Visitors
					Veterans/Community Center:
4,788	1,910	2,912	3,793	-	Events
312,570	199,883	255,018	343,136	-	Attendance

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

Function	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Sheriff:					
Stations	3	3	3	3	3
Sub-Stations	4	4	5	5	5
Patrol Units	143	124	140	132	155
Helicopter	1	1	1	1	1
Marine Craft	4	4	4	4	5
Streets And Highways:					
Streets (miles)	1,384	1,381	1,382	1,382	1,382
Bridges (longer then 20 feet)	328	328	326	326	332
Traffic Lights - County Only	34	34	35	35	35
Traffic Lights - Shared With Cities	3	4	3	3	3
Traffic Lights - Shared With State	27	23	23	24	24
Total Traffic Lights	<u>64</u>	<u>61</u>	<u>61</u>	<u>62</u>	<u>62</u>
Parks And Recreation:					
Total Acreage Open to Public (1)	7,299	7,776	8,855	8,855	49,882
Water Agency:					
Water Mains (miles)	110	110	110	110	90
Chlorination Facilities	3	3	3	3	3
Pumping Plants/Booster Stations	21	21	21	21	21
Production Wells	9	9	9	9	9
Tank Storage Capacity (thousands of gallons)	128,800	128,800	128,800	128,800	133,000
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)	73	71	88	76	82

Notes:

(1) Total Acreage tracked by the County. Regional Parks assumed the management of Annadel State Park from the state of California in FY 2011-12. The State reassumed the management back from Regional Parks FY 2013-14.

Source:

Sonoma County Departments

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
					Function
					Sheriff:
3	3	3	3	3	Stations
5	5	5	5	5	Sub-Stations
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	1,379	1,379	Streets (miles)
330	332	332	328	328	Bridges (longer then 20 feet)
37	38	38	38	40	Traffic Lights - County Only
3	3	3	3	3	Traffic Lights - Shared With Cities
26	27	30	30	30	Traffic Lights - Shared With State
<u>66</u>	<u>68</u>	<u>71</u>	<u>71</u>	<u>73</u>	Total Traffic Lights
					Parks And Recreation:
57,980	11,372	9,403	11,037	11,036	Total Acreage Open to Public (1)
					Water Agency:
90	90	90	90	85	Water Mains (miles)
3	3	3	3	3	Chlorination Facilities
21	21	21	21	21	Pumping Plants/Booster Stations
9	9	9	9	9	Production Wells
128,800	128,800	128,800	128,800	129,000	Tank Storage Capacity (thousands of gallons)
					Sanitation:
252	230	230	230	230	Sanitary Sewers (miles)
13,439	13,439	13,439	13,439	13,439	Treatment Capacity (thousands of gallons)
					Transit:
81	81	80	83	80	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 PAYROLL. The payroll on which contributions to a pension plan are based.

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

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

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

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition. 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.

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 ABATEMENT. A reduction of or exemption from taxes granted to encourage certain activities.

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).