

Sonoma County Open Space Authority

**Annual Report
For The Fiscal Year Ended
June 30, 2010**



RODNEY A. DOLE
SONOMA COUNTY
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

Sonoma County Open Space Authority

**Annual Report
For the Fiscal Year Ended
June 30, 2010**

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RODNEY A. DOLE
AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR



DONNA M. DUNK
ASSISTANT
AUDITOR-CONTROLLER

ROBERT BOITANO
ASSISTANT
TREASURER

PAM JOHNSTON
ASSISTANT
TAX COLLECTOR / AUDITOR

Board of Directors
Sonoma County Open Space Authority
Santa Rosa, CA

Auditor-Controller's Report

We have audited the accompanying financial statements of the Sonoma County Open Space Authority, (the Authority) as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IV.B of the Notes to the Basic Financial Statements, the Auditor-Controller is mandated by various statutes within the California Government Code to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. However, we believe adequate safeguards and divisions of responsibility exist.

In our opinion, except for the effects, if any, of the impairment to auditor independence, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 1 through 6 and the budgetary comparison information on page 23 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sonoma County Auditor-Controller

December 13, 2010

Management's Discussion and Analysis

As management of the Sonoma County Open Space Authority (the Authority) we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements (pages 7 - 11) and the accompanying notes to the basic financial statements (pages 12 - 22).

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$66,578,036 (net assets). Of this amount, \$65,724,763 (unrestricted net assets) may be used in implementing the Agricultural Resources and Open Space element of the Sonoma County general plan and to further the State policy on open space preservation.
- The Authority's total net assets decreased by \$8,068,289. This decrease is a result of expenses exceeding revenues in the governmental activities.
- As of the close of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$66,538,355, a decrease of \$8,046,706, in comparison with the prior year. Approximately 87 percent, \$57,819,146, of this total amount is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was 42 percent of the total general fund expenditures of \$24,048,072.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). The government-wide financial statements can be found on pages 7 – 8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds are governmental 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 and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Authority uses governmental funds to account for its activities, which include the preservation of open space in the Authority's boundaries. The Authority adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 – 11 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 – 22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$66,578,036 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets is in its cash and investments.

Net Assets			
	2010	2009	Increase (Decrease)
Current and other assets	\$ 65,727,866	\$ 74,672,225	\$ (8,944,359)
Restricted Assets	813,592	821,084	(7,492)
Capital assets	39,681	61,264	(21,583)
Total assets	<u>66,581,139</u>	<u>75,554,573</u>	<u>(8,973,434)</u>
Current and other liabilities	3,103	908,248	(905,145)
Total liabilities	<u>3,103</u>	<u>908,248</u>	<u>(905,145)</u>
Net assets:			
Invested in capital assets, net of related debt	39,681	61,264	(21,583)
Restricted	813,592	821,084	(7,492)
Unrestricted	<u>65,724,763</u>	<u>73,763,977</u>	<u>(8,039,214)</u>
Total net assets	<u>\$ 66,578,036</u>	<u>\$ 74,646,325</u>	<u>\$ (8,068,289)</u>

The balance of the unrestricted net assets \$65,724,763 may be used to meet the Authority's ongoing financing of the acquisition of land and easements.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same held true for the prior fiscal year.

Changes in Net Assets

	2010	2009	Increase (Decrease)
Revenues:			
General Revenues:			
Sales and use tax	\$ 15,348,517	\$ 17,359,171	\$ (2,010,654)
Investment earnings	652,515	1,526,036	(873,521)
Miscellaneous revenue	334	1,100	(766)
Total revenues	16,001,366	18,886,307	(2,884,941)
Expenses:			
Program Expenses:			
Administration	69,169	66,869	2,300
Contributions to other governments	24,000,486	5,751,448	18,249,038
Total expenses	24,069,655	5,818,317	18,251,338
Increase (decrease) in net assets	(8,068,289)	13,067,990	(21,136,279)
Net assets - beginning of the year	74,646,325	61,578,335	13,067,990
Net assets - end of the year	\$ 66,578,036	\$ 74,646,325	\$ (8,068,289)

Governmental activities. Governmental activities decreased the Authority's net assets by \$8,068,289. This decrease is a result of expenses exceeding revenues in the governmental activities.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Authority's governmental funds reported ending fund balances of \$66,538,355, a decrease of \$8,046,706, in comparison with the prior year. Approximately 87 percent of the total amount constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. Of the remaining fund balance,

12 percent is unreserved, designated for contingencies and 1 percent is reserved for ongoing projects.

The general fund is the chief operating fund of the Authority. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$57,819,146, while total general fund balance reached \$66,538,355. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated fund balance and total fund balance to total fund expenditures. Total general expenditures represent 42 percent of unreserved, undesignated fund balance.

General Fund Budgetary Highlights

It is the practice of the Authority to budget only those expenses that are anticipated to occur during the course of the year. After budgeting for these expected expenses, the entire remaining unreserved, undesignated fund balance is budgeted under Contributions to Other Governments - Land and Easements.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets, as of June 30, 2010, amounts to \$39,681 (net of accumulated depreciation). This amount represents the Authority's investment in equipment.

Additional information on the Authority's capital assets can be found in Note III.C on page 20 of this report.

Contributions to Other Governments

Major expenditures during the current fiscal year included the following:

- A contribution of \$4,400,000 to the Sonoma County Agricultural Preservation and Open Space District for the costs of administering the acquisition program.

Economic Factors and Next Year's Budgets and Rates

- On November 7, 2006, Sonoma County voters approved Measure F, the Sonoma County Open Space, Clean Water and Farmland Protection Measure, also identified as ordinance number 5677R. Effective April 1, 2011, the measure provides that the 0.25% sales tax for open space will be levied by the County rather than the Sonoma County Open Space Authority. The Authority will reorganize as a commission to provide fiscal oversight of District operations. The commission will be titled, Sonoma County Open Space Fiscal Oversight Commission.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma County Open Space Authority, 747 Mendocino Avenue, Suite 100, Santa Rosa, CA 95401-4850.

Sonoma County Open Space Authority
Statement of Net Assets
June 30, 2010

Assets	
Cash and investments	\$ 65,727,866
Restricted cash	813,592
Capital assets:	
Non-depreciable	
Equipment	235,177
Accumulated depreciation	<u>(195,496)</u>
Total assets	<u>66,581,139</u>
 Liabilities	
Accounts payable	3,103
Total liabilities	<u>3,103</u>
 Net Assets	
Invested in capital assets, net of related debt	39,681
Restricted for:	
Open Space education	207,120
Petaluma Marsh -restoration and enhancement	97,446
Jacobs Property capital improvement	17,735
Willow Creek capital improvement	234,500
Cooper's Grove capital improvements	75,000
Lawson Property capital improvements	100,000
Saddle Mountain capital improvements	81,791
Unrestricted	<u>65,724,763</u>
Total net assets	<u>\$ 66,578,036</u>

The notes to the basic financial statements are an integral part of this statement.

Sonoma County Open Space Authority
Statement of Activities
For the fiscal year ended June 30, 2010

Program Expenses

Administration	
Salaries and employee benefits	\$ 4,725
Services and supplies	42,861
Contribution to other governments	
Operations	4,400,000
Land and easements	19,600,486
Depreciation	21,583
	<hr/>
Total program expenses	24,069,655
	<hr/>

Program Revenues

Sales and use tax	15,348,517
Investment earnings	652,515
Miscellaneous revenue	334
	<hr/>
Total program revenues	16,001,366
	<hr/>

Change in net assets	(8,068,289)
Net assets - beginning of year	74,646,325
	<hr/>
Net assets - end of year	\$ 66,578,036
	<hr/> <hr/>

The notes to the basic financial statements are an integral part of this statement.

**Sonoma County Open Space Authority
Balance Sheet
Governmental Fund
June 30, 2010**

Assets

Cash and investments	\$	65,727,866
Restricted cash		<u>813,592</u>
Total assets	\$	<u><u>66,541,458</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$	<u>3,103</u>
Total liabilities		<u>3,103</u>

Fund balance:

Reserved for:

Open Space education		207,120
Petaluma Marsh -restoration and enhancement		97,446
Jacobs Property capital improvement		17,735
Willow Creek capital improvement		234,500
Cooper's Grove capital improvements		75,000
Lawson Property capital improvements		100,000
Saddle Mountain capital improvements		81,791
Unreserved, designated:		
Contingencies		7,905,617
Unreserved, undesignated		<u>57,819,146</u>
Total fund balance		<u><u>66,538,355</u></u>
Total liabilities and fund balance	\$	<u><u>66,541,458</u></u>

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balances - total governmental funds	\$	66,538,355
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		<u>39,681</u>
Net assets of governmental activities (page 7)	\$	<u><u>66,578,036</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Sonoma County Open Space Authority
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2010**

Revenues

Sales and use tax	\$ 15,348,517
Investment earnings	652,515
Miscellaneous revenue	334
	16,001,366
Total revenues	16,001,366

Expenditures

Current:	
Salaries and employee benefits	4,725
Services and supplies	42,861
Contribution to other government	
Operations	4,400,000
Land and easements	19,600,486
	24,048,072
Total expenditures	24,048,072
Excess (deficiency) of revenue over (under) expenditures	(8,046,706)
Net change in fund balances	(8,046,706)
Fund balance - beginning of year	74,585,061
Fund balance - end of year	\$ 66,538,355

The notes to the basic financial statements are an integral part of this statement.

Sonoma County Open Space Authority
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the fiscal year ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances - total governmental funds (page 10)	\$ (8,046,706)
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Current year depreciation	<u>(21,583)</u>
Change in net assets of governmental activities (page 8)	\$ <u><u>(8,068,289)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

I. Summary Of Significant Accounting Policies

A. Reporting Entity

The Sonoma County Open Space Authority was created by the Board of Supervisors of the County of Sonoma per Resolution No. 90-1521 dated August 7, 1990, and amended per Resolution No. 99-0960 dated July 20, 1999 pursuant to the provisions of the Revenue and Taxation Code Section 7285.5.

The Authority was created in order to assist in implementing the Agricultural Resources and Open Space Element of the Sonoma County General Plan and to further the state policy on open space preservation expressed in Government Code Section 65561.

The Authority, through its taxing power and voter approval, imposes a transaction and use tax at a rate not to exceed 0.25% as its revenue source with an appropriations limit established annually.

The Sonoma County Agricultural Preservation and Open Space District was established through the approval of Measure A in order to implement the open space acquisition program. Funding for acquisition was approved in Measure C. Measures A and C were approved by the voters on November 6, 1990.

The District and Authority entered into a contract on February 4, 1991 which was amended on March 26, 1992 and again on July 20, 1999. Among other things, the contract requires the Authority to finance the purchase of interests in land by the District in exchange for the District's agreement to administer an acquisition program and to hold and maintain such interest. With respect to individual purchases of interests in land, the contract further provides for a three party escrow with the seller submitting an executed easement agreement in exchange for the agreed price, the District taking title to the interests in land and the Authority submitting the purchase price and a proportionate share of the closing costs. Thus the Authority finances the purchase price, and the District takes title to the interests in land.

The Authority is governed by a five member Board of Directors appointed by the Sonoma County Board of Supervisors. The County's accountability for the Sonoma County Open Space Authority does not extend beyond making the appointments.

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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 when a liability is incurred, regardless of the timing of the related cash flows. Sales tax is recognized as revenue in the year for which it was levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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. Taxes, interest, and charges for services are accrued when receipt occurs within 365 days of the end of the accounting period so as to be both measurable and available. Licenses, permits, fines, forfeitures, and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are accrued when their receipt occurs within sixty days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments are recorded only when payment is due.

**Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010**

Amounts recorded as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

In accordance with GASB Statement No. 31, the Authority reports cash and investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

2. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$700 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	5 - 15 years

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

3. Net Assets

Net assets are classified into three components – invested in capital assets (net of related debt), restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt (if any) – This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of capital leases.
- Restricted net assets (if any) - This component of net assets consists of net assets with limits on their use that are imposed by outside parties.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

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

4. Fund Balance

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

5. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010**

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis. Annual appropriations that have not been encumbered lapse at year-end.

Annual budgets are adopted on a basis which differs from generally accepted accounting principles (GAAP) in that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase for the purpose of a budgetary presentation. Actual GAAP expenditures have been adjusted to exclude current year encumbrances and to include expenditures against prior year encumbrances. This allows a comparison of a fiscal year's expenditures and commitments with related appropriations.

III. Detailed Notes

A. Deposits and Investments

The Authority follows the County's practice of pooling cash and investments with the County Treasurer, except for the cash on hand used as a petty cash fund.

The amount of cash at June 30, 2010 is as follows:

Cash and investment in County Treasury	\$ 65,727,866
Restricted Cash	813,592
Total	<u><u>66,541,458</u></u>

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

Investment in the Sonoma County Treasurer's Investment Pool

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

Investment Guidelines

The Authority's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

As of June 30, 2010, approximately 74 percent of the securities in the Treasury Pool had maturities of one year or less. Of the remainder, only 3 percent had a maturity of more than five years.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for 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 Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

**Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010**

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2010 Sonoma County Comprehensive Annual Financial Report.

B. Restricted Assets

\$813,592 of the District's net assets have legally enforceable limitations on their use, and are related to donations received by the District towards capital improvements.

Restricted for:

Open Space education	\$	207,120
Petaluma Marsh -restoration and enhancement		97,446
Jacobs Property capital improvement		17,735
Willow Creek capital improvement		234,500
Cooper's Grove capital improvements		75,000
Lawson Property capital improvements		100,000
Saddle Mountain capital improvements		81,791
Total restricted assets	\$	<u>813,592</u>

**Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010**

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets, being depreciated:			
Equipment	\$ 235,177	\$ 0	\$ 235,177
Less Accumulated depreciation	(173,913)	(21,583)	(195,496)
Total capital assets not being depreciated	\$ 61,264	\$ (21,583)	\$ 39,681

D. Contributions to Other Government

For the fiscal year 2009-2010, the Authority contributed a total of \$4,400,000 to the Sonoma County Open Space and Agricultural Preservation District for administrative costs.

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

IV. Other Information

A. Risk Management

Although the Sonoma County Open Space Authority is an independent legal entity, it is protected under the Sonoma County Agricultural Preservation and Open Space District's insurance coverage. The District is covered through the County of Sonoma's self-insurance program.

The County of Sonoma is self-insured as follows: \$300,000 per occurrence for workers' compensation claims, \$1,000,000 per occurrence for automobile and general liability claims, \$500,000 per occurrence and any amount in excess of \$10,000,000 per occurrence for hospital malpractice claims occurring prior to March 26, 1996, and \$275,000 per occurrence for health insurance claims with a stop loss coverage up to \$1,000,000 per claim. The County is entirely self-insured for unemployment claims and for long-term disability occurring prior to August 1, 1999.

The County participates in the CSAC Excess Insurance Authority excess liability insurance program. The County is covered under this program for \$1,000,000 to \$25,000,000 per occurrence for liability claims. Amounts in excess of \$300,000 per occurrence for worker's compensation claims within statutory limits are maintained through participation in the CSAC Excess Insurance Authority-Excess Workers' Compensation Program.

The County maintains "All Risk" coverage for physical loss and damage including flood and earthquake coverage through participation in the CSAC Excess Insurance Authority with the following limits and deductibles: \$600,000,000 limit per occurrence and \$50,000 deductible for "All Risk" and flood, earthquake deductible at \$365,000 with a deduction at 5% of building value. Boiler and machinery coverage is included in the All-Risk coverage.

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

Sonoma County Open Space Authority
Notes to the Basic Financial Statements
June 30, 2010

B. Auditor Independence

As required by various statutes within the California Government Code, County Auditor-Controllers are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair the auditor's independence. Specifically, "Auditors should not audit their own work or provide non audit services in situations where the amounts or services involved are significant or material to the subject matter of the audit." Although the office of the Auditor-Controller is statutorily obligated to maintain accounts of departments, Authorities or funds that are contained within the County Treasury, we believe that adequate safeguards and divisions of responsibility exist. Therefore, we believe that subject to this qualification and disclosure, the reader can rely on the auditor's opinion contained in this report.

Required Supplementary Information

Sonoma County Open Space Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Governmental Fund
For the Fiscal Year Ended
June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Sales and use tax	\$ 16,500,000	\$ 16,500,000	\$ 15,348,517	\$ (1,151,483)
Investment earnings	727,000	727,000	652,515	(74,485)
Miscellaneous revenue	0	0	334	334
Total revenues	<u>17,227,000</u>	<u>17,227,000</u>	<u>16,001,366</u>	<u>(1,225,634)</u>
Expenditures				
Current:				
Salaries and employee benefits	5,250	5,250	4,725	525
Services and supplies	80,631	80,631	42,861	37,770
Contribution to other government				
Operations	5,200,000	5,200,000	4,400,000	800,000
Land and easements	77,809,069	77,809,069	19,600,486	58,208,583
Capital outlay	374,681	374,681	0	374,681
Total expenditures	<u>83,469,631</u>	<u>83,469,631</u>	<u>24,048,072</u>	<u>59,421,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,242,631)</u>	<u>(66,242,631)</u>	<u>(8,046,706)</u>	<u>58,195,925</u>
Net change in fund balances	(66,242,631)	(66,242,631)	(8,046,706)	58,195,925
Fund balance - beginning of year	74,585,061	74,585,061	74,585,061	0
Fund balance - end of year	<u>\$ 8,342,430</u>	<u>\$ 8,342,430</u>	<u>\$ 66,538,355</u>	<u>\$ 58,195,925</u>

The notes to the basic financial statements are an integral part of this statement.

**Sonoma County Open Space Authority
Roster of Board Members**

As of December 13, 2010, the Authority Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Mike Sangiacomo.....	Chairman	July, 2010
Alfred A. Alys.....	Vice Chairman	March, 2011
Jean Kapolchok	Chairman Pro Tem	February, 2012
Bob Anderson		October, 2011
Liza Prunuske		December, 2012
Paul Hammond	Alternate.....	March, 2012*

* *Extended term time until reappointed or replaced per Board Resolution No. 98-1124, dated August 25, 1998.*

Regular Meetings:

The regular meetings of the Board of Directors are held at 5:00 P.M. the first Thursday of every month or any given Thursday as necessary at the Sonoma County Open Space Authority office located at 747 Mendocino Avenue, Suite 100, Santa Rosa, CA. (707) 565-7363.