

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT**

**ANNUAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2007 AND 2006**

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT**

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**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT**

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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
Northern Sonoma County Air Pollution Control District
Healdsburg, California

Auditor-Controller's Report

We have audited the accompanying basic financial statements of the Northern Sonoma County Air Pollution Control District (the District), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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.C 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 District as of June 30, 2007 and 2006 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 8 is not a required part of the basic financial statements but is 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

September 30, 2008

Management's Discussion And Analysis

As management of the Northern Sonoma County Air Pollution Control District (hereinafter "the District" or "NSCAPCD"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for fiscal years ended June 30, 2007 and 2006. We encourage the readers to consider the information presented here in conjunction with the NSCAPCD's financial statements (pages 9 - 20) and the accompanying notes to the financial statements (pages 21 - 32).

Financial Highlights

- The assets of the NSCAPCD exceeded its liabilities at the close of fiscal years 2006/2007, and 2005/2006 by \$2,778,233 and \$2,467,649 (*net assets*), respectively. Of these amounts, \$685,719 in 2006/2007, and \$648,833 in 2005/2006 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2006/2007, the District's governmental funds reported combined ending fund balances of \$2,779,080, an increase of \$319,531, in comparison with the prior year. Of the four separate funds only the General unreserved fund balance is available for spending at the government's discretion. The General fund balance was \$756,922. The other three funds (VPMP, GAMP and CP) have statutory constraints tied to their use. Their combined fund balances were \$2,779,080.
- As of the close of fiscal year 2005/2006, the District's governmental funds reported combined ending fund balances of \$2,459,549, an increase of \$27,413, in comparison with the prior year. Of the four separate funds, only the General unreserved fund balance is available for spending at the government's discretion. The General fund balance was \$724,322. The other three funds (VPMP, GAMP and CP) have statutory constraints tied to their use. Their combined balances were \$2,459,549.
- At the end of fiscal year 2006/2007, unreserved fund balance for the governmental funds was \$2,313,809 or 195% of the total governmental funds expenditures as compared to \$2,071,157 or 147% for fiscal year 2005/2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The statement of net assets presents information on all of the District'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 District 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., unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 9 - 10 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District'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 District uses governmental funds to account for its activities which include field inspections and enforcement, stationary source permitting, air monitoring and controlling open burning within the District's boundaries. The District 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 11 - 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 32 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 District, assets exceeded liabilities at the close of fiscal years 2006/2007 and 2005/2006 by \$2,778,233 and \$2,467,649, respectively.

By far the largest portion of the District’s net assets is in cash.

Net Assets

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 2,794,995	\$ 2,487,762
Capital assets	<u>70,356</u>	<u>83,589</u>
Total assets	<u>2,865,351</u>	<u>2,571,351</u>
Long-term liabilities outstanding	71,203	75,489
Other liabilities	<u>15,915</u>	<u>28,213</u>
Total liabilities	<u>87,118</u>	<u>103,702</u>
Net assets:		
Invested in capital assets, net of related debt	70,356	83,589
Restricted	2,022,158	1,735,227
Unrestricted	<u>685,719</u>	<u>648,833</u>
Total net assets	\$ <u><u>2,778,233</u></u>	\$ <u><u>2,467,649</u></u>

The balance of unrestricted net assets (\$685,719 and \$648,833 for the fiscal years 2006/2007, and 2005/2006, respectively) may be used to meet the District's ongoing obligations to citizens and vendors, with certain statutory constraints in the GAMP, VPMP and CP funds.

At the end of the fiscal years 2006/2007, and 2005/2006, the District was able to report a positive balance in net assets for the government as a whole.

Governmental activities. Governmental activities increased the District's total net assets by \$310,584 in 2006/2007, and increased by \$5,482 in 2005/2006.

Changes in Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,290,885	\$ 1,259,848
General revenues:		
Property taxes	89,909	78,037
Investment and other	128,281	92,625
Total revenues	1,509,075	1,430,510
Expenses:		
Salaries and employee benefits	700,218	675,395
Services and supplies	485,040	731,543
Depreciation	13,233	18,090
Total expenses	1,198,491	1,425,028
Increase in net assets	310,584	5,482
Net assets - beginning of the year	2,467,649	2,462,167
Net assets - end of the year	\$ 2,778,233	\$ 2,467,649

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the District's governmental funds is to implement and conduct its air pollution control programs within its boundaries. These funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District'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. The four funds are:

- The General Fund, index #689018
- The VPMP fund, Vehicle Pollution Mitigation Program, index #689034
- The GAMP fund, Geysers's Area Monitoring Program, index #689109
- The CP fund, Community Programs Fund, index #689307

Vehicle Pollution Monitoring Program Fund (VPMP) was established in fiscal year 1990/1991 in order to fund projects designed to mitigate air pollution from the use or reduced use of motor vehicles. The revenues are obtained from a surcharge (\$6 per vehicle) on the annual motor registration fee from vehicles located within the boundaries of the District (approximately 63,800). Effective in April of 2005, the surcharge was increased from \$4 to \$6 due to the passage at the State, of additional Carl Moyer funds. The Sonoma County Board of Supervisors subsequently passed it on 12/14/04.

The District uses the Geysers Air Monitoring Program (GAMP) to monitor downwind impacts of the geysers geothermal development to determine if the District's control meets the State hydrogen sulfide air quality standards. GAMP is a consortium of regulatory agencies, including the California Air Resources Board, the California Energy Commission, and provides geothermal industry which pool resources, personnel and funds to conduct ambient air monitoring in the geysers geothermal resource area. The District has participated in the program since fiscal year 1983/1984.

In fiscal year 1996/1997 the Community Programs Fund was established. (Previously referred to as the Judgement Fund.) This fund was established as a mitigation fund to offset the impact of air pollution violations. The monies received in this fund are restricted to use in programs that monitor or mitigate specific air pollutants. In fiscal year 2001/2002 additional funds in the amount of \$105,184 were received (\$40,000 from Calpine with regards to a settlement of a lawsuit, and \$65,184 from the State in response to work done by the District for back-up generation during the energy crisis in early fiscal year 2001/2002). During fiscal year 2004/2005, a woodstove change-out program was approved within this fund. During fiscal year 05-06 and fiscal year 06-07, \$47,000 and \$26,300 respectfully, was spent on this program. All of the fund balance in this fund is restricted to programs such as the woodstove change-out program, which help to offset the impacts of air pollution.

As of the end of fiscal year 2006/2007, the District's governmental funds reported ending fund balances of \$2,779,080 compared to \$2,459,549 at the end of fiscal year 2005/2006. For both years, a portion of the total amounts was reserved for encumbered contracts established during the respective fiscal years. Those amounts were \$465,271 and \$388,392, respectively for fiscal years 2006/2007, 2005/2006. However, a portion of the unreserved fund balance, specifically,

the GAMP fund, is not available for expenditure for purposes other than GAMP. Those funds constitute a balance of geothermal industry money that the District administers for that program alone. They are not public funds. The majority of fund balance under the VPMP fund is reserved because it has already been committed to help fund various grants for other jurisdictions committed to clean air within Sonoma County.

The general or main special revenue fund is the chief operating fund of the Northern Sonoma County Air Pollution Control District. This fund pays the salaries and general expenses for the District. Its main revenue sources are property taxes, various permit fees, and State supplemental subvention fees. Its main activities include issuing authorizations to construct and permits to operate equipment, issuing burn authorizations, ambient air quality monitoring, inspection and source testing. The District also implements State programs for air toxics control and motor vehicle pollution reduction. The District provides enforcement for the above-mentioned activities and coordinates with the adjacent air pollution control districts, the State Air Resources Board and the Federal Environmental Protection Agency. As a measure of the general funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 195% of total general fund expenditures for 2006/2007, and 147% for 2005/2006. The total fund balance represents 308% of total general fund expenditures for 2006/2007, and 281% for 2005/2006.

General Fund Budgetary Highlights

The fiscal year 05-06 budget was increased by \$170,000, which included \$100,000 in a VPMP project, and a rollover of the woodstove change-out program of \$65,000. The fiscal year 06-07 budget was increased by \$521,300, which included \$493,000 of rolled over VPMP projects that were not completed in fiscal year 05-06.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets, as of June 30, 2007, amounts to \$70,356 (net of accumulated depreciation), as of June 30, 2006, amounts to \$83,589 (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements, and equipment. The total decrease in the District's investment in capital assets for fiscal year 2006/2007 was \$13,233. For fiscal year 2005/2006, the decrease was \$18,090.

Major capital asset events during 2006/2007, and 2005/2006 included the following:

- Depreciation of equipment.

Additional information on the District's capital assets can be found in note III.B on pages 28 and 29 of this report.

Outstanding debt. Long-term debt consists of accrued compensated absences. At the end of fiscal year 2006/2007, the District had total long-term debt outstanding of \$71,203. At the end of fiscal year 2005/2006, the District had total long-term debt outstanding of \$75,489.

Request for Information

This financial report is designed to provide a general overview of the District'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 Northern Sonoma County Air Pollution Control District, 150 Matheson St., Healdsburg, CA 95448.

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Comparative Statement of Net Assets
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and investments	\$ 2,695,683	\$ 2,353,578
Accounts receivable	39,312	0
Due from other governments	60,000	134,184
Capital assets:		
Non-depreciable	46,206	46,206
Depreciable, net	24,150	37,383
Total assets	2,865,351	2,571,351
Liabilities		
Accounts payable	15,915	28,213
Non-current liabilities:		
Due in more than one year	71,203	75,489
Total liabilities	87,118	103,702
Net Assets		
Invested in capital assets, net of related debt	70,356	83,589
Restricted for:		
Air Pollution Programs	2,022,158	1,735,227
Unrestricted	685,719	648,833
Total net assets	\$ 2,778,233	\$ 2,467,649

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Comparative Statement of Activities
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Program Expenses		
Air Quality - Monitoring		
Salaries and employee benefits	\$ 700,218	\$ 675,395
Services and supplies	485,040	731,543
Depreciation	<u>13,233</u>	<u>18,090</u>
Total program expenses	<u>1,198,491</u>	<u>1,425,028</u>
 Program revenues		
Charges for services		
Intergovernmental	276,236	291,510
Fines and forfeitures	4,250	1,650
Licenses and permits	765,632	685,887
Other charges for services	<u>244,767</u>	<u>280,801</u>
Total charges for services	<u>1,290,885</u>	<u>1,259,848</u>
Net program revenues (expenses)	<u>92,394</u>	<u>(165,180)</u>
 General revenues		
Property taxes	89,909	78,037
Investment earnings	<u>128,281</u>	<u>92,625</u>
Total general revenues	<u>218,190</u>	<u>170,662</u>
Change in net assets	310,584	5,482
Net assets - beginning of year	<u>2,467,649</u>	<u>2,462,167</u>
Net assets - end of year	<u>\$ 2,778,233</u>	<u>\$ 2,467,649</u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2007

	General	Special Revenue	Total
Assets			
Cash and investments	\$ 719,491	\$ 1,976,192	\$ 2,695,683
Accounts receivable	39,312	0	39,312
Due from other governments		60,000	60,000
	<u>758,803</u>	<u>2,036,192</u>	<u>2,794,995</u>
Total assets	<u>\$ 758,803</u>	<u>\$ 2,036,192</u>	<u>\$ 2,794,995</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 1,881	\$ 14,034	\$ 15,915
Total liabilities	<u>1,881</u>	<u>14,034</u>	<u>15,915</u>
Fund balance:			
Reserved for encumbrances		465,271	465,271
Unreserved	756,922	1,556,887	2,313,809
	<u>756,922</u>	<u>2,022,158</u>	<u>2,779,080</u>
Total fund balance	<u>756,922</u>	<u>2,022,158</u>	<u>2,779,080</u>
Total liabilities and fund balance	<u>\$ 758,803</u>	<u>\$ 2,036,192</u>	<u>\$ 2,794,995</u>
Reconciliation of Balance Sheet to Statement of Net Assets			
Fund balance - total government funds			\$ 2,779,080
Amount reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
			70,356
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Compensated absences			(71,203)
Net assets of governmental activities			<u>\$ 2,778,233</u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

	General	Special Revenue	Total
Assets			
Cash and investments	\$ 682,212	\$ 1,671,366	\$ 2,353,578
Accounts receivable		0	0
Due from other governments	43,706	90,478	134,184
Total assets	\$ 725,918	\$ 1,761,844	\$ 2,487,762
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 1,596	\$ 26,617	\$ 28,213
Total liabilities	1,596	26,617	28,213
Fund balance:			
Reserved for encumbrances	0	388,392	388,392
Unreserved	724,322	1,346,835	2,071,157
Total fund balance	724,322	1,735,227	2,459,549
Total liabilities and fund balance	\$ 725,918	\$ 1,761,844	\$ 2,487,762

Reconciliation of Balance Sheet to Statement of Net Assets

Fund balance - total government funds	\$ 2,459,549
Amount reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	83,589
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(75,489)
Net assets of governmental activities	\$ 2,467,649

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenue			
Property taxes	\$ 89,909	\$	\$ 89,909
Licenses/permits	625,389	140,243	765,632
Use of money	40,367	87,914	128,281
Intergovernmental	48,048	228,187	276,235
Charges for services	1,835	242,932	244,767
Fines & forfeitures	4,250		4,250
	<u>809,798</u>	<u>699,276</u>	<u>1,509,074</u>
Expenditures			
Current:			
Salaries and employee benefits	704,504	0	704,504
Service and supplies	198,501	286,538	485,039
	<u>903,005</u>	<u>286,538</u>	<u>1,189,543</u>
Excess (deficiency) of revenues over (under) expenditures	(93,207)	412,738	319,531
Other Financing Sources (Uses)			
Operating transfer	125,809	(125,809)	0
Net change in fund balances	32,602	286,929	319,531
Fund balance, beginning of year	724,320	1,735,229	2,459,549
Fund balance, end of year	<u>\$ 756,922</u>	<u>\$ 2,022,158</u>	<u>\$ 2,779,080</u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenue			
Property taxes	\$ 78,037	\$	\$ 78,037
Licenses/permits	531,476	154,411	685,887
Use of money	29,308	63,317	92,625
Intergovernmental	48,309	243,201	291,510
Charges for services	8,965	271,836	280,801
Fines & forfeitures	1,649		1,649
	<u>697,744</u>	<u>732,765</u>	<u>1,430,509</u>
Expenditures			
Current:			
Salaries and employee benefits	671,554		671,554
Service and supplies	203,962	527,580	731,542
	<u>875,516</u>	<u>527,580</u>	<u>1,403,096</u>
Excess (deficiency) of revenues over (under) expenditures	(177,772)	205,185	27,413
Other Financing Sources (Uses)			
Operating transfer	136,620	(136,620)	0
Net change in fund balances	(41,152)	68,565	27,413
Fund balance, beginning of year	765,474	1,666,662	2,432,136
Fund balance, end of year	<u>\$ 724,322</u>	<u>\$ 1,735,227</u>	<u>\$ 2,459,549</u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Year Fiscal Ended June 30, 2007

Amount reported for governmental activities in the statement of activities
 (page 9)

Net change in fund balance - total governmental funds (page 13)	\$ 319,531
Governmental funds report capital outlays 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.	
Current year depreciation	(13,233)
Change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	
	<u>4,286</u>
Change in net assets of governmental activities (page 10)	<u><u>\$ 310,584</u></u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2006

Amount reported for governmental activities in the statement of activities
 (page 10) is different because:

Net change in fund balance - total governmental funds (page 14)	\$ 27,413
Governmental funds report capital outlays 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.	
Current year depreciation	(18,090)
Change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	
	<u>(3,841)</u>
Change in net assets of governmental activities (page 10)	<u><u>\$ 5,482</u></u>

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual - General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 76,739	\$ 76,739	\$ 89,909	\$ 13,170
Licenses and permits	617,195	617,195	625,389	8,194
Use of money	25,670	25,670	40,367	14,697
Intergovernmental	47,677	47,677	48,048	371
Charges for services	200	200	1,835	1,635
Fines and forfeitures			4,250	4,250
Total revenues	<u>767,481</u>	<u>767,481</u>	<u>809,798</u>	<u>42,317</u>
Expenditures				
Current:				
Salaries and employee benefits	735,204	735,204	704,504	30,700
Service and supplies	<u>221,441</u>	<u>221,441</u>	<u>663,772</u>	<u>(442,331)</u>
Total expenditures	<u>956,645</u>	<u>956,645</u>	<u>1,368,276</u>	<u>(411,631)</u>
Excess (deficiency) of revenues over (under) expenditures	(189,164)	(189,164)	(558,478)	(369,314)
Other Financing Sources (Uses)				
Operating transfer	<u>125,809</u>	<u>125,809</u>	<u>125,809</u>	<u>0</u>
Net change in fund balances, budgetary basis	<u>\$ (63,355)</u>	<u>\$ (63,355)</u>	<u>\$ (432,669)</u>	<u>\$ (369,314)</u>
Budgetary Adjustments:				
Basis adjustments:				
Encumbrances			<u>465,271</u>	
Net change in fund balance, GAAP basis			<u>\$ 32,602</u>	

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual - General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenue				
Property taxes	\$ 67,515	\$ 67,515	\$ 78,037	\$ 10,522
Licenses and permits	504,278	504,278	531,476	27,198
Use of money	14,165	14,165	29,308	15,143
Intergovernmental	49,960	49,960	48,309	(1,651)
Charges for services	200	200	8,965	8,765
Fines and forfeitures			1,649	1,649
Total revenues	636,118	636,118	697,744	61,626
Expenditures				
Current:				
Salaries and employee benefits	687,513	687,513	671,554	15,959
Service and supplies	236,228	236,228	592,354	(356,126)
Total expenditures	923,741	923,741	1,263,908	(340,167)
Excess (deficiency) of revenues over (under) expenditures	(287,623)	(287,623)	(566,164)	(278,541)
Other Financing Sources (Uses)				
Operating transfer	144,539	144,539	136,620	(7,919)
Net change in fund balances, budgetary basis	\$ (143,084)	\$ (143,084)	(429,544)	\$ (286,460)
Budgetary Adjustments:				
Basis adjustment:				
Encumbrances			388,392	
Net change in fund balance GAAP basis			\$ (41,152)	

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual - Special Revenue Funds
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenue				
Licenses and permits	\$ 155,850	\$ 155,850	\$ 140,243	(15,607)
Use of money	35,866	35,866	87,914	52,048
Intergovernmental	400,333	400,333	228,187	(172,146)
Charges for services	255,545	255,545	242,932	(12,613)
Total revenues	847,594	847,594	699,276	(148,318)
Expenditures				
Current:				
Services and supplies	1,737,565	1,737,565	286,538	1,451,027
Total expenditures	1,737,565	1,737,565	286,538	1,451,027
Excess (deficiency) of revenues over (under) expenditures	(889,971)	(889,971)	412,738	1,302,709
Other Financing Sources (Uses)				
Operating transfer	(125,809)	(125,809)	(125,809)	0
Net change in fund balances, budgetary basis & GAAP basis	\$ (1,015,780)	\$ (1,015,780)	286,929	\$ 1,302,709

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

NORTHERN SONOMA COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budgets and Actual - Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				(Negative)
Revenue				
Licenses and permits	\$ 213,227	\$ 213,227	\$ 154,411	\$ (58,816)
Use of money	24,471	24,471	63,317	38,846
Intergovernmental	367,252	367,252	243,201	(124,051)
Charges for services	<u>253,696</u>	<u>253,696</u>	<u>271,836</u>	<u>18,140</u>
Total revenues	<u>858,646</u>	<u>858,646</u>	<u>732,765</u>	<u>(125,881)</u>
Expenditures				
Current:				
Service and supplies	<u>1,555,232</u>	<u>1,555,232</u>	<u>527,580</u>	<u>1,027,652</u>
Total expenditures	<u>1,555,232</u>	<u>1,555,232</u>	<u>527,580</u>	<u>1,027,652</u>
Excess (deficiency) of revenues over (under) expenditures	(696,586)	(696,586)	205,185	901,771
Other Financing Sources (Uses)				
Operating transfer	<u>(144,539)</u>	<u>(144,539)</u>	<u>(136,620)</u>	<u>7,919</u>
Net change in fund balances, budgetary basis & GAAP basis	<u><u>\$ (841,125)</u></u>	<u><u>\$ (841,125)</u></u>	<u><u>68,565</u></u>	<u><u>\$ 909,690</u></u>

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

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Northern Sonoma County Air Pollution Control District (the District) was established and organized under the provisions of Section 24350.3 of the California Health and Safety Code, although it is currently operating under Section 39000 et seq. The District was formed to provide services to the citizens of the Northern Sonoma County area for the purposes of controlling air pollution from all sources other than vehicular sources as authorized under Resolution No. 34069, dated August 17, 1971, by the County of Sonoma.

The District is governed by the Board of Supervisors of the County of Sonoma, who act ex officio as the Board of Directors of the District. The exercise of this oversight responsibility causes the District to be an integral part of the County of Sonoma's reporting entity. Therefore, the District's basic financial statements have also been included as a component unit in the County's comprehensive annual financial report.

B. Basis of Presentation

Government-wide 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 non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities (if any), which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include 1) charges paid by the recipients of goods or services offered by a program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

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

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of the fund financial statements is on major governmental funds, which are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 (other than property 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. General capital assets acquisitions are reported as expenditures in governmental funds.

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. Investments

Investments are stated at fair value in the statement of net assets and balance sheet and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The District follows the practice of pooling cash and investments of all funds with the County of Sonoma Treasurer.

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

Fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate fund based on their respective average daily balance for that quarter. The value of participants' pool shares is based on amortized cost, which is different than fair value. The County of Sonoma Treasurer has not provided nor obtained any legally binding guarantees to support the value of pool shares.

E. Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. Capital assets include land, buildings and improvements, and equipment. It is the District's policy to capitalize qualifying assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Buildings and improvements and equipment of the District are depreciated using the straight-line method over their estimated useful lives in the government-wide statements.

Estimated useful lives are as follows:

Buildings and improvements	20 – 50 years
Equipment	5 – 20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

F. Non-current Governmental Assets/Liabilities

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

G. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay reported in the government-wide financial statements is accrued when earned. Twenty-five percent of sick leave is payable on termination and is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

H. Net Assets

Net assets are classified into three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt related to financing the acquisition of capital assets.
- Restricted net assets – 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 definitions of “restricted” or “invested in capital assets, net of related debt”.

I. Fund Equity

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

J. Property Taxes

The County of Sonoma 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 of Sonoma. Secured property taxes are due in two installments, on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction.

Since the passage of California’s Proposition 13, beginning with the fiscal year 1978/1979, general property taxes are based either on a flat 1% rate applied to the 1975/1976 full value, or on 1% 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 2% per year.

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

On June 30, 1993, the Board of Supervisors adopted the “Teeter” Method of property tax allocation. This method allocates property taxes based on the total property tax billed. At year-end the County advances cash equal to each taxing jurisdiction’s current year delinquent property taxes. In exchange, the County receives the penalties and interest on delinquent taxes when collected. The penalties and interest are used to pay the interest cost of borrowing the cash used for the advances.

K. Implementation of Governmental Accounting Standards Board (GASB) Statement No. 46 and 47

Effective July 1, 2006, the District implemented GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation*, which clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as a citizens, public interest groups, or the judiciary can compel a government to honor.

Effective July 1, 2006, the District implemented GASB Statement No. 47 *Accounting for Termination benefits*, which establishes standards of accounting and financial reporting for termination benefits.

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. The District’s budgetary information was amended during the year by resolution of the Board of Directors.

III. DETAILED NOTES

A. Cash and Investments

Investment in the Sonoma County Treasurer’s Investment Pool

The District’s cash is pooled with the Sonoma County Treasurer, who acts as a disbursing agent for the District. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’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

NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006

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.

As of June 30, 2007, the District's share of the decrease in fair value of investments was negligible.

Investment Guidelines

The District'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-F, 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.

As of June 30, 2007, approximately 69 percent of the securities in the Treasury Pool had maturities of one year or less. Of the Remainder, only 4 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

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

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).

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 2007 Sonoma County CAFR.

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

B. Capital Assets

Capital asset activity for the years ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 46,206	\$	\$	\$	\$ 46,206
Total capital assets, not being depreciated	<u>46,206</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,206</u>
Capital assets, being depreciated:					
Buildings and improvements	24,489				24,489
Equipment	215,304				215,304
Total capital assets, being depreciated	<u>239,793</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>239,793</u>
Less accumulated depreciation for:					
Buildings and improvements	(24,490)				(24,490)
Equipment	(177,920)	(13,233)			(191,153)
Total accumulated depreciation	<u>(202,410)</u>	<u>(13,233)</u>	<u>0</u>	<u>0</u>	<u>(215,643)</u>
Total capital assets, being depreciated, net	<u>37,383</u>	<u>(13,233)</u>	<u>0</u>	<u>0</u>	<u>24,150</u>
Capital assets, net	<u>\$ 83,589</u>	<u>\$ (13,233)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 70,356</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities: \$ 13,233

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

B. Capital Assets (Continued)

Capital asset activity for the years ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 46,206	\$ _____	\$ _____	\$ _____	\$ 46,206
Total capital assets, not being depreciated	<u>46,206</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,206</u>
Capital assets, being depreciated:					
Buildings and improvements	24,489				24,489
Equipment	215,304				215,304
Total capital assets, being depreciated	<u>239,793</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>239,793</u>
Less accumulated depreciation for:					
Buildings and improvements	(24,490)				(24,490)
Equipment	(159,830)	(18,090)			(177,920)
Total accumulated depreciation	<u>(184,320)</u>	<u>(18,090)</u>	<u>0</u>	<u>0</u>	<u>(202,410)</u>
Total capital assets, being depreciated, net	<u>55,473</u>	<u>(18,090)</u>	<u>0</u>	<u>0</u>	<u>37,383</u>
Capital assets, net	<u>\$ 101,679</u>	<u>\$ (18,090)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,589</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities: \$ 18,090

C. Long-term Debt

Long-term liability activity for the years ended June 30, 2007 and 2006 was as follows:

	<u>Balance Beginning of Year</u>	<u>Net Additions (Reductions)</u>	<u>Balance End of Year</u>	<u>Amount Due Within One Year</u>
Compensated Absences:				
Fiscal year ended June 30, 2006	71,648	3,841	75,489	0
Fiscal year ended June 30, 2007	75,489	(4,286)	71,203	0

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

IV. OTHER INFORMATION

A. Risk Management

The District participates in the County of Sonoma self-insurance program. The County's self-insurance coverage is as follows: \$300,000 per occurrence for workers' compensation claims, \$750,000 per occurrence for automobile and general liability claims. The County is entirely self-insured for unemployment claims. The County has established an internal service fund to account for the eventual settlement of lawsuits and claims.

The County participates in the CSAC Excess Insurance Authority (CSAC EIA) excess liability insurance program. The County is covered under this program for \$750,000 to \$15,000,000 per occurrence for liability claims. Amounts in excess of \$300,000 per occurrence for workers' compensation claims within statutory limits are maintained through participation in the CSAC EIA - 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 EIA with the following limits and deductibles: \$400,000 per occurrence and \$50,000 deductible for "All-Risk" and flood, earthquake deductible at \$500,000 per occurrence. 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.

B. Employee Retirement Plan

Plan Description

All full-time employees participate in a cost sharing multiple-employer Defined Benefit Pension Plan (DBPP) and a Postemployment Healthcare Plan (PHP) administered by the Sonoma County Employees' Retirement Association (SCERA). The County of Sonoma is the primary government (employer) for the multiple-employer plans. The SCERA was organized on January 1, 1946, under the provision of the 1937 County Employees Retirement Act, and is financially independent of the County of Sonoma.

DBPP members include all permanent full employees of a participating employer who have been appointed to a permanent position of at least half time. The plan

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

provides benefits as defined by the law upon retirement, death, or disability of members.

In addition to the pension benefits described above, post-retirement health care benefits are provided to all active, covered employees who retire on or after attaining the age of 50 with at least 10 years of service. The employer pays approximately 85% of the health care insurance premium for retirees and their eligible dependents. The retiree can choose one of three health care providers. The employer reimburses a fixed amount per month for Medicare supplement for each retiree aged 65 and over covered under Medicare Parts A and B.

The Sonoma County Employees' Retirement Association issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Sonoma County Retirement Association, 433 Aviation Blvd., Santa Rosa, CA 95403-1069 or by calling 707-565-8100.

Funding Policy

Contribution rates for the employers and their covered employees are adopted by the Board of Supervisors upon recommendation by the SCERA Board of Retirement. Pension plan members are required to contribute 5% to 12% of their annual covered salary, depending upon their age of entry into the system. The employer is required to contribute an amount necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. Contributions to the DBPP for the fiscal years ended June 30, 2007 and 2006 were \$109,373 and \$98,904 respectively.

Postemployment healthcare benefits are funded by employer contributions made on a periodic basis. The rate is determined annually by the Retirement Association and approved by the Board of Supervisors. The rate is determined by dividing the estimated annual premium cost by the annual covered payroll. The financial statements of the County of Sonoma (the primary government) contain the financial information for the post-employment benefits, which are not presented here because the District's portion cannot be separated from the whole.

C. 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

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Notes to the Basic Financial Statements
June 30, 2007 and 2006**

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, districts 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.

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Roster of Board Members**

As of September 30, 2008, the District Board consisted of the following members:

<u>Directors:</u>	<u>Office</u>	<u>Term Expires</u>
Tim Smith	Chairman	January, 2009
Paul Kelley	Vice Chairman	January, 2011
Valerie Brown		January, 2009
Mike Kerns		January, 2011
Mike Reilly		January, 2009

**NORTHERN SONOMA COUNTY
AIR POLLUTION CONTROL DISTRICT
Roster of Hearing Board Members
June 30, 2007**

Organization and Description:

The Hearing Board of the Northern Sonoma County Air Pollution Control District was established in January, 1973 pursuant to Section 40800 of the Health & Safety Code. The purposes of the Hearing Board are to: (1) determine whether a permit shall be revoked or suspended or reinstated, (2) review variances, (3) revoke or modify variances, and (4) review the denial or conditional granting of an authority to construct, or permit to operate.

Hearing Board Members:

Term Expires

Otto Hoefler

Continuous

Linda Lucey

Continuous

Dennis Murphy

Continuous

Johanna Vanoni

Continuous

Air Pollution Control Officer:

Barbara Lee

Continuous

Meetings:

Hearing Board meetings are held at such time and place as may be determined from time to time by the Air Pollution Control Officer.